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China Xinhua Education Group Limited

中國新華教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2779)

MAJOR TRANSACTION UPDATE THE ACQUISITION OF 60% OF SCHOOL SPONSOR'S INTEREST IN TWO SCHOOLS (NAMELY, KUNMING MEDICAL UNIVERSITY HAIYUAN COLLEGE AND KUNMING HEALTH SCHOOL) THROUGH THE ACQUISITION OF 60% OF THE EQUITY INTEREST OF FUDA COMPANY

Major Transaction Update

References are made to the announcements dated 15 July 2019, 5 August 2019 and 14 August 2019 (the “**Announcements**”) issued by China Xinhua Education Group Limited (the “**Company**”) in relation to the major transaction of the acquisition of 60% of school sponsor's interest in two schools (namely, Haiyuan College and Kunming Health School) through the acquisition of 60% of the equity interest of Fuda Company (the “**Fuda Acquisition**”). Unless otherwise stated, capitalized terms used herein shall have the same meanings as those defined in the Announcements.

The Board announces that due to the transformation of Haiyuan College from an independent college into a wholly private owned common college (the “**Haiyuan College Transformation**”), and uncertainties exist in the timing of the Haiyuan College Transformation, to be in the best interests of the Company and its Shareholders as a whole, Xinhua Group, a consolidated affiliated entity of the Company, the Vendors, Fuda Company, Fuda Group, the Target Schools and the Guarantors entered into the supplementary agreement II to the Agreement (the “**Supplementary Agreement II**”) on 22 November 2019 (after the trading hours).

Pursuant to the Supplementary Agreement II, (i) the Fuda Acquisition will begin to proceed within three months from the date of completion of the Haiyuan College Transformation. To avoid ambiguity, the fiduciary duty under the Agreement which is conducive to the subsequent implementation of the Fuda Acquisition (including but not limited to the confidentiality obligation and obligation to coordinate and communicate with the school partner(s)) shall continue to be performed; (ii) Fuda Company shall refund the full amount of the first instalment of payments for capital increase made by Xinhua Group (i.e. RMB306 million). As of the date of this announcement, the Group had received such payment; and (iii) Fuda Company shall refund by instalments the earnest payment of RMB30 million paid by Xinhua Group (the “**Prepayment**”) and pay Xinhua Group the capital cost (the “**Capital Cost**”) of the Prepayment calculated at the annualized interest rate of 8%. The payment of the Prepayment and the Capital Cost will be completed as agreed before 31 August 2020.

In respect of the above, if there is any further development, the Company will issue further announcement(s) in accordance with the relevant requirements of the Listing Rules as and when appropriate to provide updated information to Shareholders and investors.

The Board is of the view that the postponement of the Fuda Acquisition will not have a material adverse impact on the Group's operations and financial position. The Group will continue to actively identify acquisition targets to expand its school network and increase market penetration and increase its market share in the PRC private higher education industry.

Circular

In view of the uncertainties in the timing of the Haiyuan College Transformation, to be in the best interests of the Company and its Shareholders as a whole, the Company will convene and hold an extraordinary general meeting for Shareholders to consider and approve the Fuda Acquisition as appropriate. A circular containing (i) further details of the Agreement and its supplemental agreement(s); (ii) the financial position of the Group; and (iii) financial information of Fuda Company is expected to be despatched as soon as practicable after the completion of the Haiyuan College Transformation. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Fuda Acquisition which is different from other Shareholders, and thus no Shareholder would be required to abstain from voting at the extraordinary general meeting.

By Order of the Board
China Xinhua Education Group Limited
Wu Junbao
Chairman

Hong Kong, 22 November 2019

As at the date of this announcement, the executive Directors are Mr. Zhang Ming, Mr. Lu Zhen and Mr. Wang Yongkai, the non-executive Director is Mr. Wu Junbao, and the independent non-executive Directors are Mr. Jiang Min, Mr. Yang Zhanjun and Mr. Chau Kwok Keung.