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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 COOPERATION IN RELATION TO THE GANSU COLLEGE CHANGE IN USE OF PROCEEDS

COOPERATION IN RELATION TO THE GANSU COLLEGE

The Board announces that on 6 July 2018 (after market close), Bei Ai Company, a wholly owned subsidiary of Yun Ai Group, entered into the Cooperation Agreement with Lanzhou University of Technology, pursuant to which Bei Ai Company would apply to be a joint school sponsor of the Gansu College.

The Gansu College was established under the laws of the PRC in 2004 and is principally engaged in higher education in Gansu Province which is permitted to grant undergraduate degree certificates. As at the date of this announcement, the registered capital of the Gansu College is RMB80,000,000 and the school sponsorship of the Gansu College is owned by Lanzhou University of Technology.

The Directors believe that (1) the cooperation in relation to the Gansu College marks the Group's continuous efforts to expand its new undergraduate school network, (2) as disclosed above, the Gansu College is an established institution of undergraduate education with an existing students capacity of around 8,000 per academic year. Compared to the significant time and investment required if the Group is to establish a new junior college in Gansu Province, being the Northwest School, and to take time to quality to grant undergraduate degree certificates, the Board believes it is a more cost and time efficient manner to expand the business by becoming a joint school sponsor of the Gansu College, (3) the brand name and teaching resources of Lanzhou University of Technology is able to leverage on the Group's reputation in Gansu Province, which potentially facilitates the Group's expansion locally, and (4) the enrollment rate in Gansu Province is relatively lower than that in other provinces of the PRC, which in turn enables the Group to potentially capture a larger market share. The Directors consider that the Gansu College has good potential to increase the number of students.

LISTING RULES APPLICATIONS

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

CHANGE IN USE OF PROCEEDS

According to the Prospectus and the announcements of the Company dated 6 July 2017 and 4 January 2018 for the establishment of the Northwest School, it was originally intended that HK\$123.1 million out of the proceeds from the global offering in April 2017 would be used for the establishment of the Northwest School and such amount was utilized to acquire the land use right for the Northwest School. However, in connection with the Cooperation Agreement, such land use right would be contributed to the Gansu College for the new campus instead.

The Directors considered that as compared to the new establishment of the Northwest School which can only grant junior college degree certificates upon establishment, becoming a joint school sponsor of the Gansu College, an established higher education institution which can grant undergraduate degree certificates, with an existing capacity of around 8,000 students per academic year is more cost and time efficient. Upon further consideration and assessment, the Board decided to suspend the establishment of the Northwest School and focus the Group's resources to the Gansu College.

As the Cooperation Agreement is subject to regulatory approvals from the relevant authorities in the PRC, which may or may not be obtained, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

COOPERATION AGREEMENT

- Date:** 6 July 2018 (after market close)
- Parties:** (i) Lanzhou University of Technology; and
(ii) Bei Ai Company
- Subject:** Pursuant to the Cooperation Agreement, Bei Ai Company would apply to be a joint school sponsor of the Gansu College and make investments to establish a new campus at a new location. Pursuant to the terms of the said agreement, Lanzhou University of Technology shall contribute intangible assets comprising its school name and teaching resources, and Bei Ai Company shall contribute the required funding and land use right for the construction of the new campus and shall be responsible for the construction of the new campus and operation of the Gansu College thereafter.
- After completion, the operation of the Gansu College will be solely responsible by the Group.

Basis of the consideration: Pursuant to the Cooperation Agreement, the Group will invest RMB200 million, including the land use right for the new campus and would be responsible for the construction of the new campus and further operation and development of the Gansu College.

The proposed investment was arrived at arm length's negotiation after consideration of, the type of the Gansu College, education level, number of students, branding of Lanzhou University of Technology, observation by the Group regarding recent market value of the schools of similar sizes, estimated resources needed for the construction of the new campus and the value to be generated by the Group through running and managing the Gansu College.

According to the announcement of the Company dated 4 January 2018, pursuant to which the Group agreed to acquire the state-owned land use right in Lanzhou Development Zone for a consideration of RMB165,670,000 by a successful bidding. It was originally intended that such land use right would be used for the establishment of the Northwest School. Since the Group found a more appropriate target school for acquisition in Lanzhou, Gansu Province, the Group negotiated with Department of Land and Resources of Lanzhou and obtained consent that such land use right would be used for the new campus of the Gansu College.

**Payment terms of
Cooperation Agreement:**

Pursuant to the Cooperation Agreement:

- (1) Bei Ai Company shall contribute RMB200 million (including the paid land use right valued at RMB165,670,000) for the construction of the new campus within ten business days after signing of the Cooperation Agreement.
- (2) Bei Ai Company shall commence the construction of the new campus on the parcel of land contributed by the Group.
- (3) Lanzhou University of Technology will apply with Gansu Education Bureau for the change of the school sponsor of the Gansu College, and Lanzhou University of Technology is responsible for the completion of the change of the school sponsor within 15 business days after signing of the Cooperation Agreement.

- (4) Lanzhou University of Technology shall cooperate to proceed with the enrollment of new students to the Gansu College and provide necessary teaching resources.

Management:

During the construction stage, three out of seven seats of the board of Gansu College, including the chairman shall be designated by Lanzhou University of Technology, another three (including legal representative) shall be designated by the Group and the remaining one will be employee director; and after the completion of the construction, four out of seven seats of the board of Gansu College, including the chairman, legal representative and the employee director shall be designated by the Group, and the remaining three shall be designated by Lanzhou University of Technology.

Source of funding:

The investment to be contributed by Bei Ai Company under the Cooperation Agreement will be funded by the Group's proceeds from the global offering in April 2017 and internal financial resources and loan(s) with third party banks.

STRUCTURE OF GANSU COLLEGE UPON COMPLETION

Upon becoming a joint school sponsor of the Gansu College, Bei Ai Company and the Gansu College 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 the Gansu College's results of operations will be consolidated into our Group's results of operations. The Company will publish further announcement(s) according to the Listing Rules and HKEx-GL77-14 upon closing.

REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT

The Directors believe that (1) the Cooperation Agreement marks the Group's continuous efforts to expand its new undergraduate school network, (2) as disclosed below, the Gansu College is an established institution of undergraduate education which is permitted to grant bachelor's degree certificates with an existing students capacity of around 8,000 per academic school year. Compared to the significant time and investment required if the Group is to establish a new junior college in Gansu Province and to take time quality to grant undergraduate degree certificates, the Board believes that the it is a more cost and time efficient manner to expand the business in Northwest China by becoming a joint school sponsor of the Gansu College, (3) the branding name and teaching resources of Lanzhou University of Technology is able to leverage on the Group's reputation in Gansu Province, which potentially facilities the Group's expansion locally, and (4) the enrollment rate in Gansu Province is relatively lower than that in other provinces of the PRC, which in turn enables the Group to potentially capture a larger market share. The Directors consider that the Gansu College has good potential to increase the number of students.

The Directors (including the independent non-executive Directors) consider that the Cooperation 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. None of the Directors has a material interest in the transaction contemplated under the Cooperation Agreement or is required to abstain from voting on the Board resolution for considering and approving the same.

LISTING RULES APPLICATIONS

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

INFORMATION OF GANSU COLLEGE

The Gansu College was established under the laws of the PRC in 2004 and is principally engaged in higher education in Gansu Province which is permitted to grant undergraduate degree certificates. As at the date of this announcement, the registered capital of the Gansu College is RMB80,000,000 and the school sponsorship of the Gansu College is owned by Lanzhou University of Technology. The Gansu College offers 33 undergraduate majors, which mainly include engineering majors such as mechanical, electrical, civil engineering, materials, and chemical engineering, and also majors in science, literature and management.

For the year ended 31 December 2016 and 31 December 2017, the unaudited net profit attributable the Gansu College were as follows:

For the year ended 31 December 2016:

Unaudited net profit (before tax): RMB11,611,206

Unaudited net profit (after tax): RMB11,611,206

For the year ended 31 December 2017:

Unaudited net profit (before tax): RMB16,742,679

Unaudited net profit (after tax): RMB16,742,679

Number of students for academic year of 2016/2017: 8,372

Number of students for academic year of 2017/2018: 8,218

As of 31 December 2017, the total unaudited assets value and the net assets value of the Gansu College was approximately RMB168,560,342 and RMB104,210,342, respectively.

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

INFORMATION OF THE CURRENT SCHOOL SPONSOR OF THE GANSU COLLEGE

As at the date of this announcement, the school sponsorship of Gansu College is solely owned by Lanzhou University of Technology.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Lanzhou University of Technology 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. Bei Ai Company is a wholly owned subsidiary of Yun Ai Group. It is an investment holding company.

CHANGE IN USE OF PROCEEDS

Original Use of proceeds

According to the Prospectus, it was stated in the section headed "Future Plans and Use of Proceeds" of the Prospectus that the Company intended to use the net proceeds for the following purposes:

- (i) approximately HK\$487.1 million, is expected to be used primarily to expand our business, including constructing new schools and acquiring schools that are qualified to grant bachelor's degrees;
 - approximately HK\$214.2 million towards acquiring or establishing schools in 2017;
 - approximately HK\$123.1 million towards constructing school facilities at the Northwest School; and
 - approximately HK\$149.8 million towards settling a portion of the outstanding consideration for our investment in the Northeast School.
- (ii) approximately HK\$208.8 million, is expected to be used primarily to improve our financing structure and repay a portion of our bank loan;
- (iii) approximately HK\$77.3 million, is expected to be used to fund our working capital and general corporate purposes.

Change in Use of Proceeds

According to the announcements of the Company dated 6 July 2017 and 4 January 2018 for the establishment of the Northwest School, HK\$123.1 million out of the proceeds from the global offering in April 2017 for the establishment of the Northwest School were previously utilized to acquire the land use right in Lanzhou Development Zone. However, in connection with the Cooperation Agreement, such land use right would be contributed to the Gansu College for the new campus instead.

The following sets forth a summary of the utilization of the net proceeds from the global offering in April 2017 as at the date of this announcement:

Purpose	Percentage to total amount	Net proceeds <i>RMB (million)</i>	Utilised amount (as at the date of this announcement) <i>RMB (million)</i>	Unutilised amount (as at the date of this announcement) <i>RMB (million)</i>
acquiring or establishing schools in 2017 and 2018	27.7%	173.5	273.2	0
constructing school facilities at the Northwest School	15.9%	99.7	0	0
settling a portion of the outstanding consideration for the investment in the Northeast School	19.4%	121.34	121.34	0
improving the Group's financing structure and repay a portion of the bank loans	27%	148.25	148.25	0
Financing working capital and general corporate use	10%	60.31	60.31	0
Total	<u>100.0%</u>	<u>603.1</u>	<u>603.1</u>	<u>0</u>

Save for the aforesaid change, there is no other change of the use of the net proceeds.

Reason for the Change in Use of Proceeds

The Directors considered that as compared to the new establishment of the Northwest School which can only grant college degree certificates upon establishment, the acquisition of Gansu College, an established higher education institution which can grant undergraduate degree certificates, with an existing capacity of around 8,000 students per academic year is more cost and time efficient. Besides, the branding name of Lanzhou University of Technology is able to leverage on the Group's reputation in Gansu Province, which in turn facilitates the Group's business expansion. Upon further consideration and assessment by the Board, the Board decided to suspend the establishment of the Northwest School and focus the Group's resources to the Gansu College.

The Directors confirm that there is no material change in the nature of business of the Group as set out in the Prospectus. The Directors consider the above change in the use of the net proceeds from the global offering in April 2017 is fair and reasonable as this would allow the Company to deploy its financial resources more effectively to enhance the profitability of the Group and is therefore in the interests of the Group and the Shareholders as a whole.

As the Cooperation Agreement is subject to regulatory approvals from the relevant authorities in the PRC, which may or may not be obtained, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“Acquisition”	becoming a joint school sponsor of Gansu College as contemplated under the Cooperation Agreement
“Bei Ai Company”	Beijing Aiyinsheng Education Investment Co., Ltd.* (北京愛因生教育投資有限責任公司), a limited liability company established under the laws of the PRC on 16 October 2012, and wholly owned by Yun Ai Group.
“Board” or “Board of Directors”	the board of Directors of our Company
“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
“Cooperation Agreement”	the cooperation agreement dated 4 July 2018 entered into between Lanzhou University of Technology and Bei Ai Company in relation to the Acquisition
“Department of Land and Resources of Lanzhou”	the Department of Land and Resources of Lanzhou* (蘭州新區國土資源局), a government authority
“Director(s)”	the directors of the Company
“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
“Group”	the Company, its subsidiaries and the consolidated affiliated entities from time to time

“Gansu College”	College of Technology and Engineering* (蘭州理工大學技術工程學院), an independent institution of higher education established under the laws of the PRC in 2004
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Northeast School”	Harbin Huade University* (哈爾濱華德學院)
“Northwest School”	Northwest Technology and Business Institute* (西北工商職業學院)
“Prospectus”	the prospectus of the Company dated 5 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)
“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
“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

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

Hong Kong, 9 July 2018

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