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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
COMPLETION IN ACQUISITION OF THE GANSU COLLEGE

COMPLETION OF THE ACQUISITION OF THE GANSU COLLEGE

References are made to the announcement of the Company dated 9 July 2018 with respect to the cooperation in relation to the Gansu College where Bei Ai Company, a wholly-owned subsidiary of Yun Ai Group, entered into the Cooperation Agreement with Lanzhou University of Technology and the announcement of the Company dated 31 March 2021 with respect to the approval obtained from the MOE for Bei Ai Company to become the sponsor of Gansu College (the “**Announcements**”). Unless otherwise defined, capitalized terms used herein shall have the same meaning as those defined in the Announcements.

The Board is pleased to announce that the Company has obtained all necessary approvals and completed the acquisition of the Gansu College on 20 April 2021 where Bei Ai Company became the sole school sponsor of the Gansu College.

On 20 April 2021, Bei Ai Company, the Gansu College and the newly appointed directors of the Gansu College designated by Bei Ai Company entered into the sixth supplemental agreement (the “**Sixth Supplemental Agreement**”) with Huihuang Company, Yun Ai Group, and the registered shareholders of Yun Ai Group, to reflect Bei Ai Company’s acquisition of interest in the Gansu College as its sole school sponsor. Upon entering into of the Sixth Supplemental Agreement, the Gansu College shall become an entity controlled by the Company and its results of operations shall be consolidated into the Group’s results of operations.

SIXTH SUPPLEMENTAL AGREEMENT

The Sixth Supplemental Agreement, as a supplemental agreement to the New Structured Contracts (as defined in the announcement of the Company dated 26 August 2019, as amended from time to time), will be entered into mainly (i) to reflect the Group's acquisition of interest in the Gansu College where, upon completion of the acquisition of the Gansu College, the rights and obligations of the relevant parties shall be subject to the terms and conditions of the New Structured Contracts which will enable the Company to extend control over the Gansu College in proportion to the interest held by the Group in such school; and (ii) to provide an efficient and cost-saving solution to facilitate the execution of the New Structured Contracts so that validity of the New Structured Contracts will not be affected or impaired by the Group's acquisition of interest in the Gansu College.

LISTING RULES IMPLICATIONS

As explained and disclosed in the announcement of the Company dated 26 August 2019, the New Structured Contracts, as a whole, constitute continuing connected transactions of the Company under the Listing Rules. Thus, the Sixth Supplemental Agreement constitutes a material change to the terms of the New Structured Contracts.

SIXTH SUPPLEMENTAL AGREEMENT

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The principal terms of the Sixth Supplemental Agreement are set out below:

- (1) since the date of the Sixth Supplemental Agreement, the Gansu College, as a party to the New Structured Contracts, shall assume the rights and obligations under the New Structured Contracts (including all its supplemental agreements as at the same date) as a school solely sponsored by Bei Ai Company, a wholly-owned subsidiary of Yun Ai Group;

- (2) since the date of the Sixth Supplemental Agreement, the newly appointed directors of the Gansu College, as a party to the New Structured Contracts, shall assume the rights and obligations under the New Structured Contracts (including all its supplemental agreements as at the same date) as the directors of the Gansu College designated by Bei Ai Company, the sole school sponsor of the Gansu College;
- (3) where applicable, in case the validity of any of the New Structured Contracts is affected or impaired by the newly adjusted and assumed rights and obligations, each party to the agreement agreed that the New Structured Contracts shall remain effective, and undertook to procure the other signatories to the New Structured Contracts to cooperate with the signing of relevant agreements and related matters, so as to ensure that the New Structured Contracts continue to take effect; and
- (4) the Sixth Supplemental Agreement shall not be changed, altered, supplemented or amended except as otherwise executed by parties in written agreement. No party shall assign its rights or obligations under the Sixth Supplemental Agreement without the prior written consent of all the other parties thereof.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE SIXTH SUPPLEMENTAL AGREEMENT

The Sixth Supplemental Agreement, as a supplemental agreement to the New Structured Contracts, will be entered into mainly (i) to reflect the Group's acquisition of interest in the Gansu College where, upon completion of the acquisition of the Gansu College, the rights and obligations of the relevant parties shall be subject to the terms and conditions of the New Structured Contracts which will enable the Company to extend control over the Gansu College in proportion to the interest held by the Group in such school; and (ii) to provide an efficient and cost-saving solution to facilitate the execution of the New Structured Contracts so that validity of the New Structured Contracts will not be affected or impaired by the Group's acquisition of interest in the Gansu College.

Since joining the Group in July 2018, through integrated strengths, sharing of resources and synergized development, the Group has supported the Gansu College to become the key university supported by and developed in the "13th Five-Year Plan" of Gansu Province. The Gansu College has also been recognized as Advanced Unit of Employment in Ordinary Colleges and Universities in Gansu Province. The student enrolments of the Gansu College for the 2020/2021 academic year increased to over 9,200. The Group will continue to implement its proven business strategies in providing excellent education to more students.

Following the execution of the structured contracts, Gansu College will become an entity controlled by the Group and its results of operations will be consolidated into those of the Group, which will help improving the revenue and profit of the Group.

The Directors (including the independent non-executive Directors) consider that the Sixth Supplemental Agreement has 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.

LISTING RULES IMPLICATIONS

As explained and disclosed in the announcement of the Company dated 26 August 2019, the New Structured Contracts, as a whole, constitute continuing connected transactions of the Company under the Listing Rules. Thus, the Sixth Supplemental Agreement constitutes a material change to the terms of the New Structured Contracts.

After consultation with the Company's PRC Legal Advisors, the Directors (including the independent non-executive Directors) are of the view that the Sixth Supplemental Agreement will be entered into only to reflect Bei Ai Company's interest in the Gansu College as its sole sponsor, which will not affect the terms and conditions of the New Structured Contracts, and therefore the entering into of the Sixth Supplemental Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Li Xiaoxuan (李孝軒), the founder, one of the controlling shareholders, chairman of the Board and an executive Director of the Company, who owns Songming Dexue Education Development Co., Ltd.* (嵩明德學教育發展有限公司), one of the parties to the Sixth Supplemental Agreement, is considered to have a material interest in the Sixth Supplemental Agreement. Mr. Li has abstained from voting on the resolutions in relation to the Sixth Supplemental Agreement proposed to the Board. Save as disclosed above, none of the Directors has a material interest in the Sixth Supplemental Agreement or has abstained from voting on the resolutions.

CONSOLIDATED FINANCIAL RESULTS OF THE GANSU COLLEGE AND THE SIXTH SUPPLEMENTAL AGREEMENT

According to HKFRSs 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although the Company does not directly or indirectly own the Gansu College, the Sixth Supplemental Agreement as mentioned above enables the Company to exercise control over the Gansu College.

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

Hong Kong, 20 April 2021

As at the date of this announcement, the executive Directors are Mr. Li Xiaoxuan, Mr. Zhao Shuai and Ms. Shen Chunmei, and the independent non-executive Directors are Mr. Hu Jianbo, Mr. Kwong Wai Sun Wilson, Mr. Chan Tung Hoi and Dr. Pang Tsz Kit Peter.

* *For identification purposes only*