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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)

CLARIFICATION ANNOUNCEMENT

Reference is made to the announcement of China New Higher Education Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 21 February 2019 in relation to the negative report (the “**Report**”) published by a website www.emptycityresearch.com with unknown origins, which contains allegations against the Group’s business and financial operations.

This announcement is made by the Company to refute the negative allegations in the Report and to rebut the attempt to undermine the confidence of the Company’s shareholders in its business and financial condition.

The directors of the Company (the “**Directors**”) took the view that the allegations and information contained in the Report are misleading, untrue and unfounded. The Directors and the senior management of the Company have confirmed that they had not been contacted or interviewed in this regard to verify any figures or information stated in the Report.

The Company reserves its right to take legal actions for damages or other relief against such entity and/or associated individual(s).

As stated in the disclaimer of the Report, as of the publication date of the Report, the authors of the report might have a short position in all stocks and bonds covered therein, and therefore stand to realize significant gains in the event that the price of either declines. The Report contains errors of fact, misleading statements and unfounded malicious accusations against the Company which the Company believes are used in the Report with a view to undermining the Company’s reputation, manipulating the price of the Company’s shares and deliberately frustrating the functioning of the market and conducting malicious competition. The Company also notes that the Report contains speculation indicated by expressions such as “appear”, “suggest”, “assumption”, “seem” and “likely”, and groundless claims made by anonymous persons. Shareholders and potential investors are therefore reminded to exercise extreme caution when dealing in the securities of the Company.

REFUTATION OF ALLEGATIONS IN THE REPORT

The Company has carefully reviewed the Report and is of the view that the entities/individuals creating the Report is unprofessional and lacks basic knowledge in higher education industry. Set forth below are the responses by the Company to the allegations in the Report:

Allegation 1 of the Report: spent huge amount of commission to recruit students

Company response:

The Company confirms that such allegation against Guizhou School and Yunnan School is untrue, and they have never paid commissions to recruit students. In strict accordance with the requirements of the competent educational authorities, the Group carried out its recruitment work in accordance with laws and regulations, and received support and recognition from the competent education authorities, middle school teachers and many candidates. For Guizhou School which is being severely accused in the Report, the minimum admission score of the school announced by the Examinations and Admissions Authority of Guizhou Province are higher than the control line of Guizhou Province (see the table below). As such, the Group had no need to spend huge amount of commission to recruit students, and its ratio of selling expense to revenue is in line with the industry standards.

Minimum Admission Score of Guizhou Vocational College of Industry & Commerce for 2016-2018

Year	Literature and History			Science and Engineering		
	Minimum admission score	Search website of the Examinations and Admissions Authority of Guizhou Province	Admission control score of Guizhou Province	Minimum admission score	Search website of the Examinations and Admissions Authority of Guizhou Province	Admission control score of Guizhou Province
2016	242	http://www.eaagz.org.cn/2016/0812/c76a3544/page.htm	200	215	http://www.eaagz.org.cn/2016/0812/c76a3543/page.htm	200
2017	203	http://www.eaagz.org.cn/2016/0812/c76a3850/page.htm	200	247	http://www.eaagz.org.cn/2016/0812/c76a3851/page.htm	200
2018	237	http://www.eaagz.org.cn/2016/0811/c76a4384/page.htm	200	256	http://www.eaagz.org.cn/2016/0812/c76a3851/page.htm	200

The Company noticed that the Report provided several pictures of Guizhou School advertisements. The Company is of the view that posting advertisements is very common among higher education institutions. Also, Company is not able to locate the 12 interviewees and 5 of them were investigated and confirmed to be fictitious (according to the existing information stated therein, there are no such surnames among the enrolled students), and has never recruited interns, as mentioned in the Report. Accordingly, the Report failed to provide effective evidence for such allegation.

The Company does not have any undisclosed “little coffers”; Guizhou School and Yunnan School have insisted on the implementation of “standard enrollment and brand enrollment”, there is no form of payment for reimbursable recruitment, and recruitment activities of the schools are subject to full compliance supervision by the Supervision and Audit Department of the Group; The Report does not contain any effective evidence that the Group has off balance sheet payments for reimbursable recruitment.

Allegation 2 of the Report: the Group derived profit from related party transaction in relation to the Northeast School

Company response:

The Company advises that when the exclusive technical service and education consultancy service agreement was entered into in August 2016, the Northeast School was still an independent third party and accordingly such transaction should not be construed as a related party transaction.

The Company is also of the view that it is commercially reasonable for Huihuang Company to enter into an exclusive technical service and education consultancy service agreement with the Northeast School when the Structured Contracts cannot be entered into due to the approval from the competent authorities on acquisition had not been obtained yet while the Group had settled the majority of the consideration for the acquisition. Further, the Group was able to share its resources with the Northeast School to facilitate its further development so as to charge service fees.

The Company has already updated the shareholders and potential investors by a duly published announcement that such acquisition of the Northeast School was completed on 10 December 2018 and the accounts of the Northeast School were consolidated into the Group accordingly since then and the previous exclusive technical service and education consultancy service agreement was terminated automatically.

Huihuang Company has sufficient resources to perform its duties under the exclusive technical service and education consultancy service agreement in August 2016 and the structured contracts in December 2018, Huihuang Company has the Information Department, Online Education Department, Teaching Department, Infrastructure Department, Finance Department, Legal Department and International Cooperation Department etc., and the corresponding professional personnel are employed accordingly, and Huihuang Company can also deploy the resources of the Group to provide the above services.

Allegation 3 of the Report: poor education quality and low student-teacher ratio

Company response:

The Group has obtained the permit for operating a private school for all of its schools and such permit is subject to annual review.

In terms of teacher-student ratio, all of its school submitted such ratio to the local authorities on an annual basis and has never been subject to administrative punishment. For example, in 2018, the student-teacher ratio for each of Yunnan School and Guizhou School was less than 20.

Further, as a private formal higher education group focused on applied sciences, the Group's colleges and schools were featured with high employment rate, as shown in the Frost & Sullivan Report disclosed in the prospectus and CIC report disclosed in its results announcements after the listing, the employment rate of the Group's schools remained over 97%. Yunnan School won the class one prize for the college employment in Yunnan Province for nine consecutive years, and was awarded the honour of "The Typical Experience of College Graduates Employment" by the Ministry of Education; the teachers and students from Yunnan School and Guizhou School had received various awards in the national and provincial competitions at different levels. which can demonstrate that its teaching quality is widely recognized.

Allegation 4 of the Report: poor feedback from its students

Company response:

The Report failed to provide the origins of the extracted communications from public websites and the Company does not rule out the possibility that the authors of the Report intended to conduct malicious competition. Instead, the Group is able to dig out much more compliments from students from public websites.

The Company believes that its reputation is recognized by its students.

The Group attaches great importance to the learning and living experience of students during their school days. The randomized sampling of students' satisfaction in each semester is over 95%. At the same time, we also allow students to fully express their opinions and make their suggestions through channels such as "Principal's Mailbox" and handle them by designated personnel.

The Company intends to invite investors to visit its schools in the near future for clarification.

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

Hong Kong, 21 February 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.