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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

COMPLETION ON ACQUISITION OF SCHOOL

EQUITY TRANSFERS

INTERIM RESULTS

The Board of Directors is pleased to announce the interim results of the Group for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018.

HIGHLIGHT

	2018/19 Academic Year*	2017/18 Academic Year*	**Change**	**Percentage Change**
Total number of students enrolled**	**93,548**	54,290	+39,258	+72.3%

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

** *Including the consolidated schools, being Yunnan School, Guizhou School, Northeast School, Henan School, Guangxi Schools and Central China School*

	Six months ended 30 June 2019 *(RMB million)*	Six months ended 30 June 2018 *(RMB million)*	**Change *(RMB million)***	**Percentage Change**
Total revenue^	**565.0**	326.4	238.6	+73.1%
Gross profit	**268.6**	139.9	128.7	+92.0%
EBITDA	**341.8**	215.7	126.1	+58.5%
Net profit	**225.7**	150.0	75.7	+50.5%

^ *Total revenue comes from the Group's main business revenue + other income and gains*

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The highlighting of the financial results for the six months ended 30 June 2019 and the same period of last year are as follows:

	For the six months ended		
	30 June 2019	30 June 2018	Change
	RMB'000	*RMB'000*	
REVENUE	**501,023**	248,824	+101.4%
Cost of sales	**(232,391)**	(108,956)	+113.3%
Gross profit	**268,632**	139,868	+92.1%
Other income and gains	**63,945**	77,609	–17.6%
Selling and distribution expenses	**(5,545)**	(2,309)	+140.1%
Administrative expenses	**(30,084)**	(21,643)	+39.0%
Other expenses	**(16,229)**	(622)	+2,509.2%
Finance costs	**(42,119)**	(32,144)	+31.0%
PROFIT BEFORE TAX	**238,600**	160,759	+48.4%
Income tax expense	**(12,934)**	(10,733)	+20.5%
Net profit	**225,666**	150,026	+50.4%
Net profit attributable to the parent	**201,016**	150,026	+34.0%
Gross profit margin	**53.6%**	56.2%	–2.6%
Net profit margin attributable to the parent	**40.1%**	60.3%	–20.2%

Revenue

The Group's revenue increased by 101.4% from RMB248.8 million for the same period of last year to RMB501.0 million for the six months ended 30 June 2019. The significant increase in revenue was mainly due to the new completions of acquisitions of Henan School, Northeast School and Guangxi Schools, and the increase of student enrollment and tuition fees in the existing schools facilitated by collectivized school operation advantages.

Cost of Sales

Cost of sales increased by 113.2% from RMB109.0 million for the same period of last year to RMB232.4 million for the six months ended 30 June 2019. This increase was primarily due to costs incurred as a result from the increase of student enrollment in existing schools and the impact from new completions of acquisitions of Henan School, Northeast School and Guangxi Schools.

Gross Profit and Gross Profit Margin

Gross profit increased by 92.0% from RMB139.9 million for the same period of last year to RMB268.6 million for the six months ended 30 June 2019, which was in line with the growth of the Group's business. The gross profit margin decreased to 53.6% for the six months ended 30 June 2019 from 56.2% for the six months ended 30 June 2018, which was primarily due to the new completions of acquisitions of Henan School and Guangxi Schools, whose gross profit margin are relatively lower than other schools of the Group. The Group will promote the development of the newly consolidated schools through its collectivized school operation advantages, and it is expected that the gross profit margin of these schools will improve gradually in the future.

Other Income and Gains

Other income and gains decreased by 17.7% from RMB77.6 million for the same period of last year to RMB63.9 million for the six months ended 30 June 2019. The decrease was primarily due to the decrease in service fees charged by Huihuang Company under the exclusive technical service and education consultancy service agreements. These agreements were originally entered into by and between the schools invested by the Group and Huihuang Company prior to the closing so that service fees derived therefrom would be counted towards the other income of the Group. With the consolidation of the relevant schools upon completion of the acquisitions, the exclusive technical service and education consultancy service agreements were terminated automatically, which in turn led to the decrease in the other income of the Group. Without taking into account of such impact, the other income increased by 51.6% as compared to that during the corresponding period last year.

Selling and Distribution Expenses

Selling and distribution expenses increased by 140.3% from RMB2.31 million for the same period of last year to RMB5.55 million for the six months ended 30 June 2019. This increase was primarily attributable to the higher cost of sales and distribution of new completions of acquisitions of Henan School and Guangxi Schools.

Administrative Expenses

Administrative expenses increased by 39.4% from RMB21.6 million for the same period of last year to RMB30.1 million for the six months ended 30 June 2019, primarily due to the impact from new completions of acquisitions of Henan School, Northeast School and Guangxi Schools, the Group's strategic research investment and related consulting fees.

Other Expenses

Other expenses increased from RMB0.6 million for the same period of last year to RMB16.2 million for the six months ended 30 June 2019. The increase was primarily due to the increase of logistics costs relating to new completions of acquisitions of Henan School, Northeast School and Guangxi Schools.

Finance Costs

Finance costs increased by 31.2% from RMB32.1 million for the same period of last year to RMB42.1 million for the six months ended 30 June 2019, which was mainly due to the increase in financing scale.

Profit before Tax

As a result of the foregoing, a profit before income tax of RMB238.6 million is recogniszed for the six months ended 30 June 2019, as compared to RMB160.8 million for the same period of last year, representing an increase of 48.4%.

Income Tax Expense

The Group's income tax expense increased by 20.6% from RMB10.7 million for the same period of last year to RMB12.9 million for the six months ended 30 June 2019, which was primarily due to (1) the service fees from the exclusive technical service and education consultancy service agreements charged by Huihuang Company, entered into with the schools invested by the Group prior to the completion of the acquisition, (2) service fees under the Existing Structured Contracts, and (3) withholding income tax on dividend payout.

Net Profit

As a result of the above factors, the net profit of the Group was RMB225.7 million for the six months ended 30 June 2019, representing an increase of 50.5% as compared with RMB150.0 million for the same period of last year.

LIQUIDITY AND CAPITAL RESOURCES

As of 30 June 2019, the Group had total bank balance and cash of RMB474.6 million. The capital resources of the Group mainly included net cash inflows generated from operating activities, bank loans and other borrowings and capitals raised from placing.

CAPITAL EXPENDITURES

For the six months ended 30 June 2019, our capital expenditures were RMB195.2 million. The Group's capital expenditures were primarily related to the construction of buildings and school facilities at the campus and the prepaid rental for the land lease and purchase of equipment and software.

Capital Commitments

The Group's capital commitments were primarily related to the balance payment for the construction of school building, purchase of facilities and investment in Gansu College. The following table sets out a summary of our capital commitments as of the dates indicated:

	As of 30 June 2019 *RMB million*	As of 31 December 2018 *RMB million*
Contracted but not provided for:		
Property, plant and equipment	**129.1**	72.3
Investments	**43.0**	123.0
	172.1	195.3

As of 30 June 2019, the Group had no significant capital commitment authorized but not contracted for.

INDEBTEDNESS

Bank Loans and Other Borrowings

The Group's bank loans and other borrowings primarily consisted of short-term working capital loans and long-term project loans for the construction of school buildings and facilities. The bank loans and other borrowings amounted to RMB1,496.5 million as of 30 June 2019.

Contingent Liabilities

As of 30 June 2019, the Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of the Group.

Ratio of Interest-Bearing Debt/Total Assets

Ratio of interest-bearing debt/total assets equals to the total amount of interest-bearing bank loans and other borrowings as of 30 June 2019 divided by the total assets. The Group's interest-bearing liabilities/total assets ratio decreased from 43.5% as of 30 June 2018 to 29.0% as of 30 June 2019, mainly due to the completion of consolidation of newly invested schools and the enhancement of the Group's total assets and financing ability.

Net Debt to Equity Ratio

Net debt to equity ratio equals total interest-bearing bank loans and other borrowings net of cash and cash equivalents as of June 2019 divided by total equity. The Group's net debt to equity ratio decreased from 54.7% as of 30 June 2018 to 40.3% as of 30 June 2019, which was primarily attributable to the completion of share placement by the Group in the first half of the year.

Gearing Ratio

Gearing ratio equals total debt as of 30 June 2019 divided by total equity. Total debt includes all interest-bearing bank loans and other borrowings. The Group's gearing ratio decreased from 85.9% as of 30 June 2018 to 53.2% as of 30 June 2019, which was primarily due to the completion of share issuance by the Company during the top-up placing in the first half of the year.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

Save as disclosed in this announcement, there were no other significant investments held by the Group, no material acquisitions or disposals of subsidiaries, associates or joint ventures during the period, nor was there any plan authorized by the Board for other material investments or additions of capital assets during the six months ended 30 June 2019.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. As at 30 June 2019, certain bank loan and bank balances were denominated in USD and HKD. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

PLEDGE OF ASSETS

The pledged assets of the Group as at 30 June 2019 are as follows:

(i) the Group's buildings, furniture and fixtures and electronic devices with an aggregate net carrying amount of approximately RMB286,932,000 as at 30 June 2019 (31 December 2018: RMB219,024,000);

(ii) all shares of Daai Fangzhou, Bei Ai Company, Huihuang Company, Aspire Education Holding Co., Ltd. and Aspire Education Information Co., Ltd.;

(iii) 73.91% equity interest of Haxuan Company;

(iv) personal guarantees executed by Mr. Li, a director of the Company, Ms. Yang (spouse of Mr. Li), Mr. Rong Hua and Ms. Kong Ailan, non-controlling shareholders of the sponsor of Henan School, and Ms. Rong Yu (vice-president of Henan School);

(v) corporate guarantees executed by the Group and subsidiaries of the Group, which are controlled by Mr. Li;

(vi) deposits of the Group with an amount of RMB85,000,000 as at 30 June 2019 (31 December 2018: RMB40,000,000); and

(vii) Guizhou School's charging right of tuition and boarding fees.

BUSINESS REVIEW

Group Introduction

As a leading private higher education group in China, China New Higher Education Group takes "Help Students Become The Best They Can Be" as its mission. The Group has 15 years of experience in private universities, has completed the layout of "7 provincial schools + group headquarters" and has 5 successful acquistion cases. The total student enrollment in the 7 owned and invested schools exceeds 100,000. As the leader of high-quality employment, there are more than 600 on-campus professional training rooms and over 10,000 employment cooperation units in the schools of the Group.

Highlights

1. ***Propagator of Universities of Applied Science***

   The Group is the initiator and vice chairman unit of the Association of Universities (Colleges) of Applied Science of the MOE.

2. ***Collectivized school operation practitioner***

   Established in 2005, the Group has now formed a replicable collectivized school operation model that empowers the growth value of the Group and its Group members.

3. ***Cross-regional layout forerunner***

   Since entering other provinces to operate schools in 2009, the Group has completed the layout of 7 provinces and regions in China, including: Yunnan, Guizhou, Hubei, Heilongjiang, Henan, Guangxi and Gansu.

4. ***Organic growth forerunner***

   The organic year-on-year growth rate of student enrollment in the 7 schools which were self-founded and invested by the Group was over 14%, leading to continued increase to tuitions, the growth of which was ahead of its peers.

5. ***Leader of high-quality employment***

   The schools of the Group have won the title of the Top 50 National Employment of the MOE（教育部全國就業工作50強）, with a leading average employment rate in the country. Its high-quality employment has been recognized by students and the society.

Growth Strategy

The Group maintains an "organic growth + value investment" growth strategy to build internal and external growth engines, and continues to drive high-speed growth.

Value investment

As a practitioner of collectivized school operation, the Group has 15 years of experience in self-operation of schools and acquisitions.

The Group conducts key acquisitions with a selection approach that pursues value investments. Firstly, the Group targets areas with good market outlook meaning great student demand, gross enrollment rate that is lower than the national average, scarce education resources and favorable government educational policies. Secondly, the Group pays attention to schools with great growth potentials in terms of revenue and quality. Thirdly, the Group seeks to acquire schools with a cost relatively lower than the current industry average valuation. Fourth, mainly focused on higher education with equal emphasis on undergraduate schools and junior colleges. At present, it is the window period for independent colleges. Therefore, the Group focuses on independent colleges when identifying target schools.

Organic growth

As a forerunner of organic growth, it is one of the Group's strategies to improve the qualities of enrollment, teaching, employment, management and services continuously.

It is one of the Group's core strategies to increase revenue by expanding enrollments scale and raising the tuition fees. In addition to the core main revenue, the Group is also committed to exploring other sources of revenue, for example, expands value-added services for students or specific communities, and plans to design professional services for product offerings to the higher education industry and even the academic education industry.

The Group has formed a mature enrollment system admission quota is increased every year, thereby increasing the number of students. With the promotion of the brand and reputation of the schools, the Group has the ability to maintain the current tuition level, and gradually increase tuition fees to achieve high quality and price.

The 4 schools founded and invested by the Group at the time of Listing included Yunnan School, Guizhou School, Northeast School and Central China School. For 2018/2019 academic year, total student enrollment at these 4 schools increased by 15% to 62,428, with an average tuition increase of 6%, higher than the industry average, which means there are still rooms of improvement for the schools under the Group. The organic growth rate represents the Group's strong operational capabilities, which will play a greater integration and enhancement effect in the newly invested schools.

The Group will also explore a light asset model, explore innovative business models, reduce required investment and increase return on assets.

Number of Enrolled Students

For the academic year of 2018/2019, many school members under the Group had reached new record high in terms of the number of students enrolled. The new student registration rate and quota utilization rate are inspiring, representating the strengths and reputations of various schools which are highly competitive in the local region.

	Number of Enrolled Students Academic Year Note (5)	
Schools	**2018/2019**	2017/2018
Yunnan School	**25,957**	21,849
Five-year college programs of Yunnan School Note (1)	**1,798**	1,793
Guizhou School	**16,828**	15,584
Northeast School	**9,261**	9,355
Henan School	**21,167**	–
Central China School Note (2)	**8,584**	5,709
Guangxi Schools Note (3)	**9,953**	–
Total	**93,548**	54,290
Gansu College Note (4)	**8,218**	–
Total	**101,766**	54,290

Notes:

(1) Five-year college programs refer to the five-year college programs developed in Yunan School since 2017-2018 academic year. Those students will commence their study in partner schools during the first and second academic years and will commence their study of the following academic years in September 2019 in Yunnan School and pay annual tuition fees to Yunnan School.

(2) The Group has obtained all necessary approvals and completed the acquisition of the Central China School on 26 August 2019.

(3) The Group has obtained all necessary approvals and completed the acquisition of the Guangxi Schools on 11 January 2019.

(4) The acquisition of Gansu College is still pending approval for change of school sponsor of Gansu College by the MOE.

(5) An academic year generally starts from September 1 of each calendar year to August 31 of the following year.

Honours

The Group is committed to improving the quality of its schools, and encourages students to participate in various kinds of competitions. The Group and the students have respectively won a number of outstanding achievements and more than 1,000 awards and honors at the provincial and national levels.

Some significant achievements include:

Schools level

- Gold medal for the National University Student Advertising Design Competition in 2019
- The school-enterprise cooperation project of "Industry-School Cooperation Collaborative Education Project" is encouraged by the State Council, and the MOE approved 62 national-level school-enterprise cooperation projects in Yunnan School
- The Northeast School's "Automobile Service Project" and Central China School's "Financial Management" are recommended to participate in the national first-class undergraduate major by the MOE

Group level

- National Poverty Alleviation Award by the State Council
- Outstanding Listed Company

Our Schools

Schools	**Status**	
Yunnan School	Self-founded	Top 50 National Employment of the MOE（教育部全國就業工作50強） The first private undergraduate school in Yunnan Province Applied talents training model institute in Yunnan Province Yunnan University Edge Computing Network Engineering Research Center was approved **Gross enrollment rate:** 41.7% in 2018 for Yunnan Province (6.4% lower than national average) **School performance:** The number of students enrolled in the 2018/2019 academic year increased by 17.4% **School-enterprise cooperation:** "Excellent Huawei ICT Academy" title, "360 Network Security Academy"

Schools	Status	
Guizhou School	Self-founded	The largest scale of full-time student enrollment of the higher vocational education college in Guizhou Province Advanced collective in educational work awarded by Guiyang Municipal Party Committee and Municipal Government **Gross enrollment rate:** 36% in 2018 for Guizhou Province (12.1% lower than national average) **School performance:** The number of students enrolled in the 2018/2019 academic year increased by 8.0% **Major construction:** • The Nursing major of the big health college has been funded by provincial backbone professional development fund • The "Li Jun Master Studio* (黎軍大師工作室)" project of humanities and sports college was funded by the MOE • The Invincible Industry College was established jointly with the Invincible Group **Typical employment cooperative unit:** Geely Auto, Invincible Group, Vanke
Northeast School	Investment (completed in December 2018)	The earliest private undergraduate university in Heilongjiang Province A centennial cultural inheritance of Harbin Institute of Technology Council member of the Association of Universities (Colleges) of Applied Science of the MOE Civilized unit of Heilongjiang Province

Schools	Status	
		Post-investment management: • Share the national enrollment network of all colleges and universities in the Group • Passed undergraduate qualification assessment in 2018 • The average fresh graduate annual salary of the 2019 Excellence Class graduates exceeds RMB80,000, and the professional counterpart rate is 100% **Typical employment cooperative unit:** Geely Auto, Midea Group
Henan School	Investment (completed in October 2018)	Excellent private school in Henan Province, the country's Top 10 e-commerce education institutions The first batch of pilot colleges to hold the National e-commerce skills examination Automobile testing and maintenance major was rated as a national backbone major by the MOE **Gross enrollment rate:** 45.6% in 2018 for Henan Province (2.5% lower than national average) **School performance:** The number of students enrolled in the 2018/2019 academic year increased by 16.0% **Post-investment management:** Deploy collaborative office, financial management, teaching services and other information systems **Typical employment cooperative unit:** Alibaba, Haier Group, Midea Group

Schools	Status	
Guangxi Schools	Investment (completed in January 2019)	It is located in the port city of Beibu Gulf Economic Zone Cooperate with more than 20 universities in the countries along the One Belt One Road Countries Co-built a one-stop top-up programme with 8 public universities including Beibu Gulf University **School performance:** The number of students enrolled in the 2018/2019 academic year increased by 18.0% **Post-investment management:** • Send a senior core management team to the school • Deploy a nationwide leading information management system for the school • Sharing the Group's national enrollment network and improve the campus environment
Central China School	Investment (completed in August 2019)	Financial management major is recommended to participate in national first-class professional development Students receive multiple awards above the provincial level **School performance:** The number of students enrolled in the 2018/2019 academic year increased by 50.4%

Schools	Status	
		Post-investment management: Give full play to the advantages of collectivized school operation, share Group resources in teaching research and development, talent pool, information platform, infrastructure construction, centralized procurement, etc., quickly improve quality, increase revenue, and improve operational efficiency **Specialty:** science of Chinese pharmacology, clinical medicine and nursing. The school added a new undergraduate major, namely "tea science" in 2019, which is closely integrated with the talent demand setting of the selenium tea industry in Enshi Prefecture, Hubei Province **Industry-education integration:** In-depth cooperation with the local government to build the largest local judicial identification center, and co-construct the "Enshi Selenium Tea Research Station" with the Tea Research Institute of the Chinese Academy of Agricultural Sciences. The designated training unit of medical students commissioned by the government
Gansu College	Investment (pending closing)	A centennial cultural inheritance of Lanzhou University of Technology A leading college in terms of employment rate in Gansu Province The first batch of pilot universities for transformation and development of applied technology universities in Gansu Province **Post-investment management:** Has completed the construction of the new campus with the top construction speed of education field in the local region Sharing the Group's quality supplier resources, significantly increasing the revenue of logistics business services

Professional Settings Close to Market Demand

As a propagator of universities of applied science, the Group implements a "three integration" strategy of "integration into national strategies, regional development, and industry progress". The Group adjusts its professional settings in a timely manner to meet changing market needs. Currently, the Group's 5 disciplines and specialty major are divided into: big financial, big data, big wisdom, big humanities and big health. In the 2018/19 academic year, the Group opened a total of 22 new majors including 6 for undergraduates and 16 for junior college students to accomondate the market need.

Employment Status

As a propagator of universities of applied science, the Group takes high-quality employment as guidelines and uses graduate employment rate as an important criterion to measure the teaching results. Over the past few years, the employment track record of our industry-leading graduates is a testament to the effectiveness of our educational approach, which has enhanced the Group's reputation and recognition, which in return attracted talented high school graduates.

At the same time, the Group uses starting salary of initial employment, professional counterpart rate and employment rate at well-known enterprises as the criterion to measure high-quality employment, which demonstrated the Group's first-class talent training capability focused on applied sciences.

	Graduate Employment Rate As of 31 December	
Schools	**2018**	2017
Yunnan School	**98.2%**	98.8%
Guizhou School	**97.3%**	97.2%
Northeast School	**93.5%**	–
Henan School (higher vocational school)	**97.2%**	–

* *Graduate employment rate is defined as a rate calculated by dividing the number of students who are being employed within six months after their graduation (including students who are being employed in business entities, start their own businesses or pursue further studies) by the total number of students graduated from school for the relevant academic year.*

Digital Platform

The Group uses four digital platforms, including: smart teaching mobile platform (teaching), teacher and student service mobile platform (service), Alibaba Cloud + FineBI (management) and campus security platform. The digital platforms are based on a hybrid deployment of Alibaba Cloud and private cloud to save costs and improve efficiency. At the same time, the campus security platform build a safe brand by adopting advanced technologies such as face recognition, big data behavior analysis and one-button alarm to ensure that teachers and students are protected by security.

Internal Control and Risk Management

The Group has established a complete internal control system and risk management system to effectively control various risks.

- Internal Audit – The Group has updated internal audit standards, strengthened the training of internal audit teams, and introduced an internal audit system.

- Discipline Inspection and Supervision – The Group has established a sound working discipline, trained a professional discipline inspection team, and continued preventive education activities.

- Legal Compliance – The Group further refines its legal affairs practices and employs a team of professional lawyers to adopt a scientific legal risk assessment.

- Financial Control – The Group has upgraded its financial management system and optimized the cost control process.

PROSPECTS

Education Policy Trend

In the first half of this year, the PRC government promulgated the "National Vocational Education Reform Implementation Plan" (《國家職業教育改革實施方案》), which places vocational education on the equal position as general education on the top-level design. It also clarifies the direction of social diversified school establishment, and once again strengthens the policy of encouraging private education. The plan has opened up more development potential for private vocational education, especially for those higher education groups (such as China New Higher Education) which have both undergraduate colleges focusing on applied sciences as well as vocational colleges. The plan not only demonstrates the correctness of the strategic choice of applied education, it also provides guidance for future development of school establishment.

The promulgation of a series of policies and documents such as "China Education Modernization 2035*" (《中國教育現代化2035》) and "Accelerating the Implementation Plan of Education Modernization (2018-2022)*" (《加快推進教育現代化實施方案(2018-2022年)》) shows that private higher vocational education has become an important part of the national education strategy. Relying on encouragement, guidance and standardized supervision of the PRC government, more development opportunities will emerge in the private education sector. In addition, in the government work report, it is mentioned that it will further reform and improve the examination and enrollment methods for higher vocational colleges and expand additional one million students enrollment this year, which reflected the determination of the State to promote the development of vocational education. All higher vocational colleges will directly benefit therefrom, in particular schools with brand and competitive advantages will have greater development opportunities.

In July 2019, the MOE announced an increase in the quota of national scholarships for higher vocational colleges and the expansion of the coverage of national scholarships to help the more healthy development of the higher education industry in the PRC. The Group will continue to shoulder its social responsibility to relieve poverty through education.

ACHIEVING A TWO-WHEEL DRIVEN GROWTH STRATEGY

Organic Growth

First of all, the Group has increased its tuition fees to achieve continuous growth. According to the market forecast conducted by China Insights Consultancy, the average tuition fee for private colleges and universities in 2018 is RMB13,836, while the average tuition fee for the Group's universities in 2018/19 is RMB9,947, indicating that the future tuition fee has growth potential. At the same time, benefiting from the country's favourable policies of continuous improvement in the gross enrollment rate of higher education and the large-scale enrollment expansion of higher vocational colleges, and the number of student enrollment of the 7 schools which were self-founded and invested by the Group reached over 14% year-on-year increase.

The Group will be committed to maintaining the high growth of the flagship schools and exploring other income. Due to the large gap between the revenue level and quality of the newly invested schools and the flagship schools, the newly invested schools have greater room for improvement in their operations and will explore other sources of income.

Value Investment

The Group has 15 years of experience in acquisitions and self-founded in higher education, and has the industry's leading professional investment capabilities. In addition to the five completed acquisition cases, the abundant project reserves will help support future scale development. At the same time, the Group is committed to ensuring the sufficiency and safety of the capital, and through its own funds and financial institutions to obtain capital to support its value investment.

HUMAN RESOURCES

As of 30 June 2019, the Group had approximately 5,546 employees (4,610 as of 31 December 2018). As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The Group maintains a good working relationship with employees, and the Group has not experienced any material labor disputes during the six months ended 30 June 2019.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the date of this announcement, the Group had not entered into any off-balance sheet transactions.

PAYMENT OF INTERIM DIVIDEND

The Board has resolved to recommend the payment of an interim dividend of RMB0.036 per Share for the six months ended 30 June 2019. The interim dividend will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate adopted for conversion was the average middle exchange rate published by the People's Bank of China of the five business days prior to the declaration of the interim dividend (i.e. 19 August 2019 to 23 August 2019) (HK$1.0 to RMB0.8985). Accordingly, the amount of the interim dividend payable in Hong Kong dollars will be HK$0.0401 per Share.

The interim dividend will be paid on or about Wednesday, 2 October 2019 to the shareholders whose names appear on the register of members of the Company on Thursday, 19 September 2019.

CLOSURE OF THE REGISTER OF MEMBERS

In order to be qualified for the interim dividend, the register of members of the Company will be closed by the Group from Tuesday, 17 September 2019 to Thursday, 19 September 2019, both days inclusive, during which period no transfer of shares of the Company will be effected. All share transfer documents accompanied by the relevant share certificates must be lodged with the Group's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Monday, 16 September 2019.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is an essential factor to create more value for its Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

For the six months ended 30 June 2019, the Company has complied with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors in March 2017.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding directors' securities transactions for the six months ended 30 June 2019.

FUND RAISING FOR THE PAST 12 MONTHS

On 9 April 2019, the Company, Aspire Education Technology, as the vendor, Mr. Li and CLSA Limited, as the placing agent entered into a placing and subscription agreement, pursuant to which, the placing agent agreed to place a total of 110,000,000 placing shares at a price of HK$3.57 per Share owned by Aspire Education Technology to not less than six independent placees and Aspire Education Technology agreed to subscribe for, and the Company agreed to issue, the 110,000,000 subscription shares at HK$3.57 per Share to the vendor under the general mandate. (The net subscription price, after deducting such fees, costs and expenses, was therefore approximately HK$3.539 per subscription share). The placing shares represented approximately 7.69% of the then issued share capital of the Company and approximately 7.14% of the issued share capital of the Company as enlarged by the subscription. The net proceeds from the subscription were HK$389.3 million. The Company intended to use the estimated net proceeds of the subscription primarily for debt repayment and general corporate purposes. Such top-up placing was completed and accordingly 110,000,000 subscription shares were issued by the Company to Aspire Education Technology on 17 April 2019. Details of the top-up placing are set out in the Company's announcements dated 10 April 2019 and 17 April 2019. As at the date of this announcement, the use of proceeds was consistent with that as disclosed in the announcements and further details will be disclosed in the interim report of the Company.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Save as disclosed in the paragraph headed "Fund Raising for the Past 12 Months" above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Audit Committee of the Company (the "**Audit Committee**") has reviewed and discussed with the management of the Company in relation to the accounting principles and practices adopted by the Company, the internal controls and financial report matters, and the Company's policies and practices on corporate governance. The Interim Results has been reviewed by the Audit Committee. The Company's external auditor, Ernst & Young, has carried out a review of the interim financial report for the six months ended 30 June 2019 in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. There is no disagreement by the Audit Committee with the accounting treatment adopted by the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (http://www.xingaojiao.com). The interim report for the Period containing all the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders of the Company and available on the same websites in due course.

APPOINTMENT OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Board is also pleased to announce that Mr. Chen Donghai (陳冬海) and Dr. Peng Zijie (彭子杰) have been appointed as independent non-executive Directors of the Company with effect from 26 August 2019.

Mr. Chen Donghai, aged 49, holds a bachelor's degree in Economics from Jinan University. He is currently the chairman of the board of directors of Soar Industries Limited (蘇興實業有限公司 董事長) and the chairman of the board of directors of BC International Investment Ltd. (百川國際投資有限公司 董事長). He served in the Yunnan Provincial Committee of CPPCC (雲南省政協委員) during 2013 to 2018, served as the Vice Chairman of the Yunnan Province Youth United Association (雲南省青年聯合會 副主席) from 2010 to 2019 as well as the chairman founder of the Hongkong-Yunnan-Macau-Taiwan Youth Exchange Association (雲港澳台青年交流促進會) in 2010. He is currently the chairman of The Y. Elites Association (香港菁英會副主席), the Vice President of the Yunnan Chinese Overseas Friendship Association (雲南海外聯誼會 副會長), a CPPCC of the Yunnan Province (雲南省政協常委) and the Supervisor of the Association of Hong Kong Of Macau Members of CPPCC In Yunnan Province Ltd. (雲南省政協港澳委員聯誼會 監事長).

Mr. Chen has entered into a letter of appointment with the Company on 26 August 2019 for a term of one year, automatically renewable, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. Under the letter of appointment, the director service fees payable to Mr. Chen is HK$300,000 per year, which is determined by reference to, among other things, his duties and responsibilities with the Company.

Save as disclosed herein, Mr. Chen held no other directorships in any listed public companies in the last three years and Mr. Chen has not held any other positions with the Company and its subsidiaries. Mr. Chen holds 5.54% of shares in Aspire Education International Limited, one of the controlling shareholders (as defined in the Listing Rules) of the Company. As at the date of this announcement, saved as disclosed, Mr. Chen does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company. Mr. Chen has no interest in any Shares or underlying Shares of the Company pursuant to Part XV of the Securities and Futures Ordinance. Save as disclosed, there is no other information relating to Mr. Chen that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

Dr. Peng Zijie, aged 50, received his master degree in business administration from University of Western Sydney in 1999. He also obtained a doctorate degree in business administration from Shanghai University of Finance and Economics in 2010 as well as a postdoctoral degree from University of Oxford in 2015. He is a member of CPA Australia and fellow member of the Australian Institute of Banking and Finance, and a member of the expert committee of the research group in the Institute of Finance of the Development Research Center of the State Council (國務院發展研究中心金融研究所專家委員會).

He is the founder and currently the director of Huiyue Development Strategy Co., Ltd. (匯悅發展策略有限公司) and has been a member of the Guangdong Council for Investment and Development (Foshan, Guangdong) (廣東省投資發展促進會(廣東、佛山)) since 2017.

Dr. Peng has over twenty years of experience in banking, financial and consulting industry and has served in senior management positions in various renowned financial institutions. From 1993 to 1998, he was the head of the settlement department of Dresdner Bank (Hong Kong). From 1998 to 2003, he worked in Northeast Asia Capital Operation Business Management unit of the Standard Chartered Bank. From 2003 to 2005, he served as the senior manager in BearingPoint Management Consulting (formerly KPMG Management Consulting) (Beijing). He was the head of operation design and development of Dah Sing Financial Group (Hong Kong) from 2005 to 2006. From 2006 to 2014, he served as the consulting partner of global financial market in China in Deloitte Management Consulting (Beijing). He then served as leading partner of financial business in China for Roland Berger Strategic Consulting (Beijing) from 2014 to 2016. He was the external senior advisor to Zhangjiakou Financial Holding Group (Zhangjiakou, Beijing) from 2016 to 2018 and an independent director at Metropolitan Bank (China) from 2017 to 2018. During late 2018, he also headed the group risk management department of Citic Bank (International).

Dr. Peng has entered into a letter of appointment with the Company on 26 August 2019 for a term of one year, automatically renewable, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company. Under the letter of appointment, the director service fees payable to Dr. Peng is HK$300,000 per year, which is determined by reference to, among other things, his duties and responsibilities with the Company.

Save as disclosed herein, Dr. Peng held no other directorships in any listed public companies in the last three years and Dr. Peng has not held any other positions with the Company and its subsidiaries. Dr. Peng does not have any relationship with any other Directors, senior management, substantial shareholders or controlling shareholders of the Company. As at the date of this announcement, Dr. Peng had no interest in any Shares or underlying Shares of the Company pursuant to Part XV of the Securities and Futures Ordinance. Save as disclosed, there is no other information relating to Dr. Peng that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the Shareholders.

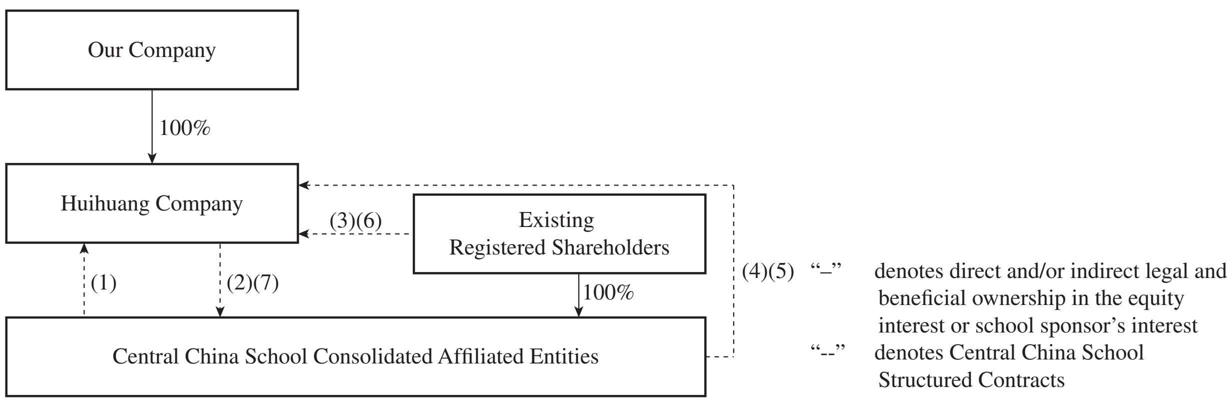
COMPLETION ON ACQUISITION OF CENTRAL CHINA SCHOOL

The Board is pleased to announce that on 26 August 2019, the Acquisition is completed. Accordingly, on the same date, among others, Enchang Company and Central China School entered into the Central China School 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 Enchang Company and Central China School would be treated as a consolidated affiliated entity of the Company.

CENTRAL CHINA SCHOOL STRUCTURED CONTRACTS

The following agreements constitute the Central China School Structured Contracts between Huihuang Company and, among others, the Central China School and the School Sponsor, pursuant to which all economic benefits arising from the business of the Central China School and the Central China 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 Central China School and the Central China School Sponsor to Huihuang Company: the (1) Hubei Business Cooperation Agreement, (2) Hubei Exclusive Technical Service and Management Consultancy Agreement, (3) Hubei Exclusive Call Option Agreement, (4) Hubei School Sponsor's and Directors' Rights Entrustment Agreement, (5) Hubei Shareholders' Rights Entrustment Agreement, (6) Spouse Undertakings and (7) Hubei Loan Agreement. Following the execution of the Central China School Structured Contracts, the Central China School will become entities controlled by the Company.

The following diagram illustrates the relationship among the Company, Huihuang Company, and the Central China School 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 Central China School Sponsor's interest in the Central China School Consolidated Affiliated Entities and all or part of equity interest in the Central China School Consolidated Affiliated Entities.

4. Entrustment of school sponsor's rights in the Central China School by the Central China School Sponsor.

5. Entrustment of directors' rights in the Central China School and Enchang Company by directors of Central China School Consolidated Affiliated Entities.

6. Entrust of shareholders' right.

7. Provision of loans by Huihuang Company to Yun Ai Group.

Reasons for the Adoption of the Central China School Structured Contracts

The Central China School is 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 Central China School on the basis that (a) the principals and the chief executive officers of the Central China School 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 the Group were to apply for the Central China School 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 the school 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, in order to achieve the business purpose of the Company, the Central China School Structured Contracts, through which the Group will be able to exercise full control over the Central China School and the Central China School Sponsor and consolidate the financial results of the Central China School and the Central China 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 Central China School 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, or (d) both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed, as permitted by the applicable PRC laws and regulations at the relevant time:

– in circumstance (a), the Company will partially unwind the Central China School Structured Contracts and directly hold an equity interest of less than 50% in the school (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 Central China School 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 school. 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 school. 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 Central China School Structured Contracts;

- in circumstance (b), the Company will partially unwind the Central China School Structured Contracts and directly hold an equity interest of less than 50% in the school (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 Central China School Structured Contracts in place with respect to the domestic interests. The Company will also acquire rights to appoint all members of the board of directors of the school;

- in circumstance (c), notwithstanding the Company will be able to hold majority interests in the Sino-Foreign Joint Venture Private School, the Sino-Foreign Regulation still dictates that there be a domestic interest in the school and the Company are ineligible to operate the school 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 school. The Company will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Central China School Structured Contracts. The Company also plan to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the school 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 Central China School Structured Contracts; and

- in circumstance (d), the Company would be allowed to directly hold 100% of the interests in the school and the Company will fully unwind the Central China School Structured Contracts and directly hold all equity interests in the school. The Company will also acquire rights to appoint all members of the board of directors of the school.

In addition, Huihuang Company has also signed a written undertaking that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the Equity Call Option (as defined below) in full to hold all of the interest in the Central China School and unwind the Central China School Structured Contracts accordingly.

Plan to Comply with the Qualification Requirement

The Group has adopted a specific plan and begun to take the following concrete steps which the Group reasonably believes are meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to "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, the Group is still waiting for approval from the BPPE to establish the new school in the State of California.

Summary of the Material Terms of the Central China School Structured Contracts

A description of each of the specific agreements that comprise the Central China School Structured Contracts is set out below.

(1) Hubei Business Cooperation Agreement

Pursuant to the Hubei 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 Central China School Structured Contracts, each of the Central China School Consolidated Affiliated Entities agreed to comply, and procure any of its subsidiaries to comply with, and the Existing Registered Shareholders agreed to procure the Central China School Consolidated Affiliated Entities to comply with the obligations as prescribed under the Hubei 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 Central China School 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) Hubei Exclusive Technical Service and Management Consultancy Agreement

Pursuant to the Hubei Exclusive Technical Service and Management Consultancy Agreement, Huihuang Company agreed to provide exclusive technical services to the Central China School 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 Central China School Consolidated Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the education activities of the Central China School Consolidated Affiliated Entities; (d) provision of other technical support necessary for the education activities of the Central China School 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 Central China School Consolidated Affiliated Entities.

Furthermore, Huihuang Company agreed to provide exclusive management consultancy services to the Central China School 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 Central China School Consolidated Affiliated Entities.

In consideration of the technical and management consultancy services provided by Huihuang Company, each of the Central China School Consolidated Affiliated Entities agreed to pay Huihuang Company a service fee equal to 100% of the 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 Central China School (if required by the law)).

The compulsory development fund is included as statutory surplus reserve at the Group's level and retained at school's 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 Central China School Consolidated Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above. The Central China School Consolidated Affiliated Entities do not have any right to make any such adjustment.

Pursuant to the Hubei Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Huihuang Company shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Huihuang Company to the Central China School Consolidated Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Hubei Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Huihuang Company and other parties.

(3) Hubei Exclusive Call Option Agreement

Under the Hubei Exclusive Call Option Agreement, the Existing Registered Shareholders have irrevocably granted Huihuang Company or its designated purchaser the right to purchase all or part of the school sponsor's interest in the Central China School and equity interest in Yun Ai Group and Enchang Company ("**Equity Call Option**"). The purchase price payable by Huihuang Company 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 Central China School and Yun Ai Group, and/or equity interest in Enchang Company 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 Central China School 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) Hubei School Sponsor's and Directors' Rights Entrustment Agreement

Pursuant to the Hubei School Sponsor's and Directors' Rights Entrustment Agreement, the Central China School Sponsor has irrevocably authorized and entrusted Huihuang Company to exercise all its rights as school sponsor of the Central China School to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of the Central China School; (b) the right to appoint and/or elect supervisors of the Central China School; (c) the right to understand the operation and financial situation of the Central China School; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the Central China School; (e) the right to obtain reasonable returns as school sponsor of the Central China School in accordance with the laws and the articles of association of each school; (f) the right to acquire residue assets upon liquidation of the school in accordance with the laws and the articles of association of the Central China School; (g) the right to transfer school sponsor's interest in accordance with the laws; and (h) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time. Pursuant to the Hubei School Sponsor's and Directors' Rights Entrustment Agreement, each of the relevant directors (the "**Appointees**") has irrevocably authorized and entrusted Huihuang Company to exercise all his/her rights as directors and to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by the Central China School Sponsor; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of each of the Central China School; (c) the right to propose to convene interim board meetings of each of the Central China School; (d) the right to sign all board minutes, board resolutions and other legal documents; (e) the right to instruct the legal representative and financial and business responsible persons of the Central China School to act in accordance with the instruction of Huihuang Company; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of the Central China School; (g) the right to handle the legal procedures of registration, approval and licensing of the Central China School at the education department, the department of civil affairs or other government regulatory departments; and (h) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of the Central China School as amended from time to time.

In addition, the Central China School Sponsor and the Appointees have irrevocably agreed that (i) Huihuang Company may delegate its rights under the Hubei School Sponsor's and Directors' Rights Entrustment Agreement to the directors of Huihuang Company or its designated person, without prior notice to or approval by the Central China School Sponsor and the Appointees; 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 Hubei School Sponsor's and Directors' Rights Entrustment Agreement.

(5) Hubei Shareholders' Rights Entrustment Agreement

Pursuant to the Hubei Shareholders' Rights Entrustment Agreement, each of the Existing Registered Shareholders and Yun Ai Group has irrevocably authorized and entrusted Huihuang Company to exercise all of his/their respective rights as shareholders of Yun Ai

Group and the Central China 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 Existing Registered Shareholders and Yun Ai Group 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 Existing Registered Shareholders and Yun Ai Group has irrevocably agreed that (i) Huihuang Company may delegate its rights under the Hubei Shareholders' Rights Entrustment Agreement to the directors of Huihuang Company or its designated person, without prior notice to or approval by the Existing Registered Shareholders and Yun Ai Group; 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 Hubei Shareholders' Rights Entrustment Agreement.

(6) Hubei Spouse Undertakings

Pursuant to the Hubei Spouse Undertakings, the spouse of Mr. Li 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;

(7) Hubei Loan Agreement

Pursuant to the Hubei Loan Agreement, Huihuang Company agreed to provide interest-free loans to Enchang Company in accordance with the PRC laws and regulations and Enchang Company agreed to utilize the proceeds of such loans to contribute as capital of the Central China School in its capacity as school sponsor or the shareholder of the school sponsors of our schools in accordance with our instructions. Both parties agree that all such capital contribution will be directly settled by Huihuang Company on behalf of Enchang Company.

The terms of the Hubei Loan Agreement shall continue until all interest of the Central China School Consolidated Affiliated Entities are transferred to Huihuang Company or its designee and/or the Company or the designee and the registration process required thereafter has been completed with the relevant local authorities.

Each loan to be granted under the Hubei Loan Agreement will be for an infinite term until termination at the sole discretion of Huihuang Company. The loan will become due and payable upon Huihuang Company's demand under any of the following circumstances: (i) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against Enchang Company, (ii) a winding-up or liquidation application has been filed by or against Enchang Company, (iii) Enchang Company becoming insolvent or incurring any other significant personal debt which may affect its ability to repay the loan under the Hubei Loan Agreement, (iv) Huihuang Company or its designee exercising in full its option to purchase all school sponsor's interests to the extent permitted by PRC laws and regulations, or (v) any of Central China School Consolidated Affiliated Entities commits any breach of any obligations under the Structured Contracts, or any warranties provided by any of Central China School Consolidated Affiliated Entities under the Central China School Structured Contracts is proved incorrect or inaccurate. As advised by our PRC legal advisors, interest-free loans granted by Huihuang Company to Enchang Company is not in violation of the applicable PRC laws and regulations.

FURTHER INFORMATION ABOUT THE CENTRAL CHINA SCHOOL STRUCTURED CONTRACTS

Dispute Resolution

Each of the Central China School 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 Central China School 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 Central China School Consolidated Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of the Central China School 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 Central China School Consolidated Affiliated Entities are located shall be considered as having jurisdiction for the above purposes.

Legality of the Central China School Structured Contracts

The PRC Legal Advisors are of the opinion that the Central China School Structured Contracts are narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations and that the Central China School Structured Contracts as a whole and each of the agreements comprising the Central China School Structured Contracts are legal, valid and binding on the parties thereto except that the Central China School Structured Contracts provide that the arbitral body may award remedies over the equity interests and/or assets of the Central China School Consolidated Affiliated Entities, injunctive relief and/or winding up of the Central China School 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 Central China School 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 Central China School 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 Existing Registered Shareholders

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 Central China School 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 Hubei 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 Central China School Structured Contracts.

Furthermore, the Existing Registered Shareholders undertake to Huihuang Company that, in the event of merger and subdivision of the Existing Registered Shareholders (except for Mr. Li Xiaoxuan), presentation by the Existing Registered Shareholders (except for Mr. Li Xiaoxuan) or the Existing 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 Existing Registered Shareholders (except for Mr. Li Xiaoxuan) pursuant to an order, application for involuntary dissolution of the Existing Registered Shareholders (except for Mr. Li Xiaoxuan) or other reasons, or other circumstances which may affect the Existing 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 Central China School Structured Contracts.

Insurance

The Company does not maintain any insurance policy to cover the risks relating to the Central China School Structured Contracts.

Arrangement to Address Potential Conflict of Interest

The Company has in place arrangements to address the potential conflicts of interest between the Existing Registered Shareholders on the one hand, and the Company on the other hand. Pursuant to the Hubei Business Cooperation Agreement, each of the Existing Registered Shareholders undertakes to Huihuang Company that, unless with the prior written consent of Huihuang Company, the Existing 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 Central China School Structured Contracts; or (ii) require the entity engaging in the Competing Business to cease operation. The Directors are of the view that the measures the Group has adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the Central China School Sponsor and the Existing Registered Shareholders on the one hand, and the Company on the other hand.

Loss Sharing

In the event that the Central China School and/or the Central China School Sponsor incur any loss or encounters any operational crisis, Huihuang Company may, but is not obliged to, provide financial support to the Central China School and/or the Central China School Sponsor. None of the agreements constituting the Central China School Structured Contracts provide that the Company or its wholly-owned PRC subsidiary, Huihuang Company, is obligated to share the losses of the Central China School and/or the Central China School Sponsor or provide financial support to the Central China School and/or the Central China School Sponsor. Further, the Central China School and/or the Central China 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 Central China School and/or the Central China School Sponsor or provide financial support to the Central China School and/or the Central China School Sponsor. Despite the foregoing, given that the Central China School' and/or the Central China 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 Central China School and/or the Central China School Sponsor suffer losses.

Directors' Views on the Central China School Structured Contracts

We believe that the Central China School Structured Contracts are narrowly tailored because the Central China School Structured Contracts are only used to enable our Group to consolidate the financial results of the Central China School and/or the Central China 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 Central China School Structured Contracts so that the financial results of the operation of the Central China School and the Central China 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 Central China School 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.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Central China School Structured Contracts, as a whole, constitute continuing connected transactions of the Company under the Listing Rules because (1) Mr. Li 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 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.

CONSOLIDATED FINANCIAL RESULTS OF THE CENTRAL CHINA SCHOOL AND THE CENTRAL CHINA 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 Central China School and the Central China School Sponsor, the Central China School Structured Contracts as mentioned above enable the Company to exercise control over the Central China School and the Central China School Sponsor.

EQUITY TRANSFERS AND NEW VIE STRUCTURE

BACKGROUND

On 26 August 2019, the Board was informed that Equity Transfer Agreements were entered into between certain Existing Registered Shareholders and Songming Dexue, and accordingly, the Board resolved that, the Existing VIE Structure would be terminated and the New VIE Structure would be entered into.

EQUITY TRANSFERS

Equity Transfer Agreements

Each of Chengxin Investment, Daai Partnership, Huihuang Investment, Mr. Li and Shanghai Taifu plans to enter into the Equity Transfer Agreements with Songming Dexue, pursuant to which (i) each of the Chengxin Investment, Daai Partnership, Huihuang Investment and Mr. Li shall transfer all their equity interest in Yun Ai Group; and (ii) Shanghai Taifu shall transfer 6.9872% of its equity interest in Yun Ai Group, to Songming Dexue at a total consideration of RMB19,301,619 with reference to the registered capital of Yun Ai Group contributed by each of Chengxin Investment, Daai Partnership, Huihang Investment and Mr. Li. Shanghai Taifu agreed to transfer its equity interest in Yun Ai Group to Songming Dexue at nil consideration.

The Equity Transfer Agreements were entered into because (1) Chengxin Investment and Huihuang Investment have gained the corresponding Shares in the Company through Aspire Education International and thus it is not necessary for them to hold equity interest in Yun Ai Group after the VIE structure is set up; (2) Aspire Education International, as the employee shareholding platform may decrease or increase the Shares in the Company from time to time and it would be unduly burdensome to adjust the corresponding equity interest in Yun Ai Group held by Chengxin Investment and Huihuang Investment accordingly; and (3) since the shareholding of the Company held by Advance Vision decreased to 6.83% immediately prior to the Equity Transfers, parties agreed that the corresponding equity interest held by Shanghai Taifu, the shareholder of Advance Vision shall be adjusted accordingly.

Termination Agreements

Immediately upon completion of the Equity Transfer Agreements, the Existing Registered Shareholders, Huihuang Company, Yun Ai Group and the respective PRC Consolidated Affiliated Entities will enter into various Termination Agreements accordingly, pursuant to which, among other things, the Existing Structured Contracts shall be terminated.

ESTABLISHMENT OF NEW VIE STRUCTURE

Immediately upon completion of the Equity Transfer Agreements and signing of the Termination Agreements, the New Registered Shareholders, the PRC Consolidated Affiliated Entities, Huihuang Company and Yun Ai Group will enter into a series of agreements comprising of the following to establish the New VIE Structure:

(i) Business Cooperation Agreement (2019);

(ii) Exclusive Technical Service and Management Consultancy Agreement (2019);

(iii) Exclusive Call Option Agreement (2019);

(iv) School Sponsor's and Directors' Rights Entrustment Agreement (2019);

(v) Shareholders' Rights Entrustment Agreement (2019);

(vi) School Sponsors' Powers of Attorney (2019);

(vii) Directors' Powers of Attorney (2019);

(viii) Shareholders' Powers of Attorney (2019);

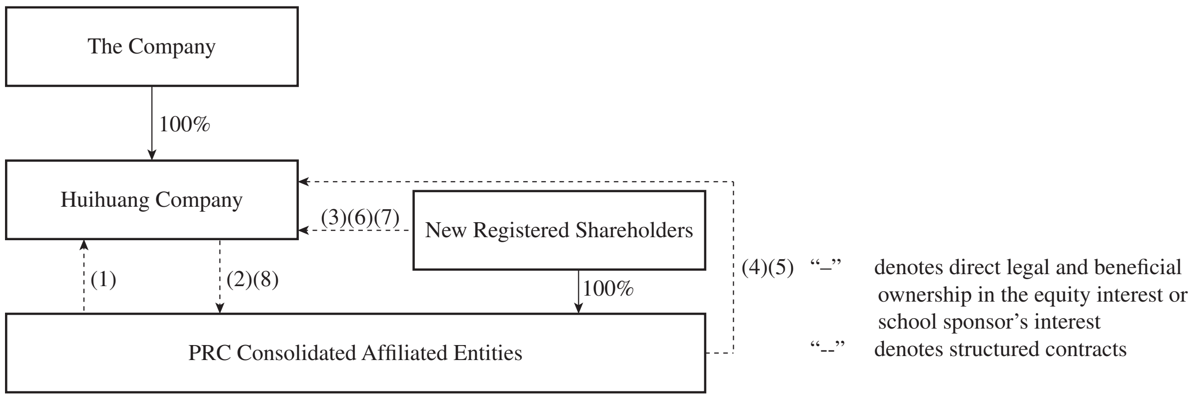
(ix) Equity Pledge Agreement (2019);

(x) Loan Agreement (2019); and

(xi) Spouse's Undertaking (2019).

Upon the New Structured Contracts becoming effective, the Group will continue to be able to exercise control over the operation and assets of Yun Ai Group, the School Sponsors, and the PRC Operating Schools, and the economic benefits generated by and risks associated with the running of the PRC Operating Schools by Yun Ai Group will be effectively controlled by the Group.

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



Notes:

1. Payment of service fee. See the paragraph headed "Exclusive Technical Service and Management Consultancy Agreement (2019)" in this announcement for details.

2. Provision of exclusive technical and management consultancy services. See the paragraph headed "Exclusive Technical Service and Management Consultancy Agreement (2019)" in this announcement for details.

3. Exclusive call option to acquire all or part of the School Sponsor's interest and equity interest in the PRC Consolidated Affiliated Entities. See the paragraph headed "Exclusive Call Option Agreement (2019)" in this announcement for details.

4. Entrustment of school sponsor's rights in the PRC Operating Schools by the School Sponsors. See the paragraphs headed "School Sponsors' and Directors' Rights Entrustment Agreement (2019)" and "School Sponsors' Powers of Attorney (2019)" in this announcement for details.

5. Entrustment of directors' rights in the PRC Operating Schools by directors of the PRC Operating Schools including directors' powers of attorney. See the paragraphs headed "School Sponsors' and Directors' Rights Entrustment Agreement (2019)" and "Directors' Powers of Attorney (2019)" in this announcement for details.

6. Entrustment of Shareholders' right including shareholders' power of attorney. See the paragraphs headed "Shareholders' Rights Entrustment Agreement (2019)" and "Shareholder's Powers of Attorney (2019)" in this announcement for details.

7. Pledge of equity interest by the New Registered Shareholders of their equity interest in Yun Ai Group. See the paragraphs headed "Equity Pledge Agreement (2019)" in this announcement for details.

8. Provision of loans by Huihuang Company to Yun Ai Group. See the paragraphs headed "Loan Agreement (2019)" in this announcement for details.

THE NEW STRUCTURED CONTRACTS

The principal terms of the New Structured Contracts are set out below:

(1) Business Cooperation Agreement (2019)

Pursuant to the Business Cooperation Agreement (2019), 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 New Structured Contracts, each of the PRC Consolidated Affiliated Entities agreed to comply, and procure any of its subsidiaries to comply with, and the New Registered Shareholders agreed to procure the PRC Consolidated Affiliated Entities to comply with the obligations, among others, as prescribed under the Business Cooperation Agreement (2019) 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.

In addition, pursuant to the Business Cooperation Agreement (2019),

(a) Mr. Li 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 the New Registered Shareholders, he shall have made all necessary arrangement and sign all necessary documents such that his/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 New Structured Contracts;

(b) the New Registered Shareholders undertake to Huihuang Company that, in the event of a merger and subdivision of the New Registered Shareholders (except for Mr. Li), presentation by the New Registered Shareholders (except for Mr. Li) or the New Registered Shareholders (except for Mr. Li) being presented any application for winding up, liquidation, winding up restructuring or reconciliation, dissolution and liquidation of the New Registered Shareholders (except for Mr. Li) pursuant to an order, application for involuntary dissolution of the New Registered Shareholders (except for Mr. Li) or other reasons, or other circumstances which may affect the New Registered Shareholders in exercising its direct or indirect interest in Yun Ai Group, they shall have made all necessary arrangement and sign all necessary documents 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 interest or relevant rights in Yun Ai Group shall not prejudice or hinder the enforcement of the New Structured Contracts;

(c) the New Registered Shareholders undertake that, in the event of the dissolution or liquidation of the PRC Consolidated Affiliated Entitites, (i) Huihuang Company shall have the right to exercise all school sponsor's right on behalf of the School Sponsors/shareholders' rights on the PRC Consolidated Affiliated Entitites; (ii) PRC Consolidated Affiliated Entitites shall transfer all assets received or receivable in its capacity as school sponsor or shareholders of each of the PRC Consolidated Affiliated Entitites as a result of the dissolution or liquidation of the PRC Consolidated Affiliated Entitites to Huihuang Company or other persons designated by the Company at nil consideration, and instruct all of the PRC Consolidated Affiliated Entitites to transfer such assets directly to Huihuang Company before such dissolution or liquidation; (iii) if consideration is required for such transfer under the then applicable PRC laws, PRC Consolidated Affiliated Entitites and/or the shareholders of PRC Consolidated Affiliated Entitites shall compensate Huihuang Company or the person as designated by the Company the amount and guarantee that Huihuang Company or other persons as designated by the Company does not suffer any loss; and

(d) the School Sponsors and the PRC Operating Schools agreed that, without the prior written consent of Huihuang Company, the PRC Consolidated Affiliated Entitites shall not declare or pay to its shareholders any proceeds or other interest or benefit. In the event that the School Sponsors/the shareholders of the School Sponsors receive any proceeds or other interest or benefit, the School Sponsors/the shareholders of the School Sponsors shall unconditionally and without compensation transfer such amount to Huihuang Company.

In order to prevent the leakage of assets and values of the PRC Consolidated Affiliated Entities, the New Registered Shareholders, the School Sponsors and each of the PRC Operating Schools have undertaken that, without the prior written consent of Huihuang Company or its designated party, the New Registered Shareholders, the School Sponsors or the PRC Operating Schools shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of the PRC Consolidated Affiliated Entitites or (ii) on the ability of the School Sponsors, the New Registered Shareholders and each of the PRC Operating Schools to perform the obligations under the New Structured Contracts. Such activities and transactions include, without limitation:

(a) establishment of any subsidiary or entity by the PRC Consolidated Affiliated Entitites or establishment of any other business or subsidiary by the School Sponsors and/or PRC Operating Schools;

(b) conduct of any activity by any of the PRC Consolidated Affiliated Entitites or its subsidiaries which are outside the ordinary course of business or change the mode of operations of the PRC Consolidated Affiliated Entitites or its subsidiaries;

(c) consolidation, subdivision, change of form of corporate organization, dissolution or liquidation of the PRC Consolidated Affiliated Entitites or its subsidiaries;

(d) providing any borrowing, loan or guarantee in respect of any debt to, or obtaining any borrowing and loan from, the PRC Consolidated Affiliated Entitites and/or subsidiaries of PRC Consolidated Affiliated Entitites;

(e) providing any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by the PRC Consolidated Affiliated Entitites or its subsidiaries to any third party, except in the ordinary course of business and provided that the amount of such debt is less than RMB100,000;

(f) change or removal of any director, supervisor or senior management of any of the PRC Consolidated Affiliated Entitites or its subsidiaries, increase or decrease of their remuneration package, or change of their appointment terms and conditions;

(g) sale, transfer, lending or authorizing the use or disposal of any assets or rights of any of the PRC Consolidated Affiliated Entitites or its subsidiaries to any third party other than Huihuang Company or its designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the transaction amount is less than RMB100,000;

(h) sale of any equity interest or school sponsor rights in any of the PRC Consolidated Affiliated Entitites or its subsidiaries to any third party other than Huihuang Company or its designated party, or increase or reduction of the registered capital or change of the structure of the equity or school sponsor's interest of any of the PRC Consolidated Affiliated Entitites or its subsidiaries;

(i) providing security over equity interest and/or school sponsor's interest in or assets or rights of, or creating encumbrance over equity and/or school sponsor's interest in or assets of any of the PRC Consolidated Affiliated Entitites or its subsidiaries to third parties other than to Huihuang Company or its designated party;

(j) altering, amending or revoking any permits of any of the PRC Consolidated Affiliated Entitites or its subsidiaries;

(k) amending the articles of association or scope of business of any of the PRC Consolidated Affiliated Entitites or its subsidiaries;

(l) change of any normal business procedures or amendment of any internal procedures and system of any of the PRC Consolidated Affiliated Entitites or its subsidiaries;

(m) entering into any business contracts outside the ordinary course of business except pursuant to the plan or suggestion of Huihuang Company or us;

(n) distribution of dividend, surplus from operation or other payments to the School Sponsors, or the shareholder of the School Sponsor(s) or any of its subsidiaries;

(o) carrying out any activity which has or may have an adverse effect on the daily operations, business or assets of any of the PRC Consolidated Affiliated Entitites or its subsidiaries or its ability to make any payment to Huihuang Company;

(p) entering into any transaction which has or may have an adverse effect on the transactions contemplated under the New Structured Contracts; and

(q) transfer of his/her/its rights and obligations under the New Structured Contracts to any third party other than Huihuang Company or its designated party, or establishment and commencement of any cooperation or business relationship similar to that under the New Structured Contracts with any third party by the School Sponsors, the New Registered Shareholders, any of the PRC Consolidated Affiliated Entitites or its subsidiaries.

Furthermore, each of New Registered Shareholders undertakes to Huihuang Company that, unless with the prior written consent of Huihuang Company, the Registered Shareholders (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of the PRC Consolidated Affiliated Entitites and its subsidiaries ("Competing Business"), (ii) use information obtained from any of the PRC Consolidated Affiliated Entitites or its subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the New Registered Shareholders further consents and agrees that, in the event that the New Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Huihuang Company and/or other entities as designated by the Company shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the New Structured Contracts. If Huihuang Company does not exercise such option, the New Registered Shareholders shall cease the operation of the Competing Business within a reasonable time.

(2) Exclusive Technical Service and Management Consultancy Agreement (2019)

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement (2019), 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.

As at 31 December 2018, Huihuang Company had over 97 personnel working in various departments of Huihuang Company including, among others, human resources department, financial department, and legal department.

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 all of their respective amount of surplus from operations multiplied by the ratio of equity of Yun Ai Group holds directly and indirectly in the PRC Consolidated Affiliated Entities (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of the respective school (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.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement (2019), unless otherwise prescribed under the PRC laws and regulations, Huihuang Company shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Huihuang Company to the PRC Consolidated Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement (2019) and/or any other agreements entered into between Huihuang Company and other parties.

(3) Exclusive Call Option Agreement (2019)

Under the Exclusive Call Option Agreement (2019), the New 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 School Sponsors and equity interest in the PRC Consolidated Affiliated Entities ("**Equity Call Option**"). The purchase price payable by Huihuang Company 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 and/or equity interest in the PRC Consolidated Affiliated Entities 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.

The New Registered Shareholders have further undertaken to Huihuang Company that, it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its school sponsors' interest and/or equity interest in the PRC Consolidated Affiliated Entities without the prior written consent of Huihuang Company;

(b) shall not increase or reduce or agree to the increase or reduction of capital investment of the PRC Consolidated Affiliated Entities without the prior written consent of Huihuang Company;

(c) shall not agree to or procure any of the PRC Consolidated Affiliated Entities to divide into or merge with other entities without the prior written consent of Huihuang Company;

(d) shall not dispose of or procure the management of the PRC Consolidated Affiliated Entities to dispose of any of the assets of the PRC Consolidated Affiliated Entities without the prior written consent of Huihuang Company, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB100,000;

(e) shall not terminate or procure the management of the PRC Consolidated Affiliated Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB100,000, the New Structured Contracts and any agreement of similar nature or content to the New Structured Contracts) or enter into any other contracts which may contradict such material contracts without the prior written consent of Huihuang Company;

(f) shall not procure any of the PRC Consolidated Affiliated Entities to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of the PRC Consolidated Affiliated Entities without the prior written consent of Huihuang Company, save for transactions which are in the ordinary course of business of the PRC Consolidated Affiliated Entities with the amount involved not more than RMB100,000, or transactions which have been disclosed to Huihuang Company and approved by Huihuang Company;

(g) shall not agree to or procure any of the PRC Consolidated Affiliated Entities to declare or in substance distribute any school-operating balance return or agree to such distribution without the prior written consent of Huihuang Company;

(h) shall not agree to or procure any of the PRC Consolidated Affiliated Entities to to amend its articles of association without the prior written consent of Huihuang Company;

(i) shall ensure that any of the PRC Consolidated Affiliated Entitites does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by the PRC Consolidated Affiliated Entitites exceeds RMB100,000, obligations which restrict or hinder the due performance of obligations under the New Structured Contracts by the PRC Consolidated Affiliated Entitites, obligations which restrict or prohibit the financial or business operations of the PRC Consolidated Affiliated Entitites, or any obligations which may result in change of the structure of the school sponsor's interest and/or the equity interest in the PRC Consolidated Affiliated Entitites) outside its ordinary course of business without the prior written consent of Huihuang Company;

(j) shall use its best endeavors to develop the business of any of the PRC Consolidated Affiliated Entitites and ensure compliance with laws and regulations by the PRC Consolidated Affiliated Entitites, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licenses of the PRC Consolidated Affiliated Entitites;

(k) shall, prior to the transfer of its school sponsor's interest or shareholders' interest to Huihuang Company or its designated purchaser and without prejudice to the School Sponsors' and Directors' Rights Entrustment Agreement (2019) and the Shareholders' Rights Entrustment Agreement (2019), execute all documents necessary for holding and maintaining the ownership of its school sponsor's interest and equity interest in the PRC Consolidated Affiliated Entitites;

(l) shall sign all documents and take all necessary actions to facilitate transfer of its school sponsor's interest and/or its equity interest in the PRC Consolidated Affiliated Entitites to Huihuang Company or its designated purchaser;

(m) shall take all such actions to facilitate the PRC Consolidated Affiliated Entitites in their performance of its obligations under the Exclusive Call Option Agreement (2019) if such performance requires any action be taken by the School Sponsors on its part;

(n) shall, in its capacity as a school sponsor and/or shareholders of the PRC Consolidated Affiliated Entitites and without prejudice to the New Structured Contracts, procure directors nominated by it to exercise all rights to enable any of the PRC Consolidated Affiliated Entitites to perform its rights and obligations under the Exclusive Call Option Agreement (2019), and shall replace any director or council member who fails to do so; and

(o) in the event that the consideration paid by Huihuang Company or its designated purchaser for the transfer of all or part of the school sponsor's interest and/or equity interest in the PRC Consolidated Affiliated Entitites exceeds RMB0, shall pay such excess amount to Huihuang Company or its designated entity.

(4) School Sponsor's and Directors' Rights Entrustment Agreement (2019)

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement (2019), the School Sponsors have irrevocably authorized and entrusted Huihuang Company to exercise all its rights as school sponsor of each of the PRC Operating Schools to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of the schools; (b) the right to appoint and/or elect supervisors of the schools; (c) the right to understand the operation and financial situation of the schools; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the schools; (e) the right to obtain proceeds as school sponsor of the schools in accordance with the laws and the articles of association of each school; (f) the right to acquire residue assets upon liquidation of the schools in accordance with the laws and the articles of association of each school; (g) the right to transfer school sponsors' interest in accordance with the laws; and (h) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of each school as amended from time to time.

Pursuant to the School Sponsors' and Directors' Rights Entrustment Agreement (2019), each of the relevant directors of each school (the "**Appointees**") has irrevocably authorized and entrusted Huihuang Company to exercise all his/her rights as directors of the PRC Operating Schools as appointed by the School Sponsors and to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representative of the directors appointed by the School Sponsors; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board meeting of each of the PRC Operating Schools; (c) the right to propose to convene interim board meetings of each of the PRC Operating Schools; (d) the right to sign all board minutes, board resolutions and other legal documents which the directors appointed by the Schools Sponsors have authority to sign in his/her capacity as directors of the PRC Operating Schools; (e) the right to instruct the legal representative and financial and business responsible persons of the PRC Operating Schools to act in accordance with the instruction of Huihuang Company; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of the PRC Operating Schools; (g) the right to handle the legal procedures of registration, approval and licensing of the PRC Operating Schools at the education department, the department of civil affairs or other government regulatory departments; and (h) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of the PRC Operating Schools as amended from time to time.

In addition, each of the School Sponsor and the Appointees have irrevocably agreed that (i) Huihuang Company may delegate its rights under the School Sponsors' and Directors' Rights Entrustment Agreement (2019) to the directors of Huihuang Company or its designated person, without prior notice to or approval by School Sponsor and the Appointees; 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 School Sponsor's and Directors' Rights Entrustment Agreement (2019).

(5) Shareholders' Rights Entrustment Agreement (2019)

Pursuant to the Shareholders' Rights Entrustment Agreement (2019), each of the New Registered Shareholders, Yun Ai Group, Daai Shuren, Songming Xinju and Beijing Daai Gaoxue has irrevocably authorized and entrusted Huihuang Company to exercise all of his/their respective rights as shareholders of Yun Ai Group, Enchang Company, Haxuan Company, Bei Ai Company, Daai Shuren, Songming Xinju, Qinzhou Yinghua, Beijing Daai Gaoxue and Henan Rongyu (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 New Registered Shareholders and Yun Ai Group, Daai Shuren, Songming Xinju and Beijing Daai Gaoxue 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 PRC Operating Schools as amended from time to time.

In addition, each of the New Registered Shareholders, Yun Ai Group, Daai Shuren, Songming Xinju and Beijing Daai Gaoxue has irrevocably agreed that (i) Huihuang Company may delegate its rights under the Shareholders' Rights Entrustment Agreement (2019) to the directors of Huihuang Company or its designated person, without prior notice to or approval by the New Registered Shareholders and Yun Ai Group; 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 (2019).

(6) School Sponsors' Powers of Attorney (2019)

Pursuant to the School Sponsors' Powers of Attorney (2019) executed by School Sponsors in favor of Huihuang Company, the School Sponsors authorized and appointed Huihuang Company (none of its directors is a director of any of the School Sponsors and/or PRC Operating Schools and therefore does not give rise to any conflicts of interest), as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of each of the PRC Operating Schools. For details of the rights granted, see section headed "(4) School Sponsors' and Directors' Rights Entrustment Agreement (2019)" of this announcement.

Huihuang Company shall have the right to further delegate the rights so delegated to the directors of Huihuang Company or other designated person. The School Sponsors irrevocably agreed that the authorization appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the School Sponsors' subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsors' Power of Attorney (2019) shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement (2019).

(7) Directors' Powers of Attorney (2019)

Pursuant to the Directors' Powers of Attorney (2019) executed by each of the Appointees in favor of Huihuang Company, each of the Appointees authorized and appointed Huihuang Company (none of its directors is a director of any of the School Sponsors and/or PRC Operating Schools and therefore does not give rise to any conflicts of interest), as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of the PRC Operating Schools. For details of the rights granted, see section headed "(4) School Sponsors' and Directors' Rights Entrustment Agreement (2019)" of this announcement.

Huihuang Company shall have the right to further delegate the rights so delegated to the directors of Huihuang Company or other designated person. Each of the Appointees irrevocably agreed that the authorization appointment in the Directors' Powers of Attorney (2019) shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' Power of Attorney (2019) shall constitute a part and incorporate terms of the School Sponsors' and Directors' Rights Entrustment Agreement (2019).

(8) Shareholders' Powers of Attorney (2019)

Pursuant to the Shareholders' Powers of Attorney (2019) executed by each of the New Registered Shareholder, Yun Ai Group, Daai Shuren, Songming Xinju and Beijing Daai Gaoxue in favor of Huihuang Company, each of the New Registered Shareholder, Yun Ai Group, Daai Shuren, Songming Xinju and Beijing Daai Gaoxue authorized and appointed Huihuang Company, as his or their agent to act on his or their behalf to exercise or delegate the exercise of all his or their rights as shareholders of the Relevant Subsidiaries. For details of the rights granted, see section headed "(5) Shareholders' Rights Entrustment Agreement (2019)" of this announcement.

Huihuang Company shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the New Registered Shareholders, Yun Ai Group, Daai Shuren, Songming Xinju and Beijing Daai Gaoxue irrevocably agreed that the authorization appointment in the Shareholders' Powers of Attorney (2019) shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Shareholders' Power of Attorney (2019) shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreement (2019).

(9) Equity Pledge Agreement (2019)

Pursuant to the Equity Pledge Agreement (2019), each of the New Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his/her/its equity interest in Yun Ai Group together with all related rights thereto to Huihuang Company as security for performance of the New Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Huihuang Company as a result of any event of default on the part of the New Registered Shareholders or each of the PRC Consolidated Affiliated Entitites and all expenses incurred by Huihuang Company as a result of enforcement of the obligations of the New Registered Shareholders and/or each of the PRC Consolidated Affiliated Entitites under the New Structured Contracts (the "**Secured Indebtedness**").

Pursuant to the Equity Pledge Agreement (2019), without the prior written consent of Huihuang Company, the New Registered Shareholders shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Huihuang Company. The New Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the equity pledge agreement.

Any of the following events shall constitute an event of default under the Equity Pledge Agreement (2019):

(a) any of the New Registered Shareholders, the PRC Consolidated Affiliated Entities commits any breach of any obligations under the New Structured Contracts;

(b) any representations or warranties or information provided by any of the New Registered Shareholders, the PRC Consolidated Affiliated Entities under the New Structured Contracts is proved incorrect or misleading; or

(c) any provision in the New Structured Contracts becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, Huihuang Company shall have the right to enforce the Equity Pledge Agreement (2019) by written notice to the New Registered Shareholders in one or more of the following ways:

(a) to the extent permitted under PRC laws and regulations, Huihuang Company may request the New Registered Shareholders to transfer all or part of his or her or its equity interest in the PRC Consolidated Affiliated Entities to any entity or individual designated by Huihuang Company at the lowest consideration permissible under the PRC laws and regulations;

(b) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;

(c) dispose of the pledged equity interest in other manner subject to applicable laws and regulations.

Under the New Structured Contracts, there is no equity pledge arrangement between Huihuang Company and the School Sponsors over the school sponsor's interest in the PRC Operating Schools held by the School Sponsors. As advised by the PRC Legal Advisors, if the Company was to make an equity pledge arrangement with the School Sponsors where the School Sponsors pledges its school sponsor's interest in each of the PRC Operating Schools in favor of us, such arrangement would be unenforceable under PRC laws and regulations given that school sponsor's interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to the School Sponsor's interests in schools cannot be registered with the relevant PRC regulatory authorities.

Nevertheless, the Company has implemented various measures which shall remain in place before the New Structured Contracts being unwound, with the aim of further enhancing the control over the PRC Consolidated Affiliated Entities, in particular:

(a) as disclosed above, pursuant to the Business Cooperation Agreement (2019), the New Registered Shareholders, Mr. Li and each of the PRC Consolidated Affiliated Entities have undertaken that, without prior written consent of Huihuang Company or its designated party, he/it shall not conduct or cause to conduct any activity or transaction which may have an actual impact (i) on the assets, business, staff, obligations, rights or operations of the PRC Consolidated Affiliated Entities or (ii) on the ability of the New Registered Shareholders and Mr. Li and each of the PRC Consolidated Affiliated Entities to perform the obligations under the New Structured Contracts.

(b) as disclosed above, pursuant to the Exclusive Call Option Agreement (2019), the New Registered Shareholders have further undertaken to Huihuang Company that, among others, it shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over its school sponsors' interest and/or equity interest in the PRC Consolidated Affiliated Entities without prior written consent of Huihuang Company.

(c) the Company has taken measures to ensure that the company seals of the PRC Consolidated Affiliated Entities are properly secured, are within the full control of the Company and cannot be used by the School Sponsors or the Registered Shareholders without the Company's permission. Such measures include arranging for the company seals of the PRC Consolidated Affiliated Entities to be kept in the safe custody of the finance department of Huihuang Company and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorization of the Company or Huihuang Company.

(10) Loan Agreement (2019)

Pursuant to the Loan Agreement (2019), Huihuang Company agreed to provide interest free loans to Yun Ai Group in accordance with the PRC laws and regulations and Yun Ai Group agreed to utilize the proceeds of such loans to contribute as capital of the PRC Operating Schools in its capacity as school sponsor or the shareholder of the school sponsors of the schools in accordance with the Company's instructions. Both parties agree that all such capital contribution will be directly settled by Huihuang Company on behalf of Yun Ai Group.

The terms of the Loan Agreement (2019) shall continue until all interest of the PRC Consolidated Affiliated Entities are transferred to Huihuang Company or its designee and/or the Company or designee of the Company and the registration process required thereafter has been completed with the relevant local authorities.

Each loan to be granted under the Loan Agreement (2019) will be for an infinite term until termination at the sole discretion of Huihuang Company. The loan will become due and payable upon Huihuang Company's demand under any of the following circumstances: (i) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against Yun Ai Group, (ii) a winding-up or liquidation application has been filed by or against Yun Ai Group, (iii) Yun Ai Group becoming insolvent or incurring any other significant personal debt which may affect its ability to repay the loan under the Loan Agreement, (iv) Huihuang Company or its designee exercising in full its option to purchase all PRC Consolidated Affiliated Entities interests to the extent permitted by PRC laws and regulations, or (v) any of the PRC Consolidated Affiliated Entities commits any breach of any obligations under the New Structured Contracts, or any warranties provided by any of the PRC Consolidated Affiliated Entities under the New Structured Contracts is proved incorrect or inaccurate. As advised by the PRC Legal Advisors, interest-free loans granted by Huihuang Company to Yun Ai Group is not in violation of the applicable PRC laws and regulations.

(11) Spouse Undertakings (2019)

Pursuant to the Spouse Undertakings (2019), the spouse of Mr. Li has irrevocably undertaken that:

(a) the spouse has full knowledge of and has consented to the entering into of the New Structured Contracts by Mr. Li, and in particular, the arrangement as set out in the New 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;

(c) the spouse authorizes Mr. Li 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 New Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) any undertaking, confirmation, consent and authorization under the Spouse Undertakings (2019) shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in Yun Ai Group;

(e) any undertaking, confirmation, consent and authorization under the Spouse Undertakings (2019) 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; and

(f) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings (2019) shall continue to be valid and binding until otherwise terminated by both Huihuang Company and the spouse of Mr. Li in writing.

The Spouse Undertakings (2019) shall have the same term as and incorporate the terms of the Business Cooperation Agreement (2019).

CONSENT BY MINORITY SHAREHOLDERS

As of the date of this announcement, (i) Haxuan Company, the school sponsor of the Northeast School, is owned as to 73.91% by Yun Ai Group and 26.09% by Ningde Company; (ii) Henan Ronyu, the school sponsor of the Henan School, is owned as to 27% by Mr. Rong Hua（榮華）, 18% by Ms. Kong Ailan（孔愛蘭）and 55% by Beijing Daai Gaoxue; and (iii) Songming Xinju, the sole shareholder of the school sponsor of Guangxi Schools, is owned as to 39% by Greenwoods Jia Xin Rui Xuan, 10% by Mr. Li Jianchun（李建春）and 51% by Daai Shuren. In any event, the Company has obtained a written confirmation from each of Ningde Company, Mr. Rong Hua, Ms. Kong Ailan, Greenwoods Jia Xin Rui Xuan and Mr. Li Jianchun who confirmed that they agreed, where applicable:

(i) to the listing of the Group, the execution of the New Structured Contracts by the respective school sponsor, the rights and obligations of the respective school sponsor, under the New Structured Contracts and to consent to the necessary authorizations and approval given by the respective school sponsor, required under the New Structured Contracts;

(ii) to consent to the respective school sponsor, as the case may be, the payment of service fees to Huihuang Company pursuant to the New Structured Contracts and the distribution of profits by Haxuan Company/Enchang Company, as the case may be, in accordance with their shareholding structure, and in return Huihuang Company and Yun Ai Group will not insist on otherwise;

(iii) to the waiver of the pre-emptive rights in the event that Huihuang Company or its designated persons exercise the Equity Call Option pursuant to the New Structured Contracts and to sign or provide all necessary documents or take all necessary actions to facilitate the transfer of the equity interest in the respective school sponsor, as the case may be;

(iv) to consent and support any shareholders resolutions or board resolutions of the respective school sponsor, as the case may be, that are required by Huihuang Company and the respective school sponsor, as the case may be;

(v) unless with the prior written consent of Huihuang Company or its designated persons, not to directly or indirectly conduct or procure to conduct any activity or transaction which (a) may have an actual effect on the assets, business, employees, obligations, rights or business operations of the University or its subsidiaries/entities, or (b) may have a material adverse impact on the ability of the University to fulfill any obligations under the New Structured Contracts;

(vi) in the event that they intend to sell, assign, transfer or in any other way dispose of the equity interest of the respective school sponsor, as the case may be, they undertake that their successors shall at no consideration and in writing, unconditionally and irrevocably consent the rights and obligations under the New Structured Contracts prior to such sale, assignment, transfer or disposal; and

(vii) if they create any encumbrances over any of its equity interest of the respective school sponsor, as the case may be, from the date of the confirmation, they undertake that the beneficiary of such encumbrance and other related persons shall at no consideration and in writing, unconditionally and irrevocably consent the rights and obligations under the New Structured Contracts prior to the creation of such encumbrances.

REASONS FOR AND BENEFITS OF THE NEW STRUCTURED CONTRACTS

The Group is mainly engaged in private higher education.

Pursuant to the Foreign Investment Catalog, the provision of ordinary high school and higher education in the PRC falls within the "restricted" category. In particular, the Foreign Investment Catalog explicitly restricts ordinary high school and higher education to Sino-foreign cooperation, which means the foreign investor shall be an educational institution and shall operate ordinary high school and 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 PRC Operating Schools on the basis that (a) the principals and the chief executive officers of the aforementioned 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 the Company was to apply for any of the schools to be reorganized as a Sino-Foreign Joint Venture Private School for PRC students at ordinary high school or 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 as at the date of this announcement, 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 in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

Based on the above, in order to achieve the business purpose of the Company, the New Structured Contracts, through which the Group will continue to be able to exercise full control over the PRC Consolidated Affiliated Entities and consolidate the financial results of the PRC Consolidated Affiliated Entities into the accounts of the Group, have been utilized to minimize the potential conflict with relevant PRC laws and regulations.

The New Structured Contracts are in substance the reproduction of the Existing Structured Contracts considering that (1) the New Structured Contracts will be entered into only because of the Equity Transfers which will in turn result in the changes to the Registered Shareholders; (2) Songming Dexue, being the new registered shareholder, which will take the equity interest in Yun Ai Group originally held by Mr. Li Xiaoxuan, Shanghai Taifu, Huihuang Investment, Chengxin Investment and Daai Partnership, is controlled by Mr. Li Xiaoxuan, the controlling shareholder of the Group and the Equity Transfers do not involve any new investors; (3) after consultation with the Company's PRC Legal Advisors, the Company confirms that the terms and conditions of the New Structured Contracts are substantially the same as those under the Existing Structured Contracts; and (4) the New Structured Contracts do not intend to cover any new business.

UNWINDING OF THE NEW STRUCTURED CONTRACTS

Under the Sino-Foreign Regulation, foreign investment in ordinary high school and 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, or (d) both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed, as permitted by the applicable PRC laws and regulations at the relevant time:

– in circumstance (a), the Company will partially unwind the New Structured Contracts and directly hold an equity interest of less than 50% in the relevant school (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 New 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 school. 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 New Structured Contracts;

– in circumstance (b), the Company will partially unwind the New Structured Contracts and directly hold an equity interest of less than 50% in the relevant school (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 New Structured Contracts in place with respect to the domestic interests. The Company will also acquire rights to appoint all members of the board of directors of the school;

– 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 is ineligible to operate the schools by itself. 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 school. The Company will then control the voting power of such members appointed by the domestic interest holder(s) by way of the New Structured Contracts. The Company also plan 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 New Structured Contracts; and

– in circumstance (d), the Company would be allowed to directly hold 100% of the interests in the schools and the Company will fully unwind the New Structured Contracts and directly hold all equity interests in the schools. The Company will also acquire rights to appoint all members of the board of directors of the schools.

In addition, Huihuang Company has also signed a written undertaking that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the Equity Call Option in full to hold all of the interest in the PRC Operating Schools and unwind the New Structured Contracts accordingly.

INFORMATION ON YUN AI GROUP AND SONGMING DEXUE AND HUIHUANG COMPANY

Yun Ai Group is a company established under the laws of the PRC. Upon completion of the Equity Transfers, Yun Ai Group will be owned as to 20.0568% by Pai Dui Pai, 5.7305% by Ba Mu Pu, 8.5393% by Shanghai Taifu, 62.2912% by Songming Dexue and 3.3822% by Zhongyi Company. Yun Ai Group is an investment holding company.

Songming Dexue is a limited liability company established under the laws of the PRC. It is wholly owned by Mr. Li and upon completion of the registration of the Equity Transfer with the relevant PRC authorities, Songming Dexue will own 62.2912% equity interest of Yun Ai Group. Songming Dexue is an investment holding company.

Huihuang Company is a limited liability company established under the laws of the PRC and a wholly owned subsidiary of the Group. Huihuang Company undertakes to provide the PRC Operating Schools with certain technical management services as required to support their operations. In return, Huihuang Company is entitled to substantially all of the operating profits generated by the PRC Operating Schools through charges levied on these services rendered.

FURTHER INFORMATION ABOUT THE NEW STRUCTURED CONTRACTS

Dispute Resolution

Each of the New 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 New 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 New Structured Contracts

The PRC Legal Advisors are of the opinion that:

- the New Structured Contracts as a whole and each of the agreements comprising the New Structured Contracts are legal, valid and binding on the parties thereto, except that the New 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.

- The New Structured Contracts 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 New 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 New Registered Shareholders

As disclosed above, the spouse of Mr. Li has irrevocably undertaken that, among others, the spouse authorizes Mr. Li 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's direct and indirect equity interest in Yun Ai Group in order to safeguard the interest of Huihuang Company under the New 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 (2019), Mr. Li 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 New Structured Contracts.

Furthermore, the New Registered Shareholders undertake to Huihuang Company that, in the event of merger and subdivision of the New Registered Shareholders (except for Mr. Li), presentation by the New Registered Shareholders (except for Mr. Li) or the New Registered Shareholders (except for Mr. Li) being presented any application for winding up, liquidation, winding up restructuring or reconciliation, dissolution and liquidation of the New Registered Shareholders (except for Mr. Li) pursuant to an order, application for involuntary dissolution of the New Registered Shareholders (except for Mr. Li) or other reasons, or other circumstances which may affect the New 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 New Structured Contracts.

Insurance

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

Arrangement to Address Potential Conflict of Interest

The Company has in place arrangements to address the potential conflicts of interest between the New Registered Shareholders on the one hand, and the Company on the other hand. Pursuant to the Business Cooperation Agreement (2019), each of the New Registered Shareholders undertakes to Huihuang Company that, unless with the prior written consent of Huihuang Company, the New 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 New Structured Contracts; or (ii) require the entity engaging in the Competing Business to cease operation. The Directors are of the view that the measures the Company has adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the School Sponsors and the New Registered Shareholders on the one hand, and the Company on the other hand.

Loss Sharing

In the event that the PRC Consolidated Affiliated Entities incur any loss or encounters any operational crisis, Huihuang Company may, but is not obliged to, provide financial support to the PRC Consolidated Affiliated Entities. None of the agreements constituting the New Structured Contracts provides that the Company or its wholly-owned PRC subsidiary, Huihuang Company, is obligated to share the losses of the PRC Consolidated Affiliated Entities or provide financial support to the PRC Consolidated Affiliated Entities. Further, the PRC Consolidated Affiliated Entitites 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 PRC Consolidated Affiliated Entities or provide financial support to the PRC Consolidated Affiliated Entities. Despite the foregoing, given that the PRC Consolidated Affiliated Entities' 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 PRC Consolidated Affiliated Entities suffer losses. However, due to the restrictive provisions contained in the New Structured Contracts as disclosed in the respective sections headed "Business Cooperation Agreement (2019)" and "Exclusive Call Option Agreement (2019)" above, the potential adverse effect on Huihuang Company and the Company in the event of any loss suffered from the PRC Consolidated Affiliated Entities can be limited to a certain extent.

Directors' Views on the New Structured Contracts

The Directors believe that the New Structured Contracts are narrowly tailored because the New Structured Contracts are the reproduction of the Existing Structured Contracts and are only used to continue to enable the Group to consolidate the financial results of the PRC Consolidated Affiliated Entities which engage or will engage in the operation of ordinary high school and higher education, where the PRC laws and regulations currently restrict operation of ordinary high school and 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 New Structured Contracts so that the financial results of the operation of the PRC Consolidated Affiliated Entities 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 New Structured Contracts are enforceable under the PRC laws and regulations, except for relevant arbitration provisions.

CONSOLIDATED FINANCIAL RESULTS OF PRC OPERATING SCHOOLS AND SCHOOL SPONSORS

According to HKFRS 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 PRC Consolidated Affiliated Entities, the New Structured Contracts as mentioned above enable the Company to exercise control over the PRC Consolidated Affiliated Entities. The Directors consider that the Company can combine the financial results of the PRC Consolidated Affiliated Entities as if they were the Group's subsidiaries.

RISKS RELATED TO THE NEW VIE STRUCTURE

1. Potential changes in the PRC foreign investment legal regime

Notwithstanding the PRC Legal Advisors are of the view that the New Structured Contracts do not contravene with any applicable laws and regulations, there is uncertainty regarding the interpretation and applicable of the PRC laws and regulations such that the PRC government may determine that the New Structured Contracts do not comply with the applicable laws and regulations of the PRC.

2. There may be limitations in exercising the purchase rights to acquire equity interests in Yun Ai Group

The Company adopted the New VIE Structure in order to indirectly participate in the ordinary high school education and private higher education business and will unwind the New VIE Structure as soon as the law allows such business to be operated by foreign investors in the PRC without the New VIE Structure. However, Huihuang Company's acquisition of the shares and equity interests in Yun Ai Group may only be conducted to the extent as permitted by applicable PRC laws and may also be subject to substantial costs. Under Exclusive Call Option Agreement (2019) and subject to compliance with applicable PRC laws and regulations, Huihuang Company or its designated nominee shall be entitled to exercise options to purchase the New Registered Shareholders' equity interests in Yun Ai Group and assets of Yun Ai Group at the minimum price permitted by applicable laws if such transfer of equity interests is allowed by the applicable PRC laws.

3. **The Group depends upon the New VIE Structure to control and obtain economic benefits from Yun Ai Group, which may not be as effective as direct ownership**

The Group conducts the restricted business indirectly through Yun Ai Group by the New VIE Structure, pursuant to which the Group has control over the operations and assets of Yun Ai Group and is entitled to the economic benefits with respect to the Yun Ai Group's business. However, the New VIE Structure may not be as effective in providing the Group with control over the Yun Ai Group as direct ownership.

If the Group had direct ownership of Yun Ai Group, the Group would be able to exercise its rights directly as a registered shareholder to effect changes in the board of directors of Yun Ai Group, which in turn could effect changes at the management level, subject to any applicable fiduciary obligations. However, under the proposed New VIE Structure, the Group will rely on Yun Ai Group and its shareholders' (i.e. the New Registered Shareholders) performance of their contractual obligations to exercise effective control.

However, as described in the paragraphs headed "Shareholders' Powers of Attorney" of this announcement, Huihuang Company is granted with various shareholder's rights which enable Huihuang Company to fully control the performance on the part of Yun Ai Group and the New Registered Shareholders without their cooperation.

4. **There may be potential conflicts of interests between the New Registered Shareholders and the Company or Huihuang Company**

Yun Ai Group and its registered shareholders, the New Registered Shareholders, may fail to take certain actions required for the Group's running of the restricted business or to follow the Group's instructions despite their contractual obligations to do so. If they fail to perform their obligations under the relevant New Structured Contracts, the Group may have to rely on legal remedies under PRC laws which may not be effective.

As described in the paragraph headed "Potential Conflict of Interests", various measures are in place to mitigate the risks associated with the potential conflicts of interests between the Group and the New Legal Owners.

5. **The New Structured Contracts may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed**

   Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or scrutiny by the tax authorities within ten years after the taxable year when the transactions are conducted. The Group could face material adverse tax consequences if the PRC tax authorities determine that the New Structured Contracts do not represent arm's length negotiations and therefore constitute unfavourable transfer pricing arrangements. Unfavourable transfer pricing arrangements could, among other things, result in an upward adjustment of the amount of tax that Huihuang Company or Yun Ai Group is required to pay. In addition, the PRC tax authorities may impose interests on late payments on Huihuang Company or Yun Ai Group for the adjusted but unpaid taxes. The New Structured Contracts have been negotiated and executed based on an equal standing and reflect the true commercial intention of Huihuang Company or Yun Ai Group.

6. **The Company does not have any insurance which covers the risk relating to the New Structured Contracts and the transactions contemplated thereunder**

   The Group has not purchased any insurance to cover the risk relating to the New Structured Contracts and the Company has no intention to purchase any insurance in this regard. If any event affect the enforceability and operation of the New Structured Contracts, the financial and operation results of the Group may be adversely affected. The Group will continue to monitor the relevant legal and operational environment on a regular basis in order to comply with the applicable laws and regulations.

LISTING RULES IMPLICATIONS

The transactions contemplated under the New Structured Contracts, as a whole, constitute continuing connected transactions of the Company under the Listing Rules because (1) Mr. Li is a connected person under Rule 14A.07(1) of the Listing Rules and (2) Ba Mu Pu and Pai Dui Pai and Songming Dexue, each of which is controlled by Mr. Li, are connected persons under Rule 14A.12(1)(c) of the Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the New Structured Contracts and the transactions contemplated thereunder are fundamental to the Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of the Group, 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, who owns 100% shareholding in Songming Dexue is considered to have a material interest in the New Structured Contracts. Mr. Li will abstain from voting on the resolutions in relation to the Equity Transfer and the New Structured Contracts to be proposed to the Board. Save as disclosed above, none of the Directors has a material interest in the New Structured Contracts.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*4*	**501,023**	248,824
Cost of sales		**(232,391)**	(108,956)
Gross profit		**268,632**	139,868
Other income and gains	*4*	**63,945**	77,609
Selling and distribution expenses		**(5,545)**	(2,309)
Administrative expenses		**(30,084)**	(21,643)
Other expenses		**(16,229)**	(622)
Finance costs	*5*	**(42,119)**	(32,144)
PROFIT BEFORE TAX	*6*	**238,600**	160,759
Income tax expense	*7*	**(12,934)**	(10,733)
PROFIT FOR THE PERIOD		**225,666**	150,026
Attributable to:			
Owners of the parent		**201,016**	150,026
Non-controlling interests		**24,650**	–
		225,666	150,026
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic *(RMB)*			
– For profit for the period	*9*	**0.14**	0.10
Diluted *(RMB)*			
– For profit for the period	*9*	**0.14**	0.10

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**225,666**	150,026
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(775)**	(17,406)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(775)**	(17,406)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX	**(775)**	(17,406)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**224,891**	132,620
Attributable to:		
Owners of the parent	**200,241**	132,620
Non-controlling interests	**24,650**	–
	224,891	132,620

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	**30 June 2019 *RMB'000* (Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**2,381,101**	2,116,119
Investment properties		**193,153**	161,426
Right-of-use assets	*2.2*	**21,176**	–
Prepaid land lease payments		**276,066**	203,930
Goodwill		**225,096**	196,114
Other intangible assets		**17,136**	18,531
Other non-current assets	*11*	**1,397,389**	1,407,690
Total non-current assets		**4,511,117**	4,103,810
CURRENT ASSETS			
Prepayments, other receivables and other assets	*12*	**166,623**	131,470
Pledged deposits		**112,237**	63,534
Cash and cash equivalents		**362,350**	349,630
Other current assets		**306**	5,065
Total current assets		**641,516**	549,699
CURRENT LIABILITIES			
Deferred revenue	*13*	**138,098**	472,928
Other payables and accruals	*14*	**523,163**	488,762
Interest-bearing bank and other borrowings	*15*	**579,439**	625,324
Deferred income		**10,090**	9,775
Tax payable		**52,069**	35,566
Total current liabilities		**1,302,859**	1,632,355
NET CURRENT LIABILITIES		**(661,343)**	(1,082,656)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,849,774**	3,021,154

	Note	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	*15*	**917,072**	661,523
Deferred income		**41,362**	31,001
Deferred tax liabilities		**78,942**	49,419
Total non-current liabilities		**1,037,376**	741,943
Net assets		**2,812,398**	2,279,211
EQUITY			
Equity attributable to owners of the parent			
Share capital		**1,056**	983
Reserves		**2,364,475**	1,856,011
		2,365,531	1,856,994
Non-controlling interests		**446,867**	422,217
Total equity		**2,812,398**	2,279,211

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

1. CORPORATE INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 8 July 2016. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 19 April 2017.

The Company is an investment holding company. During the period, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in rendering private education services in the People's Republic of China (the "PRC").

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2019 has been prepared in accordance with HKAS 34 Interim Financial Reporting. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2018.

The Group recorded net current liabilities of RMB661,343,000 as at 30 June 2019 (31 December 2018: RMB1,082,656,000), included in which were deferred revenue of RMB138,098,000 as at 30 June 2019 (31 December 2018: RMB472,928,000).

In view of the net current liabilities position, the directors of the Company (the "Directors") have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Having considered the cash inflow from operations and its available resource of finance, the Directors are of the opinion that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future and it is appropriate to prepare the interim condensed consolidated financial statements on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 January 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*

Other than as explained below, the new and revised standards have had no material effect on the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new and revised HKFRSs are described below:

(a) Adoption of HKFRS 16

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases – Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK(IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of office premises and teaching buildings. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for five elective exemptions for short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets (e.g., laptop computers and telephones); and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in interest-bearing bank and other borrowings.

The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income) previously included in investment properties, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured under HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:

	Increase *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	1,820
Liabilities	
Increase in interest-bearing bank and other borrowings	1,820

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 is as follows:

	RMB'000 (Unaudited)
Operating lease commitments as at 31 December 2018	27,366
Incremental borrowing rate as at 1 January 2019	3.82%-4.26%
Discounted operating lease commitments as at 1 January 2019	25,723
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019	(1,283)
Leases not yet commenced to which the Group is committed	(22,620)
Lease liabilities as at 1 January 2019	1,820

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at historical cost less accumulated depreciation and provision for any impairment in value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Amounts recognised in the interim condensed consolidated statement of financial position and profit or loss

The carrying amounts of the Group's right-of-use assets and lease liabilities (included within 'interest-bearing bank and other borrowings'), and the movement during the period are as follow:

	Right-of-use assets		
	Office premises *RMB'000* **(Unaudited)**	**Investment properties** *RMB'000* **(Unaudited)**	**Lease liabilities** *RMB'000* **(Unaudited)**
As at 1 January 2019	690	1,130	1,820
Additions	22,620	–	22,620
Depreciation Charge	(2,134)	(206)	–
Interest expense	–	–	244
Payments	–	–	(3,106)
As at 30 June 2019	21,176	924	21,578

The Group recognised rental expenses from short-term leases of RMB1,285,000 and rental income from subleasing right-of-use assets of RMB437,000 for the six months ended 30 June 2019.

(b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the directors considered the interpretation did not have any significant impact on the Group's interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of education services in the PRC.

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

During the period, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No revenue from sales to a single customer contributed to 10% or more of the total revenue of the Group during the period.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers		
Tuition fees	**454,846**	230,099
Boarding fees	**46,177**	18,725
	501,023	248,824

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Other income and gains		
Service income	**35,654**	62,479
Rental income	**12,431**	5,757
Government grants	**7,015**	3,041
Canteen income	**4,535**	–
Others	**4,310**	6,332
	63,945	77,609

Disaggregated revenue information for revenue from contracts with customers

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Type of services		
Tuition fees	**454,846**	230,099
Boarding fees	**46,177**	18,725
	501,023	248,824
Timing of revenue recognition		
Services transferred over time	**501,023**	248,824

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other loans	**35,606**	33,950
Interest on finance leases	**16,465**	3,132
Interest on lease liabilities	**244**	–
Total interest expense on financial liabilities not at fair value through profit or loss	**52,315**	37,082
Less: Interest capitalized	**(10,196)**	(4,938)
	42,119	32,144

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Employee benefit expense (excluding directors' and chief executive's remuneration):		
Wages and salaries	**140,019**	68,797
Equity-settled share option expense	**2,772**	2,050
Pension scheme contributions (defined contribution plan)	**10,737**	6,967
	153,528	77,814
Depreciation of property, plant and equipment	**49,847**	19,229
Depreciation of investment properties	**2,669**	518
Depreciation of right-of-use assets	**2,134**	–
Amortisation of prepaid land lease payments	**2,940**	1,164
Amortisation of other intangible assets *	**3,514**	1,914
Minimum lease payments under operating leases	**1,285**	2,558
Provision for prepayments, other receivables and other assets	**354**	8
Loss/(gain) on disposal of items of property, plant and equipment	**964**	(7)

* The amortisation of other intangible assets during the period is included in "Cost of sales" in the consolidated statement of profit or loss.

7. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

According to the Implementation Rules for the Law for Promoting Private Education ("Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. The Implementing Rules provide that the private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools, and relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. To date, however, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the confirmation obtained therefrom previously, schools of the Group have historically enjoyed preferential tax treatment since their establishment. There was no corporate income tax imposed on the income from the provision of formal educational services of schools of the Group. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the period.

The corporate income tax rate for Tibet Daai Huihuang Information and Technology Co., Ltd. ("Huihuang Company") is 15% based on the relevant tax regulations of Tibet Autonomous Region.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

The major components of income tax expense of the Group are as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
Charge for the period	**9,791**	6,440
Deferred	**3,143**	4,293
Total tax charge for the period	**12,934**	10,733

8. DIVIDENDS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interim dividend proposed subsequent to the reporting period – RMB0.036 (2018: RMB0.027) per ordinary share	**55,480**	38,640

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of RMB0.036 (six months ended 30 June 2018: RMB0.027) per share, amounting to RMB55,480,000 (six months ended 30 June 2018: RMB38,640,000) will be paid to the owners of the Company.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB201,016,000 (2018: RMB150,026,000), and the weighted average number of ordinary shares of 1,476,933,333 (2018: 1,431,100,000) shares in issue during the period, as adjusted to reflect the rights issue during the period.

The calculation of the diluted earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent of RMB201,016,000 (2018: RMB150,026,000). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the period, as used in the basic earnings per share calculation of 1,476,933,333 (2018: 1,431,100,000) shares, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of share options into ordinary shares of nil shares (2018: 667,565).

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired assets with a cost of RMB167,811,000 (unaudited) (six months ended 30 June 2018: RMB198,124,000 (unaudited)), excluding property, plant and equipment acquired through a business combination disclosed in note 17 to the interim condensed consolidated financial information.

Assets with a net book value of RMB227,000 (unaudited) were transferred to investment properties by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB1,691,000 (unaudited)).

Assets with a net book value of RMB1,548,000 (unaudited) was disposed by the Group during the six months ended 30 June 2019 (six months ended 30 June 2018: RMB1,725,000 (unaudited)), resulting in a net loss on disposal of RMB964,000 (unaudited) (net gain for the six months ended 30 June 2018: RMB7,000 (unaudited)).

11. OTHER NON-CURRENT ASSETS

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Prepayment for investments *(Note (i))*	**1,298,271**	1,314,442
Prepayment for land use rights	**43,829**	67,083
Prepayment for other intangible assets	**647**	735
Prepayment for property, plant and equipment	**85,617**	56,405
	1,428,364	1,438,665
Impairment allowance	**(30,975)**	(30,975)
	1,397,389	1,407,690

Prepayments mainly represent down payments for investments and acquisition of new schools.

Note (i): Included in prepayment for investments is the down payment of RMB147,993,000 for acquisition of Xinjiang Institute of Finance and Economics ("Xinjiang School").

During the financial year ended 31 December 2018, in relation to the proposed acquisition of Xinjiang School, the Group announced that, in view of certain closing conditions under the equity transfer agreements not satisfied by the counterparties, and continuing to pursue the proposed acquisition may not be in the best interest of the Group and the shareholders, the Directors of the Company decided to terminate the proposed acquisition in October 2018.

The Company engaged an external independent legal counsel to provide professional advice to the Board in relation to the termination of Xinjiang School matter, and to take appropriate actions, including but not limited to, in following up with the counterparties for settlement of the prepayment amount. The Company performed an impairment analysis assessment, as supported by the legal opinion, by considering the probability of default and estimated an expected credit loss by applying a loss rate approach with reference to the current conditions and forecasts of future economic conditions, as appropriate. The management estimates the impairment allowance amounted to RMB30,975,000 as at 30 June 2019, with appropriate legal action to recover the down payment from the counterparties, and subsequent to the balance sheet date, the process of negotiation with the counterparties is still in progress. Should there be any development progress on this matter, the Company will release further announcement as and when appropriate.

12. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Advance and other receivables	**132,933**	89,857
Other prepaid expenses	**5,786**	2,008
Staff advances	**2,744**	2,487
Receivables from educational bureaus	**1,413**	11,586
Deposits and other miscellaneous receivables	**23,747**	25,532
	166,623	131,470

The amounts are interest-free and are not secured with collateral.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

13. DEFERRED REVENUE

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract liabilities *(Note (i))*	**138,098**	472,928

Note (i): Details of contract liabilities are as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Tuition fees	**107,593**	417,108
Boarding fees	**30,505**	55,820
Total contract liabilities	**138,098**	472,928

Contract liabilities are tuition fees and boarding fees.

14. OTHER PAYABLES AND ACCRUALS

	30 June 2019 *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
Payables for purchase of property, plant and equipment	**117,517**	70,677
Accrued bonus and social insurance	**34,577**	44,833
Miscellaneous expenses received from students *(Note (i))*	**74,871**	83,530
Other payables *(Note (ii))*	**294,717**	289,121
Accrued expenses	**1,481**	601
	523,163	488,762

The above balances are unsecured and non-interest-bearing. The carrying amount of other payables and accruals at the end of the period approximated to their fair value due to their short term maturity.

Note (i): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

Note (ii): Included in other payables was the unsettled consideration for business combinations, which is to be settled by way of cash payment amounting to RMB80 million to the schools sponsors, and in the form of capital injection amounting to RMB50 million into Luoyang Science and Technology Vocational College ("Henan School"), respectively.

15. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2019		**As at 31 December 2018**	
	Maturity	***RMB'000*** **(Unaudited)**	Maturity	*RMB'000* (Audited)
Current				
Finance lease payables *(note 16)*	**2019-2020**	**120,715**	2019	85,934
Bank loans – secured	**2019-2020**	**214,041**	2019	156,837
Other loans – secured		**–**	2019	198,989
Current portion of long-term bank loans – secured	**2019-2020**	**231,129**	2019	181,918
Current portion of other loans – secured	**2019-2020**	**6,066**	2019	1,646
Lease liabilities	**2019-2020**	**7,488**		–
		579,439		625,324
Non-current				
Finance lease payables *(note 16)*	**2020-2023**	**210,415**	2020-2023	168,261
Bank loans – secured	**2020-2023**	**669,452**	2020-2023	474,110
Other loans – secured	**2020-2029**	**34,347**	2020-2029	27,187
Lease liabilities	**2020-2022**	**14,090**		–
Transaction costs		**(11,232)**		(8,035)
		917,072		661,523
Total		**1,496,511**		1,286,847

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year or on demand	**445,170**	338,755
In the second year	**181,319**	145,508
In the third to fifth years, inclusive	**476,901**	320,567
	1,103,390	804,830
Other borrowings repayable:		
Within one year	**126,781**	286,569
In the second year	**138,952**	86,062
In the third to fifth years, inclusive	**85,312**	90,384
Beyond five years	**20,498**	19,002
	371,543	482,017
Lease liabilities:		
Within one year	**7,488**	–
In the second year	**8,059**	–
In the third to fifth years, inclusive	**6,031**	–
	21,578	–
	1,496,511	1,286,847

All of the bank loans are jointly secured and pledged by:

(i) the Group's buildings, furniture and fixtures and electronic devices with an aggregate net carrying amount of approximately RMB286,932,000 as at 30 June 2019 (31 December 2018: RMB219,024,000);

(ii) all shares of Daai Fangzhou, Bei Ai Company, Huihuang Company, Aspire Education Holding Co., Ltd. and Aspire Education Information Co., Ltd.;

(iii) 73.91% equity interest of Haxuan Company;

(iv) personal guarantees executed by Mr. Li, a director of the Company, Ms. Yang (spouse of Mr. Li), Mr. Rong Hua and Ms. Kong Ailan, non-controlling shareholders of the sponsor of Henan School, and Ms. Rong Yu (vice-president of Henan School);

(v) corporate guarantees executed by the Group and subsidiaries of the Group, which are controlled by Mr. Li;

(vi) deposits of the Group with an amount of RMB85,000,000 as at 30 June 2019 (31 December 2018: RMB40,000,000); and

(vii) Guizhou School's charging right of tuition and boarding fees.

16. FINANCE LEASE PAYABLES

Finance lease payables as at 30 June 2019 represent the borrowings under financing arrangements entered into by the Group with third-party leasing companies, in the form of sale and leaseback transactions which result in finance leases and bear repurchase options. The subjects sold and leased back under the financing arrangements are the office properties and office equipment owned by the Group. As the repurchase prices are set at RMB100 and RMB300 which is minimal compared to the expected fair values of the underlying assets at the end of the lease periods of three to five years and the Group is certain that it will exercise the repurchase option, and considering the amounts of the lease payments to be paid on the selling prices, the above financing arrangements are accounted for as collateralized borrowings at amortised cost using the effective interest method.

At 30 June 2019, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments 30 June 2019 *RMB'000* **(Unaudited)**	Minimum lease payments 31 December 2018 *RMB'000* (Audited)	**Present value of minimum lease payments 30 June 2019** *RMB'000* **(Unaudited)**	Present value of minimum lease payments 31 December 2018 *RMB'000* (Audited)
Amounts payable:				
Within one year	**149,447**	107,960	**120,715**	85,934
In the second year	**148,330**	98,417	**132,606**	84,446
In the third to fifth years, inclusive	**84,311**	92,575	**77,809**	83,815
Total minimum finance lease payments	**382,088**	298,952	**331,130**	254,195
Future finance charges	**(50,958)**	(44,757)		
Total net finance lease payables	**331,130**	254,195		
Portion classified as current liabilities *(note 15)*	**(120,715)**	(85,934)		
Non-current portion *(note 15)*	**210,415**	168,261		

17. BUSINESS COMBINATION

In January 2019, the Group completed acquisition of Guangxi Yinghua International Occupation College, Guangxi Qinzhou Yinghua International Occupation and Technology School and Guangxi Yinghua International Occupation Middle School ("Guangxi Schools"). The acquisition was part of the Group's strategy to expand school network in regions with significant growth potential in the private higher education sector. The Guangxi Schools include a private higher education institution established in the PRC providing junior college education, and a private education institution established in the PRC providing high school education. The acquisition has been accounted for using the acquisition method.

The Group held 51% shares of Songming Xinju Enterprise Management Company Limited ("Songming Xinju"). On 11 January 2019, Songming Xinju completed the acquisition of 100% school sponsor's interest in Guangxi Schools from an independent third party at a consideration of RMB258,920,000. The consideration was in the form of cash and was paid in 2018.

The Group engaged an external independent appraiser to perform the valuation with the identification and determination of fair values to be assigned to the acquiree's assets and liabilities as at acquisition date.

Guangxi Schools

The fair values of the identifiable assets and liabilities of Guangxi Schools as at the date of acquisition were as follows:

	Fair value recognised on acquisition *RMB'000* **(Unaudited)**
Property, plant and equipment	148,793
Investment properties	32,200
Prepaid land lease payments	50,761
Other intangible assets	59
Cash and bank balances	6,836
Prepayments, other receivables and other assets	102,784
Receivables for tuition and boarding fees	2,143
Deferred revenue	(37,358)
Other payables and accruals	(29,072)
Deferred income – current	(1,253)
Tax payable	(7,125)
Deferred income – non-current	(11,346)
Deferred tax liabilities	(27,484)
Total identifiable net assets at fair value	229,938
Goodwill on acquisition	28,982
Satisfied by cash	258,920

The goodwill recognised is primarily attributed to the expected business synergies arising from the acquisition, which is not separately recognised. The goodwill recognised is not expected to be deductible for income tax purposes.

The Group has elected to measure the non-controlling interests in Guangxi Schools at the non-controlling interests' proportionate share of Guangxi Schools' identifiable net assets.

An analysis of the cash flows in respect of the acquisition of subsidiaries is as follows:

	RMB'000 **(Unaudited)**
Cash consideration paid in 2019	–
Cash and bank balances acquired	6,836
Net inflow of cash and cash equivalents included in cash flows used in investing activities	6,836

In accordance with HKFRS 3 (Revised) Business Combinations, the amounts recorded for the acquisition are provisional and are subject to adjustments during the measurement period of not exceeding one year from the acquisition date if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date.

Since the acquisition, Guangxi Schools contributed RMB42,366,000 to the Group's revenue; and contributed RMB21,160,000 to the Group's consolidated profit for the six months ended 30 June 2019.

Had the combination of Guangxi Schools taken place at the beginning of the period, the revenue of the Group for the period would have been RMB501,023,000, and the profit of the Group for the period would have been RMB225,666,000.

18. EVENTS AFTER THE REPORTING PERIOD

As previously announced in April 2019, the Company received an approval letter from MOE regarding the Enchang Company to be a joint sponsor of the Central China School, and the final registration with relevant authorities was completed on 20 August 2019. Subsequently the Central China School entered into a structured contract arrangement with Huihuang Company on 26 August 2019.

The Group is in the process of assessing the initial accounting for the acquisition and will incorporate the relevant financial information in FY2019 annual financial statements.

DEFINITIONS

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

"Acquisition"	the acquisition of school sponsorship of Central China School as contemplated under the Central China School Cooperation Agreement (2016)
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles of Association" or "Articles"	the articles of association conditionally adopted by the Company on 20 March 2017 and as amended from time to time
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Ba Mu Pu"	Kunming Bamupu Technology Co., Ltd.*（昆明巴木浦科技有限公司）, a limited liability company established under the laws of the PRC on 24 May 2010, which is owned as to 79.19% by Mr. Li, 0.80% by Qin Hongkang（秦宏康）, 0.98% by Pan Yi（潘毅）, 0.40% by Yang Junxiong（楊俊雄）, 0.59% by Wang Lei（汪蕾）, 0.15% by Yao Li（姚莉）, 3.52% by Liu Fengming（劉風明）and 14.37% Yang Xuwei（楊旭維）. Except for Mr. Li and Yang Xuwei（楊旭維）, the sister-in-law of Mr. Li, all shareholders of Ba Mu Pu are Independent Third Parties. Ba Mu Pu is one of the Existing and New Registered Shareholders and holds 5.7305% equity interest of Yun Ai Group
"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. Bei Ai Company will act as the school sponsor of the Gansu College upon the official establishment of the Gansu College
"Beijing Daai Gaoxue"	Beijing Daai Gaoxue Education Technology Co., Ltd.*（北京大愛高學教育科技有限公司）, a limited liability company established in the PRC on 23 March 2018. It is wholly owned by Yun Ai Group
"Board" or "Board of Directors"	the board of Directors of the Company

"BPPE"	California Bureau for Private Postsecondary Education, a unit of the California Department of Consumer Affairs charged with regulation of private postsecondary educational institutions operating in the State of California
"Business Cooperation Agreement (2019)"	the business cooperation agreement to be entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the New Registered Shareholders
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	British Virgin Islands
"Central China School"	Science and Technology College of Hubei Minzu University*（湖北民族大學科技學院）, an institution of higher education established under the laws of the PRC in 2003. Central China School is a consolidated affiliated entity of the Company
"Central China School Consolidated Affiliated Entities"	for the purpose of this announcement, Yun Ai Group, Enchang Company and the Central China School
"Central China School Cooperation Agreement (2016)"	the cooperation agreement dated 5 August 2016 entered into among Hubei Minzu University and Enchang Company in relation to the acquisition of Central China School
"Central China School Structured Contracts"	collectively, the Hubei Business Cooperation Agreement, the Hubei Exclusive Technical Service and Management Consultancy Agreement, the Hubei Exclusive Call Option Agreement, the Hubei Shareholders' Rights Entrustment Agreement, the Hubei School Sponsor's and Directors' Rights Entrustment Agreement, the Huibei Spouse Undertakings and Hubei Loan Agreement entered pursuant to completion of the Acquisition
"Chengxin Investment"	Kashi Daai Chengxin Investment Management Limited Partnership*（喀什大愛誠信投資管理合夥企業（有限合夥）), a limited partner established under the laws of the PRC on 12 December 2015 with Mr. Li as its general partner and ten individuals acting as its limited partners, including Yang Xuwei（楊旭維）, the sister-in-law of Mr. Li, and the Principal of Northeast School. Chengxin Investment was one of the Existing Registered Shareholders of Yun Ai Group

"China" or "PRC"	the People's Republic of China excluding for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"close associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"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
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Daai Fangzhou"	Yunnan Daai Fangzhou Information Consultancy Co., Ltd.* (雲南大愛方舟信息諮詢有限公司), a wholly foreign owned enterprise established under the laws of the PRC on March 16, 2016, and a wholly owned subsidiary of the Group
"Daai Partnership"	Kashi Daai Investment Management Limited Partnership* (喀什大愛投資管理合夥企業(有限合夥)), a limited partnership established under the laws of the PRC on 8 December 2015 with Ma Chongliang (馬崇亮) acting as the general partner and Mr. Li and Ma Chongliang (馬崇亮) acting as the limited partner. Daai Partnership was one of the Existing Registered Shareholders of Yun Ai Group
"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 director(s) of the Company

"Directors' Powers of Attorney (2019)"	the school directors' power of attorney to be executed by each of the directors of each PRC Operating School
"Enchang Company" or "Central China School Sponsor"	Enshi Autonomous Prefecture Changqing Education Development Co., Ltd.*（恩施自治州常青教育發展有限責任公司）, a limited liability company established under the laws of the PRC on November 13, 2014. It is wholly owned by Yun Ai Group. Enchang Company is the school sponsor of the Central China School
"Equity Pledge Agreement (2019)"	the equity pledge agreement to be entered into by and among the New Registered Shareholders, Yun Ai Group and Huihuang Company
"Equity Transfer"	the transfer of equity interests in Yun Ai Group from each of Mr. Li, Chengxin Investment, Daai Partnership, Huihang Investment and Shanghai Taifu to Songming Dexue pursuant to the Equity Transfer Agreements
"Equity Transfer Agreements"	collectively, the equity transfer agreement in relation to the transfer of equity interests in Yun Ai Group entered into between Songming Dexue and (i) Mr. Li Xiaoxuan, (ii) Chengxin Investment, (iii) Daai Partnership, (iv) Huihuang Investment and (v) Shanghai Taifu, respectively on 26 August 2019
"Exclusive Call Option Agreement (2019)"	the exclusive call option agreement to be entered into by and among Huihuang Company, the PRC Consolidated Affiliated Entities and the New Registered Shareholders
"Exclusive Technical Service and Management Consultancy Agreement (2019)"	the exclusive technical service and management consultancy agreement to be entered into by and among Huihuang Company and the PRC Consolidated Affiliated Entities
"Existing Registered Shareholders"	the shareholders of Yun Ai Group prior to the completion of the Equity Transfer Agreements, namely Mr. Li, Pai Dui Pai, Ba Mu Pu, Daai Partnership, Huihuang Investment, Chengxin Investment, Shanghai Taifu and Zhongyi Company
"Existing Structured Contracts"	namely, the Structured Contracts for Yunnan School and Guizhou School as disclosed in the prospectus, the Henan School Structured Contracts as disclosed in the announcement of the Company dated 8 October 2018, the Northeast School Structured Contracts as disclosed in the announcement of the Company dated 10 December 2018, the Guangxi Schools Structured Contracts as disclosed in the announcement of the Company dated 11 January 2019 and the Central China School Structured Contracts as disclosed herein

"Existing VIE Structure"	the contractual arrangement pursuant to the Existing Structured Contracts for the Group to indirectly participate in the private higher education business through PRC Operating Schools
"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
"Greenwoods Jia Xin Rui Xuan"	Jia Xin Rui Xuan Investment Partnership (Limited Partnership)（嘉興瑞軒投資合夥企業（有限合夥））, a limited liability partnership established under the laws of the PRC on 29 August 2018. Greenwoods Jia Xin Rui Xuan owns 39% equity interest of Songming Xinju
"Group", "we" or "us"	the Company, its subsidiaries, the PRC Operating Schools and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before the Company became the holding company of the present subsidiaries, the entities which carried on the business of the present Group at the relevant 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 are consolidated affiliated entities of the Company
"Guizhou School"	Guizhou Technology and Business Institute*（貴州工商職業學院）, a private institution of formal higher education established under the laws of the PRC on 3 July 2012, of which the school sponsor's interest is wholly owned by Yun Ai Group and a consolidated affiliated entity of the Company
"Haxuan Company"	Harbin Xuande Technology Co., Ltd.*（哈爾濱軒德科技有限公司）, a limited liability company established under the laws of the PRC on 19 April 2016, and owned as to 73.91% by Yun Ai Group and as to 26.09% by Ningde Company. Haxuan Company is the sole school sponsor of the Northeast School

"Henan Rongyu"	Henan Rongyu Education Consulting Co., Ltd.* (河南榮豫教育諮詢有限公司), a limited liability company established in the PRC on 2 March 2017, and owned as to 27% by Mr. Rong Hua (榮華), 18% by Ms. Kong Ailan (孔愛蘭) and 55% by Beijing Daai Gaoxue. Henan Rongyu is the school sponsor of the Henan School
"Henan School"	Luoyang Science and Technology Vocational College* (洛陽科技職業學院), a private institution of formal higher education established under the laws of the PRC in June 2013. Henan School is a consolidated affiliated entity of the Company
"HK$""HKD" and "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hubei Business Cooperation Agreement"	the business cooperation agreement entered into by and among Huihuang Company, the Central China School Consolidated Affiliated Entities and the Existing Registered Shareholders dated 26 August 2019
"Hubei Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Huihuang Company, the Central China School Consolidated Affiliated Entities and the Existing Registered Shareholders dated 26 August 2019
"Hubei Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among Huihuang Company and the Central China School Consolidated Affiliated Entities dated 26 August 2019
"Hubei Loan Agreement"	the loan agreement entered into by and among Huihuang Company, the Central China School and Enchang Company dated 26 August 2019
"Hubei School Sponsor's and Directors' Rights Entrustment Agreement"	the School Sponsor's and directors' rights entrustment agreement entered into by and among Enchang Company, the Central China School, the relevant directors and Huihuang Company dated 26 August 2019
"Hubei Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among the Existing Registered Shareholders, School Sponsors and Huihuang Company dated 8 September 2016

"Hubei Spouse Undertakings"	the spouse undertakings executed by Ms. Yang, the spouse of Mr. Li dated 8 September 2016
"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, which is a wholly owned subsidiary of the Group
"Huihuang Investment"	Kashi Daai Huihuang Investment Management Limited Partnership* (喀什大愛輝煌投資管理合夥企業(有限合夥)), a limited partner established under the laws of the PRC on 22 December 2015 with Mr. Li acting as its general partner and 32 individuals acting as its limited partners, including Mr. Zhao Shuai (趙帥). Huihuang Investment was one of the Existing Registered Shareholders of Yun Ai Group
"Independent Third Party(ies)"	third party(ies) who is/are independent of and not connected with the Company and its connected persons
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Loan Agreement (2019)"	a loan agreement to be entered into by and among Huihuang Company, the PRC Operating Schools, and Yun Ai Group
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Mr. Li"	Mr. Li Xiaoxuan (李孝軒), the founder, one of the controlling shareholders, chairman of the Board and an executive Director of the Company
"MOE"	the Ministry of Education of the PRC
"Ms. Yang"	Ms. Yang Xuqing (楊旭青), the spouse of Mr. Li
"New Registered Shareholders"	the shareholders of Yun Ai Group immediately after the completion of the Equity Transfer Agreements, namely Pai Dui Pai, Ba Mu Pu, Shanghai Taifu, Songming Dexue and Zhongyi Company

"New Structured Contracts"	collectively, the Business Cooperation Agreement (2019), the Exclusive Technical Service and Management Consultancy Agreement (2019), the Exclusive Call Option Agreement (2019), the Equity Pledge Agreement (2019), the Shareholders' Rights Entrustment Agreement (2019), the School Sponsor's and Directors' Rights Entrustment Agreement (2019), the School Sponsors' Powers of Attorney (2019), the Directors' Powers of Attorney (2019), the Shareholders' Powers of Attorney (2019), the Loan Agreement (2019) and the Spouse's Undertakings (2019), further details of which are set out in the section headed "The New Structured Contracts" in this announcement
"New VIE Structure"	the contractual arrangement pursuant to the New Structured Contracts for the Group to indirectly participate in the private higher education business through PRC Operating Schools
"Ningde Company"	Ningbo Meishan Bonded Port Area Deshida Investment Partnership (Limited Partnership)*（寧波梅山保稅港區德士達投資合夥企業（有限合夥））, a limited liability partnership established under the laws of the PRC on 7 April 2016, of which the partnership interest is owned by the principal of the Northeast School and his family members. Ningde Company owns 26.09% equity interest of Haxuan Company
"Northeast School"	Harbin Huade University *（哈爾濱華德學院）, an independent institute established under the laws of the PRC in 2004. Northeast School is a consolidated affiliated entity of the Company
"Pai Dui Pai"	Kunming Paiduipai Economic Information Consultancy Co., Ltd.*（昆明排對排經濟信息諮詢有限公司）, a limited liability company established under the laws of the PRC on 2 June 2010, which is owned as to 54.30% by Mr. Li, 14.28% by Li Yaohong（李耀紅）, 2.74% by Miao Qiongfen（繆瓊芬）, 4.85% by Huang Wei（黃煒）, 1.30% by Wang Yan（汪焰）, 14.23% by Yang Xuwei（楊旭維）, 0.64% by Xiaofen Bi（畢曉芬）, 0.95% by Yuan Song（袁嵩）, 2.39% by Liu Yun（劉雲）, 0.51% by Lv Xuerui（呂雪蕊）, 0.48% by Wu Shiyi（吳世義）, 0.47% by Fu Zigang（傅子剛）, 0.57% by Yang Xufen（楊旭芬）and 2.93% by Yang Xuyan（楊旭艷）. Except for Mr. Li, Yang Xufen（楊旭芬）, the sister-in-law of Mr. Li, Li Yaohong（李耀紅）, the sister of Mr. Li, and Yang Xuyan（楊旭艷）, the sister-in-law of Mr. Li, all are Independent Third Parties. Pai Dui Pai is one of the Existing and New Registered Shareholders and holds 20.0568% equity interest of Yun Ai Group.

"PRC Consolidated Affiliated Entities"	namely, the School Sponsors and the PRC Operating Schools, each a consolidated affiliated entity of the Company and other investment holding companies which were consolidated to the Group by virtue of the Structured Contracts, as amended from time to time
"PRC Legal Advisors"	Commerce & Finance Law Offices, the Company's Legal advisors as to PRC Laws
"PRC Operating Schools"	the consolidated affiliated entities, namely, Yunnan School, Guizhou School, Henan School, Northeast School, Guangxi Schools and Central China School
"Qinzhou Yinghua"	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 and wholly owned by Songming Xinju. Qingzhou Yinghua is the school sponsor of the Guangxi Schools
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"School Sponsors"	the current school sponsors, Yun Ai Group, Henan Rongyu, Haxuan Company, Qinzhou Yinghua, Enchang Company and the future school sponsor Bei Ai Company
"School Sponsors' and Directors' Rights Entrustment Agreement (2019)"	the school sponsors' and directors' rights entrustment agreement to be entered into by and among School Sponsors, the PRC Operating Schools, the relevant directors appointed by the School Sponsors and Huihuang Company
"School Sponsors' Powers of Attorney (2019)"	the school sponsors' power of attorney to be executed by the School Sponsors in favor of Huihuang Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time

"Shanghai Taifu"	Shanghai Taifu Xiangyi Equity Investment Fund Limited Partnership*（上海太富祥屹股權投資基金合夥企業（有限合夥））, a limited partnership established under the laws of the PRC on 15 December 2015 with Shenzhen Pingan Decheng Investment Co., Ltd.（深圳市平安德成投資有限公司）acting as its general partner. Shenzhen Pingan Decheng Investment Co., Ltd.*（深圳市平安德成投資有限公司）is wholly owned by Shenzhen Pingan Financial Technology Consulting Co., Ltd.*（深圳平安金融科技諮詢有限公司）, which in turn is owned as to 96.52% by Ping An Insurance (Group) Company of China, Ltd.（中國平安保險（集團）股份有限公司）, a joint-stock company incorporated in the PRC and listed on the Main Board of the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318) and as to 6.38% by Shenzhen Ping An New Capital Investment Co., Ltd*（深圳市平安創新資本投資有限公司）. Shanghai Taifu is one of the Existing and New Registered Shareholders and holds 8.5393% equity interest of Yun Ai Group
"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' Powers of Attorney (2019)"	the shareholders' power of attorney to be executed by the New Registered Shareholders and Yun Ai Group in favor of Huihuang Company
"Shareholders' Rights Entrustment Agreement (2019)"	the shareholders' rights entrustment agreement to be entered into by and among the New Registered Shareholders, the School Sponsors and Huihuang Company
"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 2 March 2019
"Songming Dexue"	Songming Dexue Education Development Co., Ltd.*（嵩明德學教育發展有限公司）, a limited liability company established under the laws of the PRC on 17 April 2019 and wholly owned by Mr. Li. Songming Dexue is one of the New Registered Shareholders and owns 62.2912% equity interest of Yun Ai Group after the completion of the Equity Transfer

"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, and owned as to 10% by Mr. Li Jianchun（李建春）, 39% by Greenwoods Jia Xin Rui Xuan and 51% by Daai Shuren. Songming Xinju is the sole shareholder of Qinzhou Yinghua
"Spouse Undertakings (2019)"	the spouse undertakings to be executed by Ms. Yang, the spouse of Mr. Li
"Stock Exchange" or "Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, Existing Structured Contracts and the New Structured Contracts
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules.
"substantial Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules
"Termination Agreements"	collectively, the Business Cooperation Termination Agreement, Exclusive Technical Service and Management Consultancy Termination Agreement, Exclusive Call Option Termination Agreement, School Sponsor's and Directors' Rights Entrustment Termination Agreement, Shareholders' Rights Entrustment Termination Agreement, Loan Termination Agreement, Spouse Undertakings Termination Agreement, Equity Pledge Termination Agreement, Minority Shareholder Confirmation Termination 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）(formerly known as "Yunnan Einsun Investment Co., Ltd.*（雲南愛因森投資有限公司）" and "Yunnan Einsun Investment Group Co., Ltd.*（雲南愛因森投資集團有限公司）"), a limited liability company established under the laws of the PRC on 19 September 2005, which is owned as to 20.0568% by Pai Dui Pai, 5.7305% by Ba Mu Pu, 62.2912% by Songming Dexue, 8.5393% by Shanghai Taifu and 3.3822% by Zhongyi Company. It is the school sponsor of the Yunnan School and the Guizhou School

"Zhongyi Company"	Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.* (嵩明中益企業管理諮詢服務有限公司), a limited liability company established under the laws of PRC on 12 July 2016 and is wholly owned by an Independent Third Party. Zhongyi Company is one of the Existing and New Registered Shareholders and owns 3.3822% equity interest in Yun Ai Group
"%"	per cent

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

Hong Kong, 26 August 2019

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