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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

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 INVOLVING AN ISSUE OF CONSIDERATION SHARES

THE TRANSACTION

The Board is pleased to announce that on 12 July 2019 (after trading hours), Xinhua Group, a consolidated affiliated entity of the Company, entered into the Agreement with the Vendors, Fuda Company (as target company), Fuda Group, the Target Schools and the Guarantors, pursuant to which Xinhua Group agreed to (i) subscribe 41.96% of the equity interest of Fuda Company at a cash consideration of RMB428 million; and (ii) acquire an aggregate of 18.04% of the equity interest of Fuda Company from the Vendors at an aggregated cash consideration of RMB184 million and a consideration of RMB306 million which shall be satisfied by way of allotment and issue of the Consideration Shares at HK\$4 per Consideration Share to Mr. Su (or his designated party), subject to compliance with the Listing Rules and PRC laws and regulations. The total consideration payable by the Group to Fuda Company and the Vendors for the Transaction is RMB918 million.

Upon completion of the Transaction, Fuda Company shall be owned as to 60% by Xinhua Group and 40% by Mr. Su, respectively. The 60% of the equity interest of Fuda Company under the Transaction only represents its 60% school sponsor's interest of each of the Target Schools (i.e. Haiyuan College and Kunming Health School) held under the name of Fuda Company, and excludes the Excluded Assets which shall be spun-off from Fuda Company by way of a demerger of Fuda Company to completed within two years after the signing of the Agreement.

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, the Transaction is comprised of the Subscription and the Equity Transfer which are aggregated as a single series of transactions as they involve the acquisition of equity interest in the same company.

As the highest applicable percentage ratio in respect of the Transaction, when calculated on an aggregated basis as mentioned above, is more than 25% but less than 100%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Transaction which is different from other Shareholders, and thus no Shareholder would be required to abstain from voting at a general meeting if such a general meeting were to be convened.

The Company has obtained written Shareholders' approval for the Transaction pursuant to Rule 14.44 of the Listing Rules from Wu Junbao Company Limited, the controlling shareholder of the Company which currently holds 1,150,191,879 Shares (representing approximately 71.5% of the issued share capital of the Company as at the date of this announcement). Accordingly, no Shareholders' meeting will be held to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules.

CIRCULAR

A circular containing, among other things, (i) further details of the Agreement and the Transaction; and (ii) financial information of Fuda Company, is expected to be despatched within 15 business days (as defined in the Listing Rules) after publication of this announcement, which is expected to be on or before 5 August 2019.

THE TRANSACTION

The Board is pleased to announce that on 12 July 2019 (after trading hours), Xinhua Group, a consolidated affiliated entity of the Company, entered into the Agreement with the Vendors, Fuda Company (as target company), Fuda Group, the Target Schools and the Guarantors, pursuant to which Xinhua Group agreed to (i) subscribe 41.96% of the equity interest of Fuda Company at a cash consideration of RMB428 million; and (ii) acquire an aggregate of 18.04% of the equity interest of Fuda Company from the Vendors at an aggregate cash consideration of RMB184 million and a consideration of RMB306 million which shall be satisfied by way of allotment and issue of the Consideration Shares at the Issue Price (as defined below) to Mr. Su (or his designated party), subject to compliance with the Listing Rules and PRC laws and regulations. The total consideration payable by the Group to Fuda Company and the Vendors for the Transaction is RMB918 million.

After completion of the Transaction, Fuda Company shall be owned as to 60% by Xinhua Group and 40% by Mr. Su, respectively. The 60% of the equity interest of Fuda Company under the Transaction only represents its 60% school sponsor's interest of each of the Target Schools held under the name of Fuda Company, and excludes the Excluded Assets which shall be spun-off from Fuda Company by way of a demerger of Fuda Company to be completed within two years after the signing of the Agreement.

Details of the terms and conditions of the Agreement are set out below:

The Agreement

Date : 12 July 2019

Parties : (i) Xinhua Group (as purchaser)
(ii) Mr. Su and Ms. Yue (as vendors)
(iii) Fuda Company (as target company)
(iv) Fuda Group
(v) Haiyuan College and Kunming Health School (as target schools)
(vi) Mr. Su and Ms. Chen (as guarantors)

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendors, Fuda Company, Fuda Group, the Target Schools, the Guarantors and their respective ultimate beneficial owners are Independent Third Parties.

Subject matter : Subject to and in accordance with the terms and conditions of the Agreement, Xinhua Group agreed to:

- (i) subscribe 41.96% of the equity interest of Fuda Company at a cash consideration of RMB428 million; and
- (ii) acquire an aggregate of 18.04% of equity interest of Fuda Company from the Vendors at an aggregate cash consideration of RMB184 million and a consideration of RMB306 million which shall be satisfied by way of allotment and issue of the Consideration Shares at the Issue Price (as defined below) to Mr. Su (or his designated party), subject to compliance with the Listing Rules and PRC laws and regulations.

The total consideration payable by the Group to Fuda Company and the Vendors for the Transaction in RMB918 million.

After completion of the Transaction, Fuda Company shall be owned as to 60% by Xinhua Group and 40% by Mr. Su, respectively. The 60% of the equity interest of Fuda Company under the Transaction only represents its 60% school sponsor's interest of each of the Target Schools held under the name of Fuda Company, and excludes the Excluded Assets which shall be spun-off from Fuda Company by way of a demerger of Fuda Company to completed within two years after the signing of the Agreement.

- Consideration** : The total consideration payable by the Group to Fuda Company and the Vendors for the Transaction is RMB918 million, which comprises of:
- (i) a cash consideration of RMB428 million payable by Xinhua Group to Fuda Company for the Subscription; and
 - (ii) a cash consideration of RMB184 million payable by Xinhua Group to the Vendors and a consideration of RMB306 million which shall be satisfied by the allotment and issue of the Consideration Shares at the Issue Price (as defined below) to Mr. Su (or his designated party) for the Equity Transfer, subject to compliance with the Listing Rules and PRC laws and regulations.

The consideration was determined after arm's length negotiations between Xinhua Group, the Vendors and Fuda Company on normal commercial terms taking into account of, among others, the shareholding structure and quality of assets of Fuda Company, the market valuation of the PRC education industry, the number of students and the tuition fee of the Target Schools, the reputation and market position of the Target Schools and the future prospect of PRC education industry.

- Withholding Tax** : Personal income tax of the Vendors in respect of the Equity Transfer shall be borne by the Vendors, and Xinhua Group shall withhold such amount from the consideration payable under the Agreement.

- Framework agreement** : A framework agreement in relation to the Transaction was entered into by Xinhua Group, the Vendors, Fuda Company and the Target Schools on 18 June 2019 and pursuant to which an earnest payment of RMB30 million has already been paid by Xinhua Group. Such framework agreement has been terminated upon signing of the Agreement.

- Payment schedule for cash consideration** : Cash consideration shall be paid by three instalments as follows:

The first instalment

The first instalment shall be paid within two working days after signing of the Agreement.

The second instalment

The second instalment shall be paid within five working days after the completion of change of shareholders of Fuda Company, amendment of articles of association of the Fuda Company and change of the legal representative of Fuda Company (i.e. Xinhua Group has become a registered shareholder of Fuda Company, the legal representative of Fuda Company has been changed to the person designated by Xinhua Group as shown on public available information).

The third instalment

The third instalment shall be paid within five working days after the completion of change of directors and legal representatives of the Target Schools and amendment of the articles of association of the Target Schools (including the filing of updated list of directors of the Target Schools with competent education department, the person designated by Xinhua Group becoming the legal representative of the Target Schools as shown on the relevant licenses and filing and approval of the amended articles of association with competent authorities).

The breakdown of the three instalments and their payment schedule is set out as follows:

Transaction	Cash Consideration	Payment time	Breakdown of cash consideration	Deduction	Net payment payable by Xinhua Group
Subscription	RMB428 million	1st installment	RMB306 million	/	RMB306 million
		2nd installment	RMB122 million	an earnest payment of RMB30 million already paid	RMB92 million
Equity Transfer	RMB184 million	2nd installment	RMB61.6 million	withholding of personal income tax	To be determined based on actual personal income tax
		3rd installment	RMB122.4 million		To be determined based on actual personal income tax

Consideration Shares : The number of Consideration Shares shall be such amount of HK\$ converted from the equivalent amount of RMB306 million and divided by an issue price of HK\$4 (the “**Issue Price**”) per Consideration Share, rounded to the nearest whole number. The Issue Price of the Consideration Shares was determined with reference to historical financial performance and future development potential of the Group and the Target Schools.

Subject to the compliance of the Listing Rules and PRC laws and regulations and unless otherwise agreed in the Agreement, the Company shall issue and allot the Consideration Shares equivalent to RMB306 million to the offshore entity designated by Mr. Su when (i) Xinhua Group, the Target Group and the Target Schools have entered into the structured contracts with the party designated by the Company and Kunming Medical University* (昆明醫科大學) has no objection or has approved such arrangement at the board meeting of Haiyuan College, and (ii) Mr. Su has provided the detailed information of the offshore entity which has completed the foreign exchange registration.

If Mr. Su fails to obtain the Consideration Shares equivalent to RMB306 million within 24 months after signing of the structured contracts, Xinhua Group (and/or its designated party) shall pay the shortfall in cash without interests to Mr. Su (and/or its designated party) within fifteen working days after the said 24-month period.

Mr. Su (and/or his designated party) shall complete the Circular No. 37 registration (if required) and provide the details of the offshore entity under such registration in relation to the Consideration Shares.

For reference and illustrative purpose only, assuming the exchange of HK\$1 = RMB0.87834 is used, 87,096,113 Consideration Shares will be issued. It is expected that the issue of Consideration Shares currently be issued under a general mandate granted to the Directors at an annual general meeting of the Company on 26 June 2019, subject to compliance with the Listing Rules and PRC laws and regulations.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares. The Consideration Shares will rank *pari passu* in all respects with the Shares in issue at the date of allotment and issue including in respect of all dividends and distributions declared, made or paid on or after such date of allotment and issue.

For the avoidance of doubt, conversion of RMB and HK\$ in the above Consideration Shares shall be determined based on the central parity rate of RMB and HK\$ as announced by the People's Bank of China on the trading day before the allotment and issue of the Consideration Shares.

Further announcement in relation to the issue of Consideration Shares will be made as and when appropriate in compliance with the Listing Rules.

Compensation mechanism on the Consideration Shares : The compensation mechanism of the Consideration Shares issued and allocated to Mr. Su (and/or his designated party) under the Transaction is as follows:

As for all Consideration Shares issued and allocated to Mr. Su (and/or his designated party) under the Transaction, within 24 months (but not later than 36 months after the signing of the Agreement) following the issue of Consideration Shares: if the average trading price for any two or more consecutive trading days (the “**Period**”) is not less than HK\$4 per Share, Mr. Su (and/or his designated party) shall sell such number of the Consideration Shares that equals to not less than 25% of the total trading volume of the Shares during the Period (excluding the first trading day of the Period), otherwise Xinhua Group is not required to give any compensation in relation to the Consideration Shares (for the avoidance of doubt, if Mr. Su sells the Consideration Shares during the first trading day of the Period, Xinhua Group shall not give compensation in relation to the Consideration Shares sold); if the average trading price for any two or more consecutive trading days is not less than HK\$4 per Share occurs for several times, Mr. Su (and/or his designated party) shall continue to sell out the Consideration Shares until all Consideration Shares that he (and/or his designated party) holds have been sold out, otherwise Xinhua Group is not required to give any compensation in relation to the Consideration Shares which should have been sold out but actually not sold out by Mr. Su (and/or his designated party);

If there is no occurrence of the above events, and the average trading price for the ten trading days prior to the expiration date of 24 months following the issue of Consideration Shares (but not later than 36 months after the signing of the Agreement) is below HK\$4 per Share, Xinhua Group shall give compensation (“**Compensation**”) to Mr. Su (and/or his designated party) in relation to the remaining Consideration Shares that he (and/or his designated party) has not sold out at the amount calculated by the following formula:

Compensation = (HK\$4 per Share – the average trading price for the ten trading days prior to the expiration date of 24 months following the issue of Shares (but not later than 36 months after the signing of the Agreement))* (the number of Consideration Shares issued and allocated to Mr. Su (and/or his designated party) under the Transaction – the Consideration Shares sold by Mr. Su (and/or his designated party) within 24 months (but not later than 36 months after the signing of the Agreement) following the issue of Consideration Shares (if any))

For the avoidance of doubt, if Mr. Su (and/or his designated party), at his own discretion, sold his Consideration Shares at a price lower than HK\$4 per Share within 24 months (but not later than 36 months after the signing of the Agreement) following the issue of Consideration Shares, Xinhua Group is not required to make any compensation in relation to the Consideration Shares sold by Mr. Su (and/or his designated party).

Xinhua Group has the right of first offer to purchase the Consideration Shares sold by Mr. Su and only in the case when Xinhua Group decided not to purchase such Consideration Shares, Mr. Su can sell such Consideration Shares to other parties; and

For the avoidance of doubt, conversion of RMB and HK\$ in the above compensation mechanism shall be determined based on the central parity rate of RMB and HK\$ as announced by the People’s Bank of China on the last trading day of the relevant ten trading days.

**Transfer of
actual control**

: The Vendors shall transfer the actual control of Fuda Company and the Target Schools (including but not limited to the transfer of various certificates, licenses, chops, management rights and materials) which shall enable Xinhua Group to has the right of management and decision-making on the operation of Fuda Company and the Target Schools within two working days after settling the first installment of cash consideration.

**Entrustment
arrangement**

: Xinhua Group has the right to manage Fuda Company and the Target Schools after Xinhua Group has settled the first installment mentioned above until both Fuda Company and the Target Schools have completed all necessary filings (including but not limited to changes of shareholders of Fuda Company, change of directors of the Target Schools and amendment of articles of associations of the Target Schools) (the “**PRC Filings**”) in accordance with the Agreement.

- Structured contracts** : Upon the completion of the PRC Filings, each party to the Agreement will enter into the structured contracts with the entity(ies) designated by the Company which shall enable the Group to exercise control over Fuda Company and the Target Schools and consolidate their financial results into the Group. Further announcement in relation to the structured contracts will be made as and when appropriate in compliance with the Listing Rules.
- Demerger of Fuda Company** : Mr. Su shall complete the demerger of Fuda Company within two years from the date of signing the Agreement so as to spin-off the Excluded Assets, subject to compliance with the Listing Rules and applicable laws.
- After completion of the demerger of Fuda Company, it will be demerged into two companies, i.e. a surviving company and a new company, to be held by Xinhua Group as to 60% and Mr. Su as to 40%. The Excluded Assets and certain debts owed by related parties of Mr. Su shall be spun-off to the new company and the remaining education assets and the Related Parties' Limited Debts (as defined below) shall be retained by the surviving company. To the extent permissible under the PRC laws and regulations, Xinhua Group shall transfer its 60% equity interest of the new company at nil consideration to Mr. Su or his designed party.
- Campus arrangement** : At present, Haiyuan College has two school campuses, namely Yanglin Campus and New Higher Campus. For the avoidance of doubt, Yanglin Campus held under the name of Haiyuan College forms part of the assets being transferred to Xinhua Group under the Transaction. Pursuant to the Agreement, the New Higher Campus is part of the Excluded Assets and shall be owned by the Vendors. However, Haiyuan College shall be entitled to continue to use the New Higher Campus under the same terms and conditions that is currently subject to, within ten years after signing the Agreement and before the completion of converting Haiyuan College into an independently established undergraduate university.
- Debts arrangement** : Other than the debts agreed by all parties under the Agreement, Xinhua Group takes no responsibilities as to the liabilities and assets which are irrelevant to the education business of the Target Group.

All parties to the Agreement (except for Xinhua Group) warrant and represent that the total debts borne by the Target Schools to third parties was RMB700 million as of 31 May 2019 (for the avoidance of doubt, excluded those debts owed by the Target Schools to Mr. Su and/or his related parties, the “**Third Parties’ Limited Debts**”). The Third Parties’ Limited Debts shall be borne by the Target Schools which will be controlled by Xinhua Group. Other than the Third Parties’ Limited Debts and save as agreed by all parties under the Agreement, the Vendors shall be responsible for all actual and/or potential debts (including the principal, interest and liquidated damages) occurred as a result of the other matters prior to the transfer of actual control of the Target Schools (“**Third Parties’ Additional Debts**”).

All parties to the Agreement (except for Xinhua Group) further warrant and represent that the total debts borne by the Target Schools to Mr. Su and/or his related parties was RMB217 million as of 31 May 2019 (“**Related Parties’ Limited Debts**”), among which the debts born by Haiyuan College and Kunming Health School shall not less than RMB140 million and RMB10 million, respectively. Other than the Related Parties’ Limited Debts, the Vendors shall be responsible for all actual and/or potential debts to Mr. Su and/or his related parties (including the principal, interests and liquidated damages) occurred as a result of the other matters prior to the transfer of actual control of the Target Schools (“**Related Parties’ Additional Debts**”).

All parties (except for Xinhua Group) undertake that:

- Xinhua Group is entitled to deduct relevant amount from the consideration payable under the Transaction for the repayment of losses suffered by Xinhua Group and the Target Schools from the Third Parties’ Additional Debts;
- Even if the 40% equity interest of Fuda Company owned by Mr. Su was pledged for bank borrowing, Mr. Su shall provide the collateral guarantee to Xinhua Group at the same time and shall complete relevant required registration. If the said pledge was released, Mr. Su shall provide pledge guarantee directly to Xinhua Group and shall complete relevant required registration.
- Mr. Su and his spouse shall provide a joint and several liability guarantee in favour of Xinhua Group by using personal credit.

Certain representations and warranties : The Vendors and Fuda Company have made the following representations and warranties:

- Haiyuan College (as lessor) and Business College (as lessee) shall enter into a new lease agreement for a term of five years commencing from 1 August 2019. The rental for the first year shall be capped at RMB27 million (maximum 6,000 students/per year * RMB4,500/per person) and increase by 5% per year going forward. Haiyuan College and Business College shall continuously and effectively implement the said lease agreement; and
- Haiyuan College and Yunnan Forestry Vocational College* (雲南林業職業技術學院) (a state-owned higher vocational college in Yunnan Province, an Independent Third Party) shall enter into a school facility usage agreement for six year commencing from 1 August 2019. The rental shall be capped at RMB27 million (maximum 6,000 students/per year * RMB4,500/per person).

The Vendors further guarantee that they will settle the debts as described under the Agreement and ensure the normal operation of the Target Schools since the signing of the Agreement and till 31 August 2019, otherwise Xinhua Group has the right to deduct relevant amount from the consideration as the operation and management fee of the Target Schools.

Right of first offer : Xinhua Group has been granted a right of first offer in relation to the disposal of school sponsor's interest in Business College by Mr. Su.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The main businesses of the Group are providing higher education in China. Considering Haiyuan College is a leading high-quality independent college in the country and Kunming Health School is a high-quality private secondary vocational school in China, there is a good synergy between them in teaching resources, majors and school running. Through the acquisition, the Group will enter another important strategic region, namely Yunnan. The Directors believe that the transaction will enable the Group to further expand its school network and increase market penetration. In addition, after the acquisition, the total number of students of the Group will further increase, thus further enhancing the overall profitability of the Group.

The Directors are of the view that the Agreement has been entered into on normal commercial terms and the terms of the Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

The Group

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

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

The Vendors and the Guarantors

Mr. Su and Ms. Yue (who are the Vendors) are PRC citizens. As of the date of this announcement, they hold in aggregate held the entire equity interest of Fuda Company.

Mr. Su and his spouse Ms. Chen (as the Guarantors) are PRC citizens and have, together with the Vendors, Fuda Company, Fuda Group and the Target Schools, agreed to be liable for the Related Parties' Additional Debts on a joint and several basis pursuant to the terms of the Agreement.

Target Group

Fuda Company is a limited liability company established in the PRC which is owned as to 100% by the Vendors immediately before Xinhua Group becomes a shareholder of the Fuda Company.

Fuda Group is a corporate group which is not an independent legal person under the PRC laws and the group company comprises of Fuda Company and other companies.

The principal business of Fuda Company and Fuda Group is investment in education industry and education industry, hardware and electrical appliances and building materials, respectively.

Set out below is the unaudited financial information of Fuda Company attributable by the Target Schools for each of the financial year ended 31 December 2017 and 2018 as prepared in accordance with the generally accepted accounting principles in the PRC as provided by the Vendors:

	For the year ended	
	31 December	
	2017	2018
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Revenue	259,328	311,868
Profit before taxation	82,295	124,278
Profit after taxation	82,251	124,196
Net assets	164,462	288,659

Target Schools

Haiyuan College

Haiyuan College, founded in 2001 and located in Kunming, Yunnan Province, China, is a private institution of higher learning that provides undergraduate programs, as well as an independent college approved by the MOE. During the 2018-2019 school year, Haiyuan College had a student enrollment of approximately 12,026. The tuition fee charged by Haiyuan College for the 2018-2019 school year ranged from approximately RMB17,000 to RMB25,000 (depending on majors). As at the date of this announcement, Fuda Company owns 100% capital contributor's interest in Haiyuan College while Fuda Company and Kunming Medical University (which is a state-operated medical university in Yunnan Province, the PRC) are the school sponsors of Haiyuan College.

Historically, Fuda Group (instead of Fuda Company) was recorded as the school sponsor in the school sponsor agreement(s), articles of association and permit(s) for operating a school of Haiyuan College as filed with competent government authorities. Pursuant to the Agreement, it is agreed by the Target Group and Haiyuan College that Fuda Company (instead of Fuda Group) shall be recorded as the sponsor in the school sponsor agreement(s) and articles of association of Haiyuan College and proactive steps shall be taken to obtain the approval and complete necessary filings with competent government authorities.

Kunming Health School

Kunming Health School was founded in 1953 and is a private secondary vocational school located in Kunming, Yunnan Province, the PRC. During the 2018-2019 school year, Kunming Health School had a student enrollment of approximately 6,247. The tuition fee for the 2018-2019 school year was approximately RMB6,000 per year. As at the date of this announcement, Fuda Company owns 100% capital contributor's interest in Kunming Health School while Fuda Company and Kunming Education Investment Co., Ltd.* (昆明教育投资有限公司) are the school sponsors of Kunming Health School.

Historically, Fuda Group (instead of Fuda Company) was recorded as the school sponsor in the articles of association of Kunming Health School as filed with competent government authorities. Pursuant to the Agreement, it is agreed by the Target Group and Kunming Health School that Fuda Company (instead of Fuda Group) shall be recorded as the sponsor in the school sponsor agreement(s) and articles of association of Kunming Health School and proactive steps shall be taken to obtain the approval and complete necessary filings with competent government authorities.

EFFECT OF THE ISSUE OF THE CONSIDERATION SHARES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the total number of issued share capital of the Company is 1,608,583,000 Shares. For reference and illustrative purpose only, assuming the Company a maximum of 87,096,113 Consideration Shares will be issued at the exchange of HK\$1 = RMB0.87834 in accordance with the Agreement, and no other changes in the Company's shareholding structure, the following table sets out the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after the issue of 87,096,113 of the Consideration Shares to Mr. Su (or his designated party):

Shareholder	As at the date of this announcement		Immediately after the issue of Consideration Shares	
	Number of Shares	Approximate %	Number of Shares	Approximate %
Wu Junbao Company Limited	1,150,191,879	71.5	1,150,191,879	67.9
Mr. Su (or his designated party)	–	–	87,096,113	5.1
Public Shareholders	458,391,121	28.5	458,391,121	27.0
Total	<u>1,608,583,000</u>	<u>100</u>	<u>1,695,679,113</u>	<u>100</u>

LISTING RULES IMPLICATIONS

Pursuant to Rule 14.22 of the Listing Rules, the Transaction is comprised of the Subscription and the Equity Transfer which are aggregated as a single series of transactions as they involve the acquisition of equity interest in the same company.

As the highest applicable percentage ratio in respect of the Transaction, when calculated on an aggregated basis as mentioned above, is more than 25% but less than 100%, the Transaction constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Transaction which is different from other Shareholders, and thus no Shareholder would be required to abstain from voting at a general meeting if such a general meeting were to be convened.

The Company has obtained written Shareholders' approval for the Transaction pursuant to Rule 14.44 of the Listing Rules from Wu Junbao Company Limited, the controlling shareholder of the Company which currently holds 1,150,191,879 Shares (representing approximately 71.5% of the issued share capital of the Company as at the date of this announcement). Accordingly, no Shareholders' meeting will be held to approve the Acquisition pursuant to Rule 14.44 of the Listing Rules.

CIRCULAR

A circular containing, among other things, (i) further details of the Agreement and the Transaction; and (ii) financial information of Fuda Company, is expected to be despatched within 15 business days (as defined in the Listing Rules) after publication of this announcement, which is expected to be on or before 5 August 2019.

DEFINITIONS

In the announcement, unless the context otherwise requires, the following words and phrases have the following meanings:

“Agreement”	the agreement dated 12 July 2019 entered into by Xinhua Group, the Vendors, Fuda Company, Fuda Group, the Target Schools and the Guarantors (as amended by a supplemental agreement dated 14 July 2019 and effective from 12 July 2019 entered into by the same parties)
“Board”	the board of Directors
“Business College”	Yunnan Business Career College* (雲南商務職業學院), a private higher vocational college that Mr. Su has school sponsor’s interest
“Company”	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 August 30, 2017
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration Shares”	such number of new Shares to be allotted and issued to Mr. Su (or his designated party) pursuant to the terms of the Agreement at the Issue Price
“Director(s)”	the director(s) of the Company
“Excluded Assets”	all non-education assets held under the name of Fuda Company and the New Higher Campus held under the name of Haiyuan College
“Equity Transfer”	the acquisition of an aggregate of 18.04% equity interest of Fuda Company by Xinhua Group from the Vendors pursuant to the terms of the Agreement
“Fuda Company”	Kunming Fuda Development Industrial (Group) Company Limited* (昆明富達發展實業(集團)有限公司), a limited liability company established in the PRC which is owned as to 100% by the Vendors immediately before Xinhua Group becomes a shareholder of Fuda Company

“Fuda Group”	Kunming Fuda Development Industrial Group* (昆明富達發展實業集團), a corporate group which is not an independent legal person under the PRC laws and the group company comprises of Fuda Company and other companies
“Group”	the Company and its subsidiaries
“Guarantors”	collectively, Mr. Su and Ms. Chen
“Haiyuan College”	Kunming Medical University Haiyuan College (昆明醫科大學海源學院), an independent college
“Issue Price”	has the meaning ascribe to it under paragraph headed “Consideration Shares” in this announcement
“Kunming Health School”	Kunming Health School (昆明市衛生學校), is a private secondary vocational school
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOE”	the Ministry of Education of the PRC
“Mr. Su”	Mr. Su Pingsen (蘇平森), an Independent Third Party immediately before Xinhua Group becomes a shareholder of Fuda Company and a connected person of the Company at the subsidiary level immediately after Xinhua Group becomes a shareholder of Fuda Company
“Ms. Chen”	Ms. Chen Yongzhi (陳永芝), the spouse of Mr. Su
“Ms. Yue”	Ms. Yue Guimei (岳貴梅), an Independent Third Party
“PRC”	the People’s Republic of China, for the purpose of this announcement exclude Macau Special Administrative Region of the People’s Republic of China, Hong Kong and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	subscription of 41.96% of the equity interest of Fuda Company by Xinhua Group pursuant to the terms of the Agreement
“Target Group”	collectively, Fuda Company and Fuda Group
“Target Schools”	collectively, Haiyuan College and Kunming Health School
“Transaction”	collectively, the Subscription and the Equity Transfer
“Vendors”	collectively, Mr. Su and Ms. Yue
“Xinhua Group”	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
“%”	per cent

* denotes English translation of the name of a Chinese company or entity or vice versa and is provided for identification purposes only.

For the purposes of this announcement, unless otherwise indicated, conversion of RMB and HK\$ is calculated at the exchange rate of HK\$1 = RMB0.87834. This exchange rate is for illustrative purpose only and does not constitute a representation that any amount has been, could have been, or may be exchanged at this or any other rate or at all.

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

Hong Kong, 15 July 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.