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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)

COMPLETION ON ACQUISITION OF GUANGXI SCHOOLS
GUANGXI SCHOOLS STRUCTURED CONTRACTS

COMPLETION ON ACQUISITION OF GUANGXI SCHOOLS

Reference is made to the announcement dated 14 September 2018, pursuant to which, Beijing Daai Consulting, an indirect wholly-owned subsidiary of Yun Ai Group, a consolidated affiliated entity of the Company, entered into the Equity Transfer and Capital Increase Agreement with Greenwoods Jia Xin Rui Xuan, Mr. Li Jianchun, Songming Zhonghe and Songming Xinju to acquire 51% of equity interest of Songming Xinju, the sole shareholder of the School Sponsor of the Guangxi Schools.

On 21 November 2018, Beijing Daai Consulting transferred 51% of equity interest of Songming Xinju to Daai Shuren, an indirect wholly-owned subsidiary of Yun Ai Group, due to the Group's internal business restructuring.

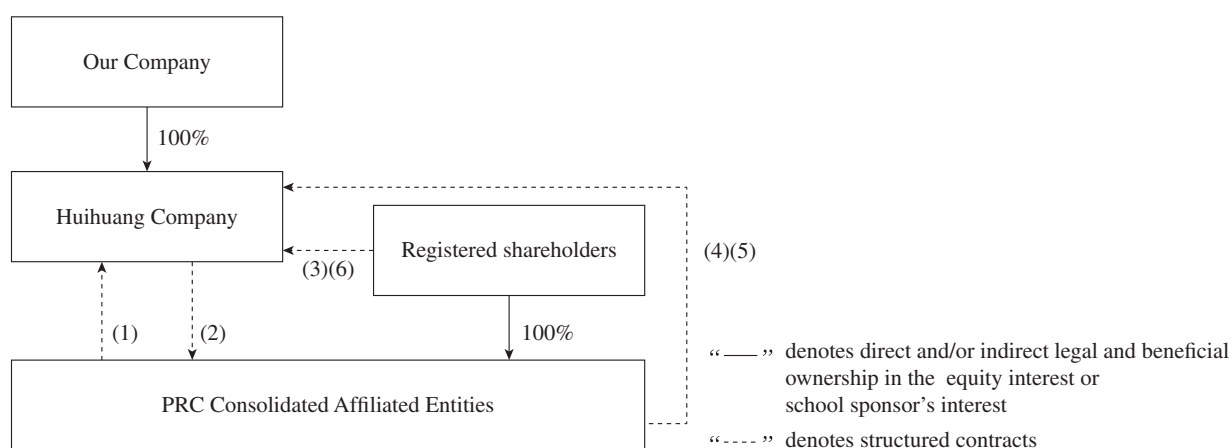
The Board is pleased to announce that the Company has obtained all necessary approvals and completed the acquisition of the Guangxi Schools on 11 January 2019.

On the same date, among others, the Guangxi Schools and Huihuang Company entered into the Guangxi Schools Structured Contracts, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, pursuant to which the Guangxi Schools will become entities controlled by the Company and their results of operations will be consolidated into the Group's results of operations.

GUANGXI SCHOOLS STRUCTURED CONTRACTS

On 11 January 2019, among others, Huihuang Company and the Guangxi Schools, entered into the following agreements that constitute the Guangxi Schools Structured Contracts, pursuant to which 51% of economic benefits arising from the business of the Guangxi Schools and the School Sponsor are transferred to Huihuang Company to the extent permitted under the PRC laws and regulations by means of service fees payable by the Guangxi Schools and the School Sponsor to Huihuang Company: the (1) Business Cooperation Agreement, (2) Exclusive Technical Service and Management Consultancy Agreement, (3) Exclusive Call Option Agreement, (4) School Sponsor's and Directors' Rights Entrustment Agreement, (5) Shareholders' Rights Entrustment Agreement, and (6) Spouse Undertakings. Following the execution of the Guangxi Schools Structured Contracts, the Guangxi Schools will become entities controlled by the Company and their results of operations will be consolidated into the Group's results of operations.

The following diagram illustrates the relationship among the Company, Huihuang Company, and the PRC Consolidated Affiliated Entities:



Notes:

1. Payment of service fees.
2. Provision of exclusive technical and management consultancy services.
3. Exclusive call option to acquire all or part of the School Sponsor's interest in the PRC Consolidated Affiliated Entities and all or part of equity interest in the PRC Consolidated Affiliated Entities.
4. Entrustment of school sponsor's rights in the Guangxi Schools by the School Sponsor.
5. Entrustment of directors' rights in the Guangxi Schools and the School Sponsor by directors of PRC Consolidated Affiliated Entities.
6. Entrust of Shareholders' right.

Reasons for and Benefits of the Adoption of the Guangxi Schools Structured Contracts

The Guangxi Schools are engaged in private higher education.

Pursuant to the Foreign Investment Catalog, the provision of higher education in the PRC falls within the “restricted” category. In particular, the Foreign Investment Catalog explicitly restricts higher education to Sino-foreign cooperation, which means the foreign investor shall be an educational institution and shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation. In addition, the Foreign Investment Catalog also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the “**Foreign Control Restriction**”). The Company had fully complied with the Foreign Control Restriction in respect of the Guangxi Schools on the basis that (a) the principals and the chief executive officers of the Guangxi Schools are all PRC nationals; and (b) all the members of the board of directors are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if we were to apply for any of our schools to be reorganized as a Sino-Foreign Joint Venture Private School for PRC students at higher education institutions (a “**Sino-Foreign Joint Venture Private School**”), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the “**Qualification Requirement**”). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the “**Foreign Ownership Restriction**”) and the establishment of these schools is subject to approval of education authorities at the provincial or national level. The PRC Legal Advisors have advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

Based on the above and as confirmed by the PRC Legal Advisor, in order to achieve the business purpose of the Company, the Guangxi Schools Structured Contracts, through which the Group will be able to exercise full control over the Guangxi Schools and the School Sponsor and consolidate the financial results of the Guangxi Schools and the School Sponsor into the accounts of the Group, have been utilized to minimize the potential conflict with relevant PRC laws and regulations.

Unwinding of the Guangxi Schools Structured Contracts

Under the Sino-Foreign Regulation, foreign investment in higher education in the PRC is required to be in the form of cooperation between PRC educational institutions and foreign educational institutions and subject to the Foreign Ownership Restriction and the Foreign Control Restriction, a foreign investor can only hold less than 50% interest in a Sino-Foreign Joint Venture Private School and not less than 50% of the governing body of the institute offering high education must be appointed by the Chinese investors.

In the event that the Qualification Requirement is removed or the Company is able to meet the Qualification Requirement and there is a change in policy, but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, or (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains, as permitted by the applicable PRC laws and regulations at the relevant time:

- in circumstance (a), the Company will partially unwind the Guangxi Schools Structured Contracts and directly hold an equity interest of less than 50% in the relevant schools (such as a 49.99% equity interest) as the Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, the Company will not be able to control such schools without the Guangxi Schools Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed or met the Company will still rely on contractual arrangements to establish control over the schools. The Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant schools. The Company will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Guangxi Schools Structured Contracts;
- in circumstance (b), the Company will partially unwind the Guangxi Schools Structured Contracts and directly hold an equity interest of less than 50% in the relevant schools (such as a 49.99% equity interest) as the Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, the Company will not be able to control such school without the Guangxi Schools Structured Contracts in place with respect to the domestic interests. The Company will also acquire rights to appoint the majority members of the board of directors of the schools;

- in circumstance (c), notwithstanding the Company will be able to hold majority interests in Sino-Foreign Joint Venture Private Schools, the Sino-Foreign Regulation still dictates that there be a domestic interest in the school and the Company are ineligible to operate the schools by ourselves. Under such circumstances, the Company will acquire rights to appoint members of the board of directors who together shall constitute less than 50% of the board of directors of the relevant schools. The Company will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Guangxi Schools Structured Contracts. The Company also plans to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the relevant schools directly, subject to the approval of the relevant government authorities. As for the remaining minority domestic interests which the Company intends to consolidate, the Company will then control them pursuant to the Guangxi Schools Structured Contracts.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed “Structured Contracts” in the Prospectus and the financial reports of the Company for the Group’s efforts and actions undertaken to comply with the Qualification Requirement. As of the date of this announcement, we are still waiting for approval from the BPPE to establish the new school in the State of California.

Summary of the Material Terms of the Guangxi Schools Structured Contracts

A description of each of the specific agreements that comprise the Guangxi Schools Structured Contracts is set out below.

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Huihuang Company shall provide technical services, management support and consulting services necessary for the private education business, and in return, the PRC Consolidated Affiliated Entities shall make payments accordingly.

To ensure the due performance of the Guangxi Schools Structured Contracts, each of the PRC Consolidated Affiliated Entities agreed to comply, and procure any of its subsidiaries to comply with, and the Registered Shareholders agreed to procure the PRC Consolidated Affiliated Entities to comply with the obligations as prescribed under the Business Cooperation Agreement set forth as follows:

- (a) to carry out its private education operations in a prudent and efficient manner in accordance with good financial and business standards while maintaining the asset value of the PRC Consolidated Affiliated Entities and the quality and standard of private education;
- (b) to prepare school development plans and annual working plans in accordance with the instructions of Huihuang Company;

- (c) to carry out its private education activities and other relevant business under the assistance of Huihuang Company;
- (d) to carry out and manage its daily operations and financial management in accordance with the recommendations, advice, principles and other instructions of Huihuang Company;
- (e) to execute and act upon the recommendations of Huihuang Company in terms of employment and removal of senior management and staff;
- (f) to adopt the advice, guidance and plans given by Huihuang Company in relation to their respective strategic development; and
- (g) to carry out its business operations and renew and maintain its respective necessary licenses.

(2) *Exclusive Technical Service and Management Consultancy Agreement*

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Huihuang Company agreed to provide exclusive technical services to the PRC Consolidated Affiliated Entities, including but not limited to, (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of the PRC Consolidated Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the education activities of the PRC Consolidated Affiliated Entities; (d) provision of other technical support necessary for the education activities of the PRC Consolidated Affiliated Entities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by the PRC Consolidated Affiliated Entities.

Furthermore, Huihuang Company agreed to provide exclusive management consultancy services to the PRC Consolidated Affiliated Entities, including but not limited to, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of marketing network; and (m) providing other management technical services reasonably requested by the PRC Consolidated Affiliated Entities.

In consideration of the technical and management consultancy services provided by Huihuang Company, each of the PRC Consolidated Affiliated Entities agreed to pay Huihuang Company a service fee equal to 51% of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the Guangxi Schools (if required by the law)).

The compulsory development fund is included as statutory surplus reserve at the Group's level and retained at schools' level. Huihuang Company has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of the PRC Consolidated Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above. The PRC Consolidated Affiliated Entities do not have any right to make any such adjustment.

(3) *Exclusive Call Option Agreement*

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably granted Huihuang Company or its designated purchaser the right to purchase all or part of the school sponsor's interest of the PRC Consolidated Affiliated Entities and equity interest in the PRC Consolidated Affiliated Entities ("**Equity Call Option**"). The purchase price payable by Huihuang Company or its designated purchaser in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Huihuang Company or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest in the Guangxi Schools and/or equity interest in the School Sponsor as it decides at any time.

In the event that PRC laws and regulations allow Huihuang Company or us to directly hold all or part of the equity interest in the PRC Consolidated Affiliated Entities and operate private education business in the PRC, Huihuang Company shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Huihuang Company or us under PRC laws and regulations.

(4) *School Sponsor's and Directors' Rights Entrustment Agreement*

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor has irrevocably authorized and entrusted Huihuang Company to exercise all its rights as school sponsor of the Guangxi Schools to the extent permitted by PRC laws.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, each of the directors of the Guangxi Schools (the "**Appointees**") has irrevocably authorized and entrusted Huihuang Company to exercise all his/her rights as directors of the PRC Consolidated Affiliated Entities and to the extent permitted by PRC laws.

(5) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders, Yun Ai Group, Daai Shuren and Songming Xinju has irrevocably authorized and entrusted Huihuang Company to exercise all of his/their respective rights as shareholders of Yun Ai Group, Daai Shuren, Songming Xinju and the School Sponsor (together, "**the Relevant Subsidiaries**") to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of the Relevant Subsidiaries, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of the Relevant Subsidiaries, as the case may be; (c) the right to appoint directors or legal representative of the Relevant Subsidiaries, as the case may be; (d) the right to propose to convene interim shareholders' meetings of the Relevant Subsidiaries, as the case may be; (e) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders, Yun Ai Group, Daai Shuren and Songming Xinju have authority to sign in his or their capacity as shareholders of the Relevant Subsidiaries, as the case may be; (f) the right to instruct the directors and legal representative of the Relevant Subsidiaries, as the case may be to act in accordance with the instruction of Huihuang Company; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of the Relevant Subsidiaries, as the case may be; (h) the right to handle the legal procedures of registration, approval and licensing of the Relevant Subsidiaries, as the case may be at the education department, the department of civil affairs or other government regulatory departments; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of the Relevant Subsidiaries as amended from time to time.

In addition, each of the Registered Shareholders, Yun Ai Group, Daai Shuren and Songming Xinju has irrevocably agreed that (i) Huihuang Company may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Huihuang Company or its designated person, without prior notice to or approval by the Registered Shareholders, Yun Ai Group, Daai Shuren and Songming Xinju; and (ii) any person as successor of civil rights of Huihuang Company or liquidator by reason of subdivision, merger, liquidation of Huihuang Company or other circumstances shall have authority to replace Huihuang Company to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(6) Spouse Undertakings

Pursuant to the Spouse Undertakings, the spouse of Mr. Li Xiaoxuan has irrevocably undertaken that:

- (a) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by Mr. Li Xiaoxuan, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in Yun Ai Group, pledge or transfer the direct or indirect equity interest in Yun Ai Group, or the disposal of the direct or indirect equity interest in Yun Ai Group in any other forms;

- (b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to the PRC Consolidated Affiliated Entities; and
- (c) the spouse authorizes Mr. Li Xiaoxuan or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's equity interest in Yun Ai Group (direct or indirect) in order to safeguard the interest of Huihuang Company under the Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures.

Further Information About the Guangxi Schools Structured Contracts

Dispute Resolution

Each of the Guangxi Schools Structured Contracts provides that:

- (a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Guangxi Schools Structured Contracts shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;
- (b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;
- (c) the arbitration commission shall have the right to award remedies over the equity interest and property interest and other assets of the PRC Consolidated Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of the PRC Consolidated Affiliated Entities; and
- (d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of the Company, the PRC Consolidated Affiliated Entities are located shall be considered as having jurisdiction for the above purposes.

Legality of the Structured Contracts

The PRC Legal Advisors are of the opinion that the Guangxi Schools Structured Contracts are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that the Guangxi Schools Structured Contracts as a whole and each of the agreements comprising the Guangxi Schools Structured Contracts are legal, valid and binding on the parties thereto, enforceable under PRC laws and regulations, except that the Guangxi Schools Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of the PRC Consolidated Affiliated Entities, injunctive relief and/or winding up of the PRC Consolidated Affiliated Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in the PRC Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, and do not, individually or collectively, constitute a breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, the Guangxi Schools Structured Contracts do not violate the provisions of the PRC Contract Law including “concealing illegal intentions with a lawful form,” the General Principles of the PRC Civil Law and other applicable PRC laws and regulations.

Protection in the Event of Death, Bankruptcy or Divorce of the Registered Shareholders

As disclosed in the Prospectus, the spouse of Mr. Li Xiaoxuan has irrevocably undertaken that, among others, the spouse authorizes Mr. Li Xiaoxuan and his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to Mr. Li Xiaoxuan’s direct and indirect equity interest in Yun Ai Group in order to safeguard the interest of Huihuang Company under the Guangxi Schools Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events.

In addition, as disclosed above, pursuant to the Business Cooperation Agreement, Mr. Li Xiaoxuan undertakes to Huihuang Company that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his direct or indirect equity interest in Yun Ai Group, he shall have made all necessary arrangement and sign all necessary documents such that their respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Guangxi Schools Structured Contracts.

Furthermore, the Registered Shareholders undertake to Huihuang Company that, in the event of merger and subdivision of the Registered Shareholders (except for Mr. Li Xiaoxuan), presentation by the Registered Shareholders (except for Mr. Li Xiaoxuan) or the Registered Shareholders (except for Mr. Li Xiaoxuan) being presented any application for winding up, liquidation, winding up restructuring or reconciliation, dissolution and liquidation of the Registered Shareholders (except for Mr. Li Xiaoxuan) pursuant to an order, application for involuntary dissolution of the Registered Shareholders (except for Mr. Li Xiaoxuan) or other reasons, or other circumstances which may affect the Registered Shareholders in exercising its direct or indirect equity interest in Yun Ai Group, they shall have made all necessary arrangement and sign all necessary document such that the successor, administrator, liquidation committee and any other person which may as a result of the above events obtain the direct or indirect equity interest in Yun Ai Group shall not prejudice or hinder the enforcement of the Guangxi Schools Structured Contracts.

Insurance

The Company does not maintain any insurance policy to cover the risks relating to the Guangxi Schools Structured Contracts.

Arrangement to Address Potential Conflict of Interest

The Company has in place arrangements to address the potential conflicts of interest between the Registered Shareholders on the one hand, and the Company on the other hand. Pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertakes to Huihuang Company that, unless with the prior written consent of Huihuang Company, the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Huihuang Company is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Guangxi Schools Structured Contracts; or (ii) require the entity engaging in the Competing Business to cease operation. The Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the School Sponsor and the Registered Shareholders on the one hand, and the Company on the other hand.

Loss Sharing

In the event that the Guangxi Schools and/or the School Sponsor incur any loss or encounters any operational crisis, Huihuang Company may, but is not obliged to, provide financial support to the Guangxi Schools and/or the School Sponsor. None of the agreements constituting the Guangxi Schools Structured Contracts provides that the Company or its wholly-owned PRC subsidiary, Huihuang Company, is obligated to share the losses of the Guangxi Schools and/or the School Sponsor or provide financial support to the Guangxi Schools and/or the School Sponsor. Further, the Guangxi Schools and/or the School Sponsor shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, the Company or Huihuang Company, is not expressly required to share the losses of the Guangxi Schools and/or the School Sponsor or provide financial support to the Guangxi Schools and/or the School Sponsor. Despite the foregoing, given that the Guangxi Schools' and/or the School Sponsor's financial condition and results of operations are consolidated into the Group's financial condition and results of operations under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if the Guangxi Schools and/or the School Sponsor suffer losses.

Directors' Views on the Guangxi Schools Structured Contracts

We believe that the Guangxi Schools Structured Contracts are narrowly tailored because the Guangxi Schools Structured Contracts are only used to enable our Group to consolidate the financial results of the Guangxi Schools and/or the School Sponsor which engage or will engage in the operation of higher education, where the PRC laws and regulations currently restrict operation of higher education to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership. As of the date of this announcement, the Group has not encountered any interference or encumbrance from any governing bodies in the plan to adopt the Guangxi Schools Structured Contracts so that the financial results of the operation of the Guangxi Schools and the School Sponsor can be consolidated to those of the Group, and based on the advice of the PRC Legal Advisors, the Directors are of the view that the Guangxi Schools Structured Contracts are enforceable under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "Dispute Resolution" in this announcement.

Undertakings of Minority Shareholders

Greenwoods Jia Xin Rui Xuan, which holds 39% of equity interest of Songming Xinju and Mr. Li Jianchun, who holds 10% of equity interest of Songming Xinju, the sole shareholder of the School Sponsor, both signed a written undertaking that,

- (1) they agree that Songming Xinju and the Guangxi Schools shall be consolidated in the Group and they shall facilitate to sign on legal documents or perform obligations underlying the Guangxi Schools Structured Contracts;
- (2) they shall agree to support the relevant shareholders and board resolutions of Songming Xinju in order for Songming Xinju to fulfil the obligations underlying the Guangxi Schools Structured Contracts;
- (3) they shall allow Daai Shuren to transfer all or part of its rights and obligations under Songming Xinju to Huihuang Company or its designated purchaser, and shall sign all documents and take all necessary actions to facilitate such transfer to Huihuang Company or its designated purchaser.

Listing Rules Implications

The transactions contemplated under the Guangxi Schools Structured Contracts, as a whole, constitute continuing connected transactions of the Company under the Listing Rules because (1) Mr. Li Xiaoxuan is a connected person under Rule 14A.07(1) of the Listing Rules, (2) Ba Mu Pu, Pai Dui Pai and Daai Partnership, each of which is controlled by Mr. Li Xiaoxuan is a connected person under Rule 14A.12(1)(c) of the Listing Rules and (3) Shanghai Taifu wholly owns Advance Vision and therefore Shanghai Taifu is a connected person of the Company under Rule 14A.13(1) of the Listing Rules.

As disclosed in the Prospectus, framework of the Structured Contracts may be reproduced in operating company engaging in the same business as that of the Group, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts (as defined in the Prospectus).

Consolidated Financial Results of Guangxi Schools and the School Sponsor

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 Guangxi Schools and the School Sponsor, the Guangxi Schools Structured Contracts as mentioned above enable the Company to exercise control over the Guangxi Schools and the School Sponsor.

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 School Sponsor
“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
“Business Cooperation Agreement”	the business cooperation agreement entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders dated 11 January 2019

“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
“Daai Shuren”	Beijing Daai Shuren Education Consulting Company Limited* (北京大愛樹人教育諮詢有限公司), a limited liability company established in the PRC on 14 March 2018. It is wholly owned by Yun Ai Group
“Director(s)”	the directors of the Company
“Exclusive Call Option Agreement”	the exclusive call option agreement entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the Registered Shareholders dated 11 January 2019
“Exclusive Technical Service and Management Consultancy Agreement”	the exclusive technical service and management consultancy agreement entered into by and among Huihuang Company and the PRC Consolidated Affiliated Entities dated 11 January 2019
“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
“Guangxi Schools”	together, Guangxi Yinghua International Occupation College* (廣西英華國際職業學院), Guangxi Yinghua International Occupation and Technology School* (廣西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)
“Guangxi Schools Structured Contracts”	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Shareholders’ Rights Entrustment Agreement, the School Sponsor’s and Directors’ Rights Entrustment Agreement and Spouse Undertakings

“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
“Investment Catalog”	the Guidance Catalog of Industries for Foreign Investment (《外商投資產業指導目錄(2017)》), which was promulgated jointly by the MOFCOM and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會*) on 28 July 2017 and became effective from 28 July 2017, and as amended from time to time
“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
“PRC Consolidated Affiliated Entities”	for the purpose of this announcement, Yun Ai Group, Daai Shuren, Songming Xinju, the Guangxi Schools and the School Sponsor
“PRC Legal Advisors”	Commercial & Financial Law Firm, the Company’s Legal advisors as to PRC Laws
“Prospectus”	the prospectus of the Company dated 15 April 2017
“Registered Shareholders”	the shareholders of Yun Ai Group, namely Mr. Li Xiaoxuan, Pai Dui Pai, Ba Mu Pu, Daai Partnership, Huihuang Investment, Chengxin Investment, Shanghai Taifu and Zhongyi Company
“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
“School Sponsor’s and Directors’ Rights Entrustment Agreement”	the School Sponsor’s and directors’ rights entrustment agreement entered into by and among the School Sponsor, the Guangxi Schools, the directors of Guangxi Schools and Huihuang Company dated 11 January 2019
“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’ Rights Entrustment Agreement”	the shareholders’ rights entrustment agreement entered into by and among the Registered Shareholders, Yun Ai Group, Daai Shuren, Songmin Xinju, the School Sponsor and Huihuang Company dated 11 January 2019
“Sino-Foreign Regulation”	the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council in 2003 and amended on 18 July 2013
“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
“Spouse Undertakings”	The spouse undertakings executed by Ms. Yang, the spouse of Mr. Li Xiaoxuan, dated 11 January 2019
“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, 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, 1.32% 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, 11 January 2019

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