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**China New Higher Education Group Limited**  
**中國新高教集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 2001)**

**FURTHER ACQUISITION OF 45% INTEREST IN  
SCHOOL SPONSOR OF HENAN SCHOOL**

**FURTHER ACQUISITION OF INTEREST IN HENAN RONGYU**

Reference is made to the announcement of China New Higher Education Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 8 October 2018 in relation to the acquisition of 55% equity interest of Henan Rongyu, the school sponsor of Henan School (the “**First Acquisition**”). Upon the completion of the First Acquisition, Henan Rongyu became held by the Group as to 55%.

The Board is pleased to announce that on 8 May 2020, Beijing Daai Gaoxue, a wholly owned subsidiary of Yun Ai Group, entered into the Share Transfer Agreement, pursuant to which Beijing Daai Gaoxue agreed to further acquire 45% equity interest in Henan Rongyu from Rongrui Shangyu Company and Rongyaojia Company. Beijing Daai Gaoxue will hold 100% equity interest in Henan Rongyu upon completion of the Acquisition.

**STRUCTURE OF HENAN SCHOOL UPON CLOSING OF ACQUISITION**

Upon closing of the Acquisition, the school sponsor interest of Henan School will remain to be wholly owned by Henan Rongyu and Henan Rongyu will become wholly held by Beijing Daai Gaoxue. Among others, Henan Rongyu, Henan School, the newly appointed director of Henan School (the “**Henan School Director**”) and Beijing Daai Gaoxue will enter into a supplemental agreement (the “**2nd Supplemental Agreement**”) to the New Structured Contracts with Huihuang Company, Yun Ai Group, the current registered shareholders of Yun Ai Group (the “**Registered Shareholders**”), to reflect the change of equity interest in Henan Rongyu.

## **LISTING RULES IMPLICATIONS**

### **Share Transfer Agreement**

As certain applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition under the Share Transfer Agreement, whether on a stand-alone basis or as aggregated with the First Acquisition, are more than 5% and less than 25%, the Acquisition under the Share Transfer Agreement constitutes a discloseable transaction and will be subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

As at the date of this announcement, Rongrui Shangyu Company and Rongyaojia Company respectively held 27% and 18% equity interest in Henan Rongyu, an indirect non-wholly owned subsidiary of the Company, and therefore are connected persons of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the Acquisition under the Share Transfer Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since (1) each of Rongrui Shangyu Company and Rongyaojia Company is a connected person at subsidiary level and (2) the Board has approved the Share Transfer Agreement and all independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Share Transfer Agreement is exempt from the circular, independent financial advice, and shareholders' approval requirements according to Rule 14A.101 of the Listing Rules.

### **2nd Supplemental Agreement**

As disclosed in the Announcement, the New Structured Contracts, as a whole, constitute continuing connected transactions of the Company under the Listing Rules. The 2nd Supplemental Agreement constitutes a change to the terms of the New Structured Contracts.

After consultation with the Company's PRC Legal Advisors, the Directors (including the independent non-executive Directors) are of the view that the 2nd Supplemental Agreement will be entered into only to reflect the shareholding changes of Henan Rongyu and will not affect the terms and conditions of the New Structured Contracts, and therefore are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

Reference is made to the announcement of China New Higher Education Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 8 October 2018 in relation to the acquisition of 55% equity interest of Henan Rongyu, the school sponsor of Henan School (the “**First Acquisition**”). Upon completion of the First Acquisition, Henan Rongyu became held by the Group as to 55%.

The Board is pleased to announce that on 8 May 2020, Beijing Daai Gaoxue, a wholly owned subsidiary of Yun Ai Group, entered into the Share Transfer Agreement pursuant to which Beijing Daai Gaoxue agreed to further acquire 45% equity interest in Henan Rongyu from Rongrui Shangyu Company and Rongyaojia Company. Beijing Daai Gaoxue will hold 100% equity interest in Henan Rongyu upon completion of the Acquisition.

## **FURTHER ACQUISITION OF INTEREST IN HENAN RONGYU**

Set forth below are the principal terms of the Acquisition under the Share Transfer Agreement.

**Date:** 8 May 2020

**Parties:** (i) Rongrui Shangyu Company and Rongyaojia Company; and  
(ii) Beijing Daai Gaoxue

**Subject:** Pursuant to the Share Transfer Agreement,

- (1) Rongrui Shangyu Company and Rongyaojia Company agreed to transfer all of their respective equity interest in Henan Rongyu, representing 45% equity interest of Henan Rongyu in aggregate, to Beijing Daai Gaoxue;
- (2) Beijing Daai Gaoxue agreed to pay RMB384,800,000 to Rongrui Shangyu Company and Rongyaojia Company for further acquiring 45% equity interest of Henan Rongyu;
- (3) After the closing of the Acquisition, Beijing Daai Gaoxue shall hold 100% of the equity interest in Henan Rongyu and the entire school sponsor’s rights and interests in Henan School attached to such equity interest, including but not limited to rights to asset ownership, rights to continuing long-term operation and rights to income.

**Basis of the consideration:** The consideration of RMB384,800,000 was arrived at arm length’s negotiation after considering the net assets value of Henan School as at 31 December 2019, location of school, type of school, number of students, branding of Henan School, observation by the Group regarding the recent value of schools of similar size that were acquired and the value to be generated by the Group through running and managing Henan School.

**Payment terms:** Pursuant to the Share Transfer Agreement, the consideration shall be paid in five instalments conditional upon the fulfilment of deliverables in each transaction phase as specified below:

Provided that Beijing Daai Gaoxue deposits the first instalment payment into the joint account opened by both parties after the Share Transfer Agreement has been entered into and Rongrui Shangyu Company and Rongyaojia Company have signed the documents required for the industrial and commercial alteration registration of share transfer and delivered them to Beijing Daai Gaoxue, the first instalment payment in the sum of RMB145,000,000 shall be conditional upon the completion of the equity change registration in respect of the 45% equity interest in Henan Rongyu and the change of board members, the hand-over of licenses, seals and financial information of Henan Rongyu and Henan School, as well as the adjustment to certain business items.

The second, third, fourth, and fifth instalment payments, in the sum of RMB120,000,000, RMB100,000,000, RMB17,900,000 and RMB1,900,000, respectively, shall be conditional upon the completion of the relevant work as agreed in the Share Transfer Agreement by Rongrui Shangyu Company and Rongyaojia Company.

All the instalment payments shall be made within two business days after the fulfilment of deliverables in each transaction phase and it is expected that the last instalment shall be settled by the end of 2021.

**Source of funding:** The consideration to be paid by Beijing Daai Gaoxue under the Share Transfer Agreement will be funded by the Group's internal financial resources and loan(s) with third party banks.

## **STRUCTURE OF HENAN SCHOOL UPON CLOSING OF ACQUISITION**

Upon closing of the Acquisition, the school sponsor interest of Henan School will remain to be wholly owned by Henan Rongyu and Henan Rongyu will become wholly held by Beijing Daai Gaoxue. Among others, Henan Rongyu, Henan School, the newly appointed director of Henan School (the "**Henan School Director**") and Beijing Daai Gaoxue will enter into a supplemental agreement (the "**2nd Supplemental Agreement**") to the New Structured Contracts with Huihuang Company, Yun Ai Group, and the current registered shareholders of Yun Ai Group (the "**Registered Shareholders**"), to reflect the change of equity interest in Henan Rongyu. The principal terms of the 2nd Supplemental Agreement are set out below:

- (1) Henan School and Henan Rongyu would each be entitled to and liable for all the rights and obligations as a consolidated affiliated entity of the Company under the New Structured Contracts (and all of its appendices);

- (2) the Henan School Director would become a signing party to the New Structured Contracts, and be entitled to and liable for all the rights and obligations as a director appointed by the school sponsor under the New Structured Contracts (and all of its appendices) (together with term (1), the “**Inclusion of Rights and Obligations Matter**”);
- (3) the Henan School Director has authorized and entrusted Huihuang Company to exercise all his/her rights as director of the Henan School as appointed by Henan Rongyu, pursuant to delivering the directors’ power of attorney to Huihuang Company;
- (4) if applicable, in case the validity of any of the New Structured Contracts is affected or impaired due to the Inclusion of Rights and Obligations Matter, each party agreed that the New Structured Contracts shall remain effective, and undertook to cause the other signatories to the New Structured Contracts to sign the relevant agreements and related matters, to ensure that the New Structured Contracts continue to take effect; and
- (5) the 2nd Supplemental Agreement shall not be changed, altered, supplemented or amended except as otherwise executed by parties in written agreement. No party shall assign its rights or obligations under the 2nd Supplemental Agreement without the prior written consent of all the other parties.

Save as disclosed, the clauses of the New Structured Contracts remained unchanged and effective continually.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE TRANSFER AGREEMENT**

Having considered the following factors, the Directors are of the view that the Acquisition: (i) reflects the Company’s strategy to improve its penetration in regional markets with rapid growth: Henan Province is one of the most populous provinces in China and the largest source of students participating in the national higher education entrance examination. The gross higher education enrollment rate of Henan Province is slightly lower than that of the national average level, bringing higher potential for improvement. Also, the GDP growth rates of Henan Province were above the national average levels in recent years, bringing higher potential for future increase in tuition fee; (ii) is helpful to give full play to its strength in collectivized school operation and to achieve the Group’s high-quality development goals. Upon the First Acquisition, the operational capability and profitability of Henan School have been significantly improved: a) the student enrollment of Henan School for the academic year of 2019/2020 increased by approximately 9,000 to over 27,000 as compared to the academic year of 2017/2018 prior to the First Acquisition; b) the net profit of Henan School in 2019 increased significantly by 361% as compared to that in 2017. Upon the completion of the Acquisition, it will give full play to the strength in collectivized school operation and the operational capability and profitability will be further improved; and (iii) for which the valuation is reasonable. The costs per student of the Acquisition is also lower than that of the First Acquisition.

The Directors (including the independent non-executive Directors) consider that the Share Transfer Agreement has been entered into on normal commercial terms, and the terms of the transactions thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. None of the Directors has a material interest in the transactions contemplated under the Share Transfer Agreement or is required to abstain from voting at the Board meeting for considering and approving the same.

## INFORMATION OF HENAN SCHOOL

Henan School was established in 2013 and commenced to recruit students in the same year. Henan School is located at Gushuixiluo New Industrial Cluster Area in Luoyang, Henan Province. Currently, Henan School has 10 secondary institutions and 36 higher-level vocational majors, focusing on electronic commerce, software technology, internet of things application technology, etc. As at the date of this announcement, the school sponsor interest of Henan School is held by Henan Rongyu, which is owned as to 27% by Rongrui Shangyu Company, 18% by Rongyaojia Company and 55% by Beijing Daai Gaoxue.

For the years ended 31 December 2019 and 31 December 2018, the net profits attributable to the Subject (namely Henan Rongyu and Henan School) prepared pursuant to the PRC GAAP are set out as below:

For the year ended 31 December 2019:

Unaudited net profit (before tax): RMB55,405,000

Unaudited net profit (after tax): RMB45,644,000

For the year ended 31 December 2018:

Unaudited net profit (before tax): RMB26,840,000

Unaudited net profit (after tax): RMB22,404,000

For the year ended 31 December 2019:

Adjusted net profit (before tax): RMB75,051,000\*

Adjusted net profit (after tax): RMB62,343,000\*

For the year ended 31 December 2018:

Adjusted net profit (before tax): RMB41,091,000\*

Adjusted net profit (after tax): RMB34,517,000\*

\* *Exclusive of the management consultancy service fee collected by Huihuang Company from Henan School pursuant to the exclusive technical service and management consultancy agreement as part of the New Structured Contracts. The Company is of the view that since Henan School was consolidated to the Group upon completion of the First Acquisition, it is fair and reasonable to present its net profit exclusive of the management consultancy service fee paid to Huihuang Company which is an intra-group expense.*

As of 31 December 2019, the unaudited total assets value and the unaudited net assets value of Henan Rongyu and Henan School were approximately RMB653,987,000 and RMB343,714,000, respectively.

Number of students for academic year of 2017/2018: 18,243\*

Number of students for academic year of 2018/2019: 21,167\*

Number of students for academic year of 2019/2020: 27,008\*

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

## **INFORMATION OF RONGRUI SHANGYU COMPANY, RONGYAOJIA COMPANY AND HENAN RONGYU**

As at the date of this announcement, the school sponsor interest of Henan School is wholly owned by Henan Rongyu. Henan Rongyu is an investment holding company established in 2017 and it is held as to 27% by Rongrui Shangyu Company, 18% by Rongyaojia Company and 55% by Beijing Daai Gaoxue. Henan Rongyu is the school sponsor of the Henan School.

Rongrui Shangyu Company is an investment holding company wholly owned by Ms. Rong Yu, the daughter of Mr. Rong and Ms. Kong. Rongyaojia Company is an investment holding company wholly owned by Mr. Rong Bin, the son of Mr. Rong and Ms. Kong. Mr. Rong and Ms. Kong held 45% equity interest of Henan Rongyu upon completion of the First Acquisition and subsequently transferred such interest to Rongrui Shangyu Company and Rongyaojia Company.

## **INFORMATION OF THE GROUP**

The Company is an investment holding company and its subsidiaries are principally engaged in private formal higher education. Beijing Daai Gaoxue is an investment holding company and it is a wholly owned subsidiary of Yun Ai Group, a consolidated affiliated entity of the Company.

## **LISTING RULES IMPLICATIONS**

### **Share Transfer Agreement**

As certain applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the Acquisition under the Share Transfer Agreement, whether on a stand-alone basis or as aggregated with the First Acquisition, are more than 5% and less than 25%, the Acquisition under the Share Transfer Agreement constitutes a discloseable transaction and will be subject to the reporting and announcement requirements of Chapter 14 of the Listing Rules.

As at the date of this announcement, Rongrui Shangyu Company and Rongyaojia Company respectively held 27% and 18% of equity interest in Henan Rongyu, an indirect non-wholly owned subsidiary of the Company, and therefore are connected persons of the Company under Rule 14A.07(1) of the Listing Rules. Accordingly, the Acquisition under the Share Transfer Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

Since (1) each of Rongrui Shangyu Company and Rongyaojia Company is a connected person at subsidiary level and (2) the Board has approved the Share Transfer Agreement and all independent non-executive Directors have confirmed that the terms of the Share Transfer Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole, the Share Transfer Agreement is exempt from the circular, independent financial advice, and shareholders' approval requirements according to Rule 14A.101 of the Listing Rules.

## 2nd Supplemental Agreement

As disclosed in the Announcement, the New Structured Contracts, as a whole, constitute continuing connected transactions of the Company under the Listing Rules. The 2nd Supplemental Agreement constitutes a change to the terms of the New Structured Contracts.

After consultation with the Company's PRC Legal Advisors, the Directors (including the independent non-executive Directors) are of the view that the 2nd Supplemental Agreement will be entered into only to reflect the shareholding changes of Henan Rongyu and will not affect the terms and conditions of the New Structured Contracts, and therefore 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 Songming Dexue, one of the parties to the 2nd Supplemental Agreement, is considered to have a material interest in the 2nd Supplemental Agreement. Mr. Li has abstained from voting on the resolutions in relation to the 2nd Supplemental Agreement proposed to the Board. Save as disclosed above, none of the Directors has a material interest in the 2nd Supplemental Agreement or has abstained from voting on the resolutions.

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

## DEFINITIONS

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

|                                    |   |
|------------------------------------|---|
| “Acquisition”                      | the further acquisition of 45% equity interest in Henan Rongyu as contemplated under the Share Transfer Agreement   |
| “Announcement”                     | the announcement of the Company dated 26 August 2019 in relation to the equity transfers among certain registered shareholders of Yun Ai Group and the contractual arrangement pursuant to the New Structured Contracts |
| “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<br>“Board of Directors” | the board of Directors of our Company   |



|                       |  |
|-----------------------|--|
| “China” or “PRC”      | the People’s Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan   |
| “Company”             | China New Higher Education Group Limited (中國新高教集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 July 2016   |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules   |
| “Director(s)”         | the directors of the Company   |
| “Henan Rongyu”        | Henann 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 Rongrui Shangyu Company, 18% by Rongyaojia Company and 55% by Beijing Daai Gaoxue as of the date of this announcement. 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 July 2013. Henan School is a consolidated affiliated entity of the Company  |
| “Huihuang Company”    | Tibet Daai Huihuang Information and Technology Co., Ltd.* (西藏大愛輝煌信息科技有限公司), a limited liability company established on 5 August 2016 under the laws of the PRC and a wholly owned subsidiary of the Group  |
| “Group”               | the Company, its subsidiaries and consolidated affiliated entities from time to time   |
| “Listing Rules”       | The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time  |
| “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  |

|                            |  |
|----------------------------|--|
| “New Structured Contracts” | has the meaning as defined in the announcement of the Company dated 26 August 2019, as amended from time to time   |
| “PRC Legal Advisors”       | Commerce & Finance Law Offices, the Company’s legal advisors as to PRC laws  |
| “Rongrui Shangyu Company”  | Xianfeng Rongrui Shangyu Network Technology Service Center* (咸豐縣榮睿尚育網絡科技服務中心), an investment holding company held by Ms. Rong Yu (Mr. Rong and Ms. Kong’s daughter) established in accordance with the laws of the PRC on 13 February 2020, which held 27% equity interest in Henan Rongyu as at the date of this announcement |
| “Rongyaojia Company”       | Xianfeng Rongyaojia Network Technology Service Center* (咸豐縣榮耀佳網絡科技服務中心), an investment holding company held by Mr. Rong Bin (Mr. Rong and Ms. Kong’s son) established in accordance with the laws of the PRC on 13 February 2020, which held 18% equity interest in Henan Rongyu as at the date of this announcement           |
| “Share(s)”                 | ordinary share(s) of US\$0.0001 each in the share capital of the Company   |
| “Share Transfer Agreement” | the share transfer agreement dated 8 May 2020 entered into among Rongrui Shangyu Company, Rongyaojia Company and Beijing Daai Gaoxue in relation to the further acquisition of 45% equity interest in Henan Rongyu, the school sponsor of Henan School   |
| “Shareholder(s)”           | holder(s) of the Share(s)  |
| “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  |
| “Stock Exchange”           | The Stock Exchange of Hong Kong Limited  |
| “subsidiary(ies)”          | has the meaning ascribed to it under the Listing Rules   |

- “Mr. Rong” Mr. Rong Hua, who held 27% equity interest in Henan Rongyu immediately after the First Acquisition and subsequently transferred his interest therein to Rongrui Shangyu Company, and ceased to be a shareholder of Henan Rongyu prior to the date of this announcement
- “Ms. Kong” Ms. Kong Ailan, who held 18% equity interest in Henan Rongyu immediately after the First Acquisition and subsequently transferred her interest therein to Rongyaojia Company, and ceased to be a shareholder of Henan Rongyu prior to the date of this announcement
- “Yun Ai Group” Yunnan Einsun Education Investment Group Co., Ltd.\* (雲南愛因森教育投資集團有限公司), a limited liability company established under the laws of the PRC on 19 September 2005, owned as to 20.0568% by Kunming Paiduipai Economic Information Consultancy Co., Ltd., 5.7305% by Kunming Bamupu Technology Co., Ltd., 70.8305% by Songming Dexue and 3.3822% by Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.

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

Hong Kong, 8 May 2020

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

\* *For identification purposes only*