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China New Higher Education Group Limited

中國新高教集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2001)

DISCLOSEABLE TRANSACTION ACQUISITION OF NEW SCHOOLS IN GUANGXI

ACQUISITIONS

The Board is pleased to announce that on 14 September 2018 (after trading hours), Beijing Daai Consulting entered into the Equity Transfer and Capital Increase Agreement with Greenwoods Jia Xin Rui Xuan, Mr. Li Jianchun, Songming Zhonghe and Songming Xinju, pursuant to which the parties conditionally agreed to (1) increase the equity interest of Songming Xinju held by Beijing Daai Consulting from 45% to 51% and (2) the acquisition by Greenwoods Jia Xin Rui Xuan of 39% equity interest in Songming Xinju. Songming Xinju wholly owns the Target School sponsor.

The Target Schools cover undergraduate education in various disciplines such as economics and management, information technology, construction engineering, humanities and arts. Due to good teaching quality, the promotion plan of the schools has been included in the “13th Five-Year Plan” for universities in Guangxi Zhuang Autonomous Region and has been filed with the MOE. In future, it is planned that the Target Schools will be permitted to offer undergraduate level education. Guangxi Zhuang Autonomous Region currently has relatively lower student enrollment rate than other provinces in the PRC. The Beibu Gulf Economic Zone, in which the Target Schools are located, is a strategic development zone in Guangxi Zhuang Autonomous Region under the “Belt and Road” Initiative possessing the regional advantage of covering ASEAN and the fastest growing region in Guangxi. However, there are only a few universities in the region, and the higher education services supplied fall short of demand. Accordingly, the Directors are confident that the Target Schools have good potential to enlarge its scale.

LISTING RULES IMPLICATIONS

As certain applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition under the Transaction Documents are more than 5% and less than 25%, the Acquisition constitutes a discloseable transaction and will be subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

ACQUISITION OF THE TARGET SCHOOL SPONSOR AND TARGET SCHOOLS

Capital Increase Agreement

On 7 June 2018, Beijing Daai Consulting, an indirect wholly-owned subsidiary of Yun Ai Group, a consolidated affiliated entity of the Company, entered into the Capital Increase Agreement with Mr. Li Jianchun to subscribe for 45% equity interest of Songming Xinju for a consideration of RMB116,514,000, with RMB4,591,837 accounted into the register capital and RMB111,922,163 accounted into the capital reserve. Upon closing of the Capital Increase Agreement and as at the date of this announcement, Songming Xinju was held as to 45% by Beijing Daai Consulting and 49% by Mr. Li Jianchun and 6% by Songming Zhonghe.

By that time, the transaction under the Capital Increase Agreement, on a standalone basis, did not constitute a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

Equity Transfer and Capital Increase Agreement

On 14 September 2018 (after trading hours), Beijing Daai Consulting entered into the Equity Transfer and Capital Increase Agreement with Greenwoods Jia Xin Rui Xuan, Mr. Li Jianchun, Songming Zhonghe and Songming Xinju, pursuant to which the parties conditionally agreed to (1) increase the equity interest of Songming Xinju held by Beijing Daai Consulting from 45% to 51% and (2) the acquisition by Greenwoods Jia Xin Rui Xuan of 39% equity interest in Songming Xinju.

The principal terms of the Equity Transfer and the Capital Increase Agreement are set forth as below.

Date: 14 September 2018

Parties:

- (1) Beijing Daai Consulting;
- (2) Greenwoods Jia Xin Rui Xuan;
- (3) Mr. Li Jianchun;
- (4) Songming Zhonghe; and
- (5) Songming Xinju

Subject matter:

- (1) Songming Zhonghe agreed to transfer 6% of equity interest of Songming Xinju to Greenwoods Jia Xin Rui Xuan, at the consideration of RMB15 million;
- (2) Songming Xinju agreed to transfer its capital reserve to registered capital, which is in turn held by Greenwoods Jia Xin Rui Xuan of RMB1,994,738 and by Beijing Daai Consulting of RMB15,658,163, respectively;
- (3) Greenwoods Jia Xin Rui Xuan agreed to contribute RMB97,198,667 to subscribe for the increased registered capital of RMB16,893,017 of Songming Xinju, with the remaining accounted into the capital reserve; and
- (4) Beijing Daai Consulting agreed to provide the loan of RMB30,207,333 to Songming Xinju which will be convertible into share capital by 1 January 2019, or earlier, decided by Beijing Daai Consulting. Upon conversion, Beijing Daai Consulting shall use the principal to subscribe for the increased registered capital of RMB5,250,000 of Songming Xinju, with the remaining accounted into the capital reserve.

Upon the closing of the Acquisition, Songming Xinju will be held as to 51% by Beijing Daai Consulting, as to 39% by Greenwoods Jia Xin Rui Xuan, and as to 10% by Mr. Li Jianchun.

Basis of the consideration:

The consideration payable by the Group under the Transaction Documents was arrived at arm's length negotiation after considering net assets value of the Target Schools as at 30 June 2018, location of schools, type of schools, number of students, branding of Target Schools, observation by the Group regarding the recent market value of schools of similar size that acquired and the value to be generated by the Group through running and managing the Target Schools.

Payment Term:

The conditions precedent are expected to be satisfied no later than 15 September 2018 and the respective parties shall settle the payment within 10 business days after satisfaction of the conditions precedent.

Management: Upon closing of the Acquisition, two out of three seats of the board of Songming Xinju shall be designated by Beijing Daai Consulting, and the remaining seat shall be designated by Greenwoods Jia Xin Rui Xuan while the members of the board of the Target School sponsor and the Target Schools are nominated by Beijing Daai Consulting as at the date of this announcement. It is agreed that Greenwoods Jia Xin Rui Xuan shall have the right to nominate director(s) of the Target Schools and the Target School Sponsor in proportion to their respective nomination of members of the board of directors in Songming Xinju.

Source of funding: The investment to be contributed by Beijing Daai Consulting under the Transaction Documents was/will be funded by the Group's internal financial resources and loan(s) with third party banks.

Others: Beijing Daai Consulting, Greenwoods Jia Xin Rui Xuan and Mr. Li Jianchun entered into the Shareholders' Agreement to stipulate their respective rights and obligations in Songming Xinju, upon the closing of the Acquisition. The Shareholders' Agreement has set out several rights for joint venture including but not limited to director's nomination rights, reserved matters, pre-emptive rights, right of first offer, tag-along rights, call option and put option. Greenwoods Jia Xin Rui Xuan shall have the right to exit part or all their investment in Songming Xinju by giving notice to exercise the put option during 90 days commencing from on 31 December 2020. The Company will make announcement(s) according to the Listing Rules, if applicable, when such rights are exercised.

INFORMATION OF SONGMING XINJU, THE TARGET SCHOOL SPONSOR AND THE TARGET SCHOOLS

The Target School Sponsor was established under the laws of the PRC on 25 August 2017 and is an investment holding company. As at the date of this announcement, the Target School Sponsor is wholly held by Songming Xinju, an investment holding company.

As at the date of this announcement, Songming Xinju is held as to 45% by Beijing Daai Consulting, 49% by Mr. Li Jianchun and 6% by Songming Zhonghe.

Mr. Li Jianchun is the original shareholder of Songming Xinju and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, he is a third party independent of the Company and its connected persons.

Songming Zhonghe is an investment holding company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Songming Zhonghe and its beneficial owners is a third party independent of the Company and its connected persons.

The Target Schools include the below three schools.

Guangxi Yinghua International Occupation College* (廣西英華國際職業學院) was established under the laws of the PRC in 2005 and is principally engaged in higher education. As at the date of this announcement, its registered capital is RMB33 million.

Guangxi Qinzhou Yinghua International Occupation and Technology School* (廣西欽州英華國際職業技術學校) was established under the laws of the PRC in 2008 and is principally engaged in secondary vocational school education. As at the date of this announcement, its registered capital is RMB5 million.

Guangxi Yinghua International Occupation Middle School* (廣西英華國際職業學校附屬中學) was established under the laws of the PRC in 2006 and is principally engaged in high school education. As at the date of this announcement, its registered capital is RMB5 million.

For the years ended 31 December 2016 and 31 December 2017, the net profit attributable to Target Schools were as follows:

For the year ended 31 December 2016:

Unaudited net profit (before tax):	RMB8,741,200
Unaudited net profit (after tax):	RMB8,741,200

For the year ended 31 December 2017:

Unaudited net profit (before tax):	RMB18,357,839
Unaudited net profit (after tax):	RMB18,357,839

Number of students for the academic year of 2016/2017:	8,022
Number of students for the academic year of 2017/2018:	8,434

* *An academic year is generally from September 1 of each calendar year to August 31 of the following calendar year.*

As of 30 June 2018, the total assets value and the net assets value of Target Schools was approximately RMB202,735,531 (unaudited) and RMB175,451,309 (unaudited), respectively.

STRUCTURE OF THE TARGET SCHOOL SPONSOR AND THE TARGET SCHOOLS UPON CLOSING OF ACQUISITION

Upon closing of the Acquisition, Songming Xinju, the sole shareholder of Target School Sponsor will become held as to 51% by Beijing Daai Consulting, as to 39% by Greenwoods Jia Xin Rui Xuan and as to 10% by Mr. Li Jianchun. Among others, the Target School Sponsor and Target Schools will enter into the structured contracts with Huihuang Company, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, after which each of the Target School Sponsor and Target Schools will be treated as a consolidated affiliated entity of the Company and Target School's results of operations will be consolidated into the Group's results of operations. The Company will publish further announcement(s) according to the Listing Rules and HKEx-GL77-14 upon closing of the Acquisition.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Directors believe that the Acquisition marks the Group's continuous efforts to expand its school network and increase the market penetration.

The Target Schools cover undergraduate education in various disciplines such as economics and management, information technology, construction engineering, humanities and arts. Due to their good teaching quality, the promotion plan of the schools has been included in the "13th Five-Year Plan" for universities in Guangxi Zhuang Autonomous Region and has been filed with the MOE. In future, the Target Schools will be permitted to offer undergraduate level education. Guangxi Zhuang Autonomous Region currently has relatively lower student enrollment rate than other provinces in the PRC. The Beibu Gulf Economic Zone, in which the Target Schools are located, is a strategic development zone in Guangxi Zhuang Autonomous Region under the "Belt and Road" Initiative possessing the regional advantage of covering ASEAN and the fastest growing region in Guangxi. However, there are only a few universities in the region, and the higher education services supplied fall short of demand. According, the Directors are confident that the Target Schools have good potential to enlarge its scale.

The Directors (including the independent non-executive Directors) consider that the Transaction Documents have been entered into on normal commercial terms, and the terms of the transactions thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the Transaction Documents or is required to abstain from voting on the Board resolution for considering and approving the same.

INFORMATION OF GREENWOODS JIA XIN RUI XUAN

Greenwoods Jia Xin Rui Xuan is a fund investment platform of Shanghai Greenwoods Investment Management Co. Ltd. (上海景林股權投資管理有限公司). Greenwoods Investment Management Co. Ltd. is the manager of the private equity investment funds of Greenwoods Jia Xin Rui Xuan, with a focus on equity investments in consumer services, healthcare, and technology, media and telecommunications sectors. The brand of Greenwoods Jia Xin Rui Xuan was established in 2004.

As at the date of this announcement, the hedge funds managed by Greenwoods Jia Xin Rui Xuan hold an aggregate of 5.98% of the issued Shares of the Company. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Greenwoods Jia Xin Rui Xuan is a third party independent of the Company and its connected persons.

INFORMATION OF THE GROUP

The Company is an investment holding company and its subsidiaries are principally engaged in private formal higher education. Beijing Daai Consulting is an investment holding company and it is a wholly owned subsidiary of Yun Ai Group, a consolidated affiliated entity of the Company.

LISTING RULES IMPLICATIONS

As all applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition under the Transaction Documents are more than 5% and less than 25%, the Acquisition constitutes a discloseable transaction and will be subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

EXCLUSIVE TECHNICAL SERVICE AND MANAGEMENT CONSULTANCY SERVICE AGREEMENT

On the same date, the Target School Sponsor and Huihuang Company entered into an exclusive technical service and management consultancy service agreement, pursuant to which Huihuang Company agreed to provide technology and management consulting services to the Target School Sponsor and the Target Schools, in return, the Target School Sponsor and the Target Schools will pay all of its surplus from operations to Huihuang Company as service fees during the term of the exclusive technical service and management consultancy service agreement. Such exclusive technical service and management consultancy service agreement is expected to terminate automatically upon the execution of the structured contracts entered into among Beijing Daai Consulting and the Target Schools.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Acquisition”	the acquisition of 51% equity interest of Songming Xinju, the sole shareholder of the Target School Sponsor, as contemplated under the Transaction Documents
“Beijing Daai Consulting”	Beijing Daai Consulting Education Consulting Co., Ltd.* (北京大愛教育諮詢公司), a limited liability company established in the PRC on 26 July 2017. It is wholly owned by Yun Ai Group
“Board” or “Board of Directors”	the board of Directors of our Company
“Capital Increase Agreement”	the capital increase and share expansion agreement dated 7 June 2018 entered into among Mr. Li Jianchun and Beijing Daai Consulting in relation to the acquisition of 45% of equity interest of Songming Xinju by Beijing Daai Consulting
“China” or “PRC”	the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
“Company”	China New Higher Education Group Limited (中國新高教集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 July 2016
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the directors of the Company
“Equity Transfer and Capital Increase Agreement”	the equity transfer and capital increase agreement dated 14 September 2018 entered into among Mr. Li Jianchun, Beijing Daai Consulting, Songming Xinju, Songming Zhonghe and Greenwoods Jia Xin Rui Xuan
“Greenwoods Jia Xin Rui Xuan”	Jia Xin Rui Xuan Tou Zi He Huo Qi Ye (You Xian He Huo) (嘉興瑞軒投資合夥企業(有限合夥)), a limited partnership established under the laws of the PRC

“Group”	the Company, its subsidiaries and the consolidated affiliated entities from time to time
“Huihuang Company”	Tibet Daai Huihuang Information and Technology Co., Ltd.* (西藏大愛輝煌信息科技有限公司), a limited liability company established on 5 August 2016 under the laws of the PRC and a wholly owned subsidiary of the Group
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“MOE”	the Ministry of Education of the PRC
“Mr. Li Xiaoxuan”	Mr. Li Xiaoxuan (李孝軒), the founder, one of the Controlling Shareholders, chairman of the Board and an executive Director
“Mr. Li Jianchun”	Mr. Li Jianchun (李建春), one of the shareholders of Songming Xinju as to 49% as at the date of this announcement
“Prospectus”	the prospectus of the Company dated 15 April 2017
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Agreement”	The shareholders’ agreement dated 14 September 2018 entered into among Songming Xinju, Beijing Daai Consulting, Greenwoods Jia Xin Rui Xuan and Mr. Li Jianchun in relation to the rights and obligations in Songming Xinju, being the sole shareholder of the Target School Sponsor
“Songming Xinju”	Songming Xinju Enterprise Management Company Limited (嵩明新巨企業管理有限公司), a limited liability company established under the laws of the PRC on 27 October 2016
“Songming Zhonghe”	Songming Zhonghe Enterprise Management and Consulting Company Limited (嵩明眾合企業管理諮詢有限公司), a limited liability company established under the laws of the PRC on 31 May 2016
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	has the meaning as defined in the prospectus of the Company dated 5 April 2017

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target School Sponsor”	Qinzhou Yinghua Datang Education Investment Company Limited (欽州英華大唐教育投資有限公司), a limited liability company established under the laws of the PRC on 25 August 2017
“Target Schools”	together, Guangxi Yinghua International Occupation College* (廣西英華國際職業學院), Guangxi Qinzhou Yinghua International Occupation and Technology School* (廣西欽州英華國際職業技術學校) and Guangxi Yinghua International Occupation Middle School* (廣西英華國際職業學院附屬中學)
“Transaction Documents”	together, the Capital Increase Agreement, the Equity Transfer and Capital Increase Agreement and the Shareholders’ Agreement
“Yun Ai Group”	Yunnan Einsun Education Investment Group Co., Ltd.* (雲南愛因森教育投資集團有限公司), a limited liability company established under the laws of the PRC on 19 September 2005, which is owned as to 29.8806% by Mr. Li Xiaoxuan, 20.0568% by Pai Dui Pai, 5.7305% by Ba Mu Pu, 22.8102% by Daai Partnership, 1.2956% by Huihuang Investment, 1.3177% by Chengxin Investment, 15.5265% by Shanghai Taifu and 3.3822% by Zhongyi Company

By order of the board of
China New Higher Education Group Limited
Li Xiaoxuan
Chairman

Hong Kong, 14 September 2018

As at the date of this announcement, the executive Directors are Mr. Li Xiaoxuan, Mr. Zhao Shuai and Mr. Ding Yu, the non-executive Director is Mr. Chen Shuo, and the independent non-executive Directors are Mr. Wong Man Chung Francis, Mr. Hu Jianbo and Mr. Kwong Wai Sun Wilson.

* *For identification purposes only*