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China Xinhua Education Group Limited

中國新華教育集團有限公司

(Incorporation in the Cayman Islands with limited liability)

(Stock Code: 2779)

DISCLOSEABLE TRANSACTION ENTERING INTO AN AGREEMENT IN RELATION TO THE CONVERSION OF HONGSHAN COLLEGE OF NANJING UNIVERSITY OF FINANCE & ECONOMICS

THE TRANSACTION

The board is pleased to announce that on 29 April 2019, Xinhua Group entered into the Formal Agreement and the Supplemental Agreement with Nanjing University of Finance and Economics and the Foundation, pursuant to which Xinhua Group has agreed to be a new school sponsor of Hongshan College and to cooperate with Nanjing University of Finance & Economics to jointly operate Hongshan College for a total consideration of RMB610,000,000 (equivalent to HK\$710,848,010). Upon Xinhua Group becoming a new school sponsor of Hongshan College, it shall have the right and obligation to convert Hongshan College into a standalone private ordinary college owned and operated solely by Xinhua Group. The change of school sponsor of Hongshan College and the conversion of Hongshan College into a standalone private ordinary college is subject to the approval of and registration by the relevant authorities in the PRC.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Transaction exceeds 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 3 February 2019.

On 29 April 2019, Xinhua Group entered into the Formal Agreement and the Supplemental Agreement with Nanjing University of Finance and Economics and the Foundation, pursuant to which Xinhua Group has agreed to be a new school sponsor of Hongshan College and to cooperate with Nanjing University of Finance & Economics to jointly operate Hongshan College for a total consideration of RMB610,000,000 (equivalent to HK\$710,848,010). Upon Xinhua Group becoming a new school sponsor of Hongshan College, it shall have the right and obligation to convert Hongshan College into a standalone private ordinary college owned and operated solely by Xinhua Group. The change of school sponsor of Hongshan College and the conversion of Hongshan College into a standalone private ordinary college is subject to the approval of and registration by the relevant authorities in the PRC.

REASONS FOR AND BENEFITS OF THE TRANSACTION

Taking into consideration that (i) Hongshan College is an undergraduate college in the Yangtze River Delta; (ii) the excellent location and professionalism of Hongshan College will form a strong synergy with our existing schools; and (iii) the Transaction will result in further expansion of our school network, the Directors consider that the Transaction is consistent with our business strategy of acquiring or investing in undergraduate colleges to capture market opportunities, expanding our regional influence and enhance our reputation, which will further strengthen our market position in the Yangtze River Delta in the PRC.

THE FORMAL AGREEMENT (AS SUPPLEMENTED BY THE SUPPLEMENTAL AGREEMENT)

Date

29 April 2019

Parties

- (i) Nanjing University of Finance and Economics
- (ii) The Foundation
- (iii) Xinhua Group

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Directors believe that each of Nanjing University of Finance & Economics and the Foundation and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Formal Agreement, Xinhua Group has agreed to be a new school sponsor of Hongshan College and to cooperate with Nanjing University of Finance & Economics to jointly operate Hongshan College. Upon Xinhua Group becoming a new school sponsor of Hongshan College, it shall have the right and obligation to convert Hongshan College into a standalone private ordinary college owned and operated solely by Xinhua Group.

Consideration and Payment Terms

The Consideration for the Transaction is RMB610,000,000 (equivalent to approximately HK\$710,848,010), which is payable by Xinhua Group to Nanjing University of Finance & Economics (for itself and on behalf of the Foundation) in the following manner:

- (i) A sum of RMB305,000,000 (equivalent to approximately HK\$355,424,000), representing 50% of the Consideration, has been paid by Xinhua Group on 2 February 2019; and
- (ii) The remaining balance of RMB305,000,000 (equivalent to approximately HK\$355,424,000), representing 50% of the Consideration, shall be payable by Xinhua Group on or before 6 May 2019.

The Consideration was determined after taking into account, among others, (i) the experience accumulated by Hongshan College in school management and operation; (ii) the reputation of the education quality of Hongshan College; (iii) the number of students and the tuition fee of Hongshan College; and (iv) the value to be generated by the Group through operating Hongshan College. The Transaction will be financed by the internal resources of the Group.

The Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Facility Usage Fee

During the Preparatory Period for Conversion, if Hongshan College uses the campus of Nanjing University of Finance & Economics, Xinhua Group shall pay to Nanjing University of Finance & Economics a sum of RMB9,000,000 (equivalent to approximately HK\$10,487,920) per annum per each grade of students, being the fee for using the facilities of Hongshan College at the campus of Nanjing University of Finance & Economics, including but not limited to classrooms, laboratories, library and office buildings, to be calculated based on the grade of students actually used such campus. Such facility usage fee shall be paid by Xinhua Group to Nanjing University of Finance & Economics before 30 September of each school year until Hongshan College no longer uses the campus of Nanjing University of Finance & Economics.

Arrangements during the Preparatory Period for Conversion

Expenses and risk in relation to the joint operation

During the Preparatory Period for Conversion, Xinhua Group shall be responsible for all the expenses and risk in relation to the joint operation of Hongshan College. Xinhua Group shall also be responsible for establishing a new campus for operating Hongshan College, setting up teaching facilities, building management team, etc..

Board composition of Hongshan College

The board of directors of Hongshan College shall be the decision-making body, responsible for amending the articles of Hongshan College, formulating development plan, recruitment plan, budgeting and human resources, etc.. During the Preparatory Period for Conversion, the board of directors of Hongshan College shall be jointly formed by Nanjing University of Finance & Economics and Xinhua Group and comprise an odd number from five to nine directors, two over five shall be nominated by Nanjing University of Finance & Economics and three over five shall be nominated by Xinhua Group. Upon completion of the conversion of Hongshan College, Xinhua Group shall form a new and independent board of directors of Hongshan College.

Assets and liabilities of Hongshan College

All assets held by Hongshan College (including the existing campus of Hongshan College) and all liabilities incurred arising from and in relation to the operation of Hongshan College prior to the date of the Formal Agreement shall continue to vest with and shall be dealt with by the Transferors and shall not form part of the Transaction.

Employment of existing staff

During the Preparatory Period for Conversion, Hongshan College shall continue to employ all the employees (other than those who have reached the retirement age or decided not to take up such new employment) with whom Hongshan College has entered into employment contracts as at the date of the Formal Agreement on same or more favourable terms.

INFORMATION OF THE TRANSFERORS AND HONGSHAN COLLEGE

Nanjing University of Finance & Economics

Nanjing University of Finance & Economics is a state-operated university in Jiangsu Province, the PRC, providing full-time undergraduate programmes and post-graduate programmes.

The Foundation

The Foundation was officially registered on 20 June 2006 with the Provincial Department of Education and the Civil Affairs Department. It is a non-public fundraising foundation. Its business scope is to accept social donations, subsidize poor students to complete their studies, reward outstanding teachers and students, and support the development of Nanjing University of Finance and Economics.

Hongshan College

Hongshan College was founded in 1999. It is an independent college sponsored by the Ministry of Education and organized by Nanjing University of Finance and Economics to train ordinary full-time undergraduate students.

GENERAL INFORMATION

Xinhua Group is a limited liability company established under the laws of the PRC. It is the school sponsor of the two schools operated by the Group and is a consolidated affiliated entity of the Company.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of private higher education in the Yangtze River Delta.

IMPLICATIONS UNDER LISTING RULES

As one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Transaction exceeds 5% but are less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the words and expressions below shall have the following meanings when used herein:

“Board”	means the board of the Directors of the Company;
“Company”	means China Xinhua Education Group Limited (中國新華教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 30 August 2017;
“Consideration”	means the consideration of RMB610,000,000 (equivalent to approximately HK\$710,848,010) payable by Xinhua Group to the Transferors under the Formal Agreement;
“Director(s)”	means the director(s) of the Company;
“Formal Agreement”	means the formal agreement entered into by and between Xinhua Group, Nanjing University of Finance & Economics and the Foundation in respect of the Transaction on 29 April 2019;
“Foundation”	means Nanjing University of Finance and Economics Education Development Foundation (南京財經大學教育發展基金會);
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Hongshan College”	means Hongshan College (紅山學院) is an independent college of Nanjing University of Finance & Economics whose school sponsors’ interest is owned by Nanjing University of Finance & Economics and the Foundation as at the date of this announcement;
“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“Nanjing University of Finance & Economics”	means Nanjing University of Finance and Economics (南京財經大學);
“Preparatory Period for Conversion”	means the period from the date of the Formal Agreement to the date on which Hongshan College is approved by the relevant authorities in the PRC as a standalone private ordinary college without the name of Nanjing University of Finance & Economics, which is currently expected to be before 31 December 2023;
“RMB”	means Reminbi, the lawful currency of the PRC;
“Shareholder(s)”	means the shareholder(s) of the Company;
“Share(s)”	means the ordinary share of HK\$0.01 each in the share capital of the Company;

“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	means the supplemental agreement entered into by and between Xinhua Group, Nanjing University of Finance & Economics and the Foundation to supplement the Formal Agreement on 29 April 2019;
“Transaction”	means the contemplated cooperation with Nanjing University of Finance & Economics to jointly operate Hongshan College under the Formal Agreement;
“Transferors”	means collectively, Nanjing University of Finance & Economics and the Foundation; and
“Xinhua Group”	means Anhui Xinhua Group Investment Co., Ltd* (安徽新華集團投資有限公司), (previously known as Anhui Xinhua Investment Co., Ltd.* (安徽新華投資有限公司)), a limited liability company established under the laws of the PRC on 1 September 1999 and a consolidated affiliated entity of the Company.

* *The English translation of company names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted into Hong Kong dollars at the rate of HK\$1.00 = RMB0.85813. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

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

Hong Kong, 29 April 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 Ms. Zhang Kejun, Mr. Yang Zhanjun and Mr. Chau Kwok Keung.