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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)

DISCLOSEABLE TRANSACTION

ACQUISITION OF LAND USE RIGHT

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The Board is pleased to announce that on 6 July 2019, Hongshan College entered into the Agreements with the People's Government of Gaochun District, Nanjing City, pursuant to which Hongshan College shall acquire the land use right of the Target Land from the People's Government of Gaochun District, Nanjing City through the Process for the construction and development of the new school campus of Hongshan College thereon.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Hongshan College is in the course of changing its school sponsor where Xinhua Group will eventually be a new school sponsor of Hongshan College and as one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Acquisition exceeds 5% but less than 25%, it is appropriate to treat the Acquisition as a discloseable transaction of the Company and subject it to the announcement requirement under Chapter 14 of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 29 April 2019.

On 29 April 2019, Xinhua Group entered into an 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.

In furtherance of the establishment of the new campus of Hongshan College, on 6 July 2019, Hongshan College entered into the Agreements with the People's Government of Gaochun District, Nanjing City, pursuant to which Hongshan College shall acquire the land use right of the Target Land from the People's Government of Gaochun District, Nanjing City through the Process for the construction and development of the new school campus of Hongshan College thereon.

PRINCIPAL TERMS OF THE AGREEMENTS

The principal terms of the Agreements are summarized below:

Date

6 July 2019

Parties

- (i) the People's Government of Gaochun District, Nanjing City; and
- (ii) Hongshan College

The People's Government of Gaochun District, Nanjing City is a PRC Governmental Body. To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the People's Government of Gaochun District, Nanjing City is a third party independent of the Group and its connected persons (as defined in the Listing Rules).

Information of the Target Land

The Target Land is located inside the Science and Education New Town Area, Gaochun District, Nanjing City, the PRC with a total area of approximately 950 mu (equivalent to approximately 633,337 sq.m.). The Target Land is a state-owned construction land, and the planned use is for educational purpose. The term of the land use right for the Target Land is 50 years from the date of transfer.

Relevant payments in respect of the Target Land

The Board expects that the Consideration of the land use right of the Target Land shall be RMB304,000,000 (equivalent to approximately HK\$344,616,501), subject to adjustment based on the actual price of the Process. The Consideration shall be paid by the internal resources of Hongshan College, which were funded by Xinhua Group as part of its operational capital.

Within 7 working days upon signing of the School Investment Agreement, Hongshan College shall pay a sum of RMB60,000,000 (equivalent to approximately HK\$68,016,415) to the People's Government of Gaochun District, Nanjing City as start-up capital. Such sum can be used to offset the Consideration payable by Hongshan College. The Consideration shall be paid in accordance with the land transfer agreement for the transfer of the state-owned land use right in respect of the Target Land to be entered into by Hongshan College with the People's Government of Gaochun District, Nanjing City after the completion of the Process, which the Board expects to be no later than February 2020.

Development of the Target Land

The Target Land will be developed and utilized by Hongshan College as its new school campus. Hongshan College shall commence and complete phase one of the construction works within two years after obtaining the land use right certificate of the Target Land. In order for Hongshan College to attract and retain talents, the People's Government of Gaochun District, Nanjing City shall be responsible for coordinating the construction of commercial housing with approximately 80,000 sq. m. in the main urban area or in proximity to the school for the purpose of preferential sale to the school staff of Hongshan College.

REASONS FOR AND BENEFIT OF THE PROPOSED ACQUISITION

The Board believes that the Target Land, being located in Nanjing City, the provincial capital of Jiangsu Province, has the advantages of excellent location and convenient transportation. The Acquisition will be a solid step for the Group to implement the future conversion of Hongshan College. The abundant capacity of the Target Land will also provide a good foundation for the future growth of Hongshan College. Therefore, the Directors (including the independent non-executive Directors) consider that the Agreements have been entered into on normal commercial terms, and the terms of the Acquisition are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Hongshan College is in the course of changing its school sponsor where Xinhua Group will eventually be a new school sponsor of Hongshan College and as one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Acquisition exceeds 5% but less than 25%, it is appropriate to treat the Acquisition as a discloseable transaction of the Company and subject it 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:

“Acquisition”	means the acquisition of the land use right of the Target Land;
“Agreements”	means collectively, the School Investment Agreement and its supplemental agreement dated 6 July 2019 entered into between Hongshan College and the People’s Government of Gaochun District, Nanjing City;
“Board”	means the board of 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 the land use right of the Target Land;
“Director(s)”	means director(s) of the Company;
“Group”	means the Company, its subsidiaries and its PRC consolidated affiliated entities;
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“Hongshan College”	means Hongshan College (紅山學院), an independent college jointly operated by Xinhua Group and Nanjing University of Finance & Economics;

“Listing Rules”	means the Rules Governing the Listing of Securities on the Stock Exchange;
“mu”	means mu* (畝), unit of land area traditionally used in East Asia, equivalent to approximately 666.67 sq. m.;
“Nanjing University of Finance & Economics”	means Nanjing University of Finance & Economics (南京財經大學);
“People’s Government of Gaochun District, Nanjing City”	means the People’s Government of Gaochun District, Nanjing City* (南京市高淳區人民政府), a PRC Government Body;
“PRC”	means the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“PRC Government Body”	has the meaning defined in Chapter 19A of the Listing Rules;
“Process”	means the process of bidding invitation, auction or listing* (招拍掛) for land use right of the Target Land, as required under the laws and regulations of the PRC;
“RMB”	means Renminbi, the lawful currency for the time being of the PRC;
“School Investment Agreement”	means a school investment agreement dated 6 July 2019 entered into between Hongshan College and the People’s Government of Gaochun District, Nanjing City setting out the principal terms and arrangements of the Acquisition through the Process for the construction and development of the new campus of Hongshan College thereon;
“sq. m.”	means square metre, unit of area;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Target Land”	means a piece of land with an area of approximately 950 mu located inside the Science and Education New Town Area, Gaochun District, Nanjing City, the PRC; 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.

* for identification purpose only

Unless otherwise specified in this announcement, amounts denominated in RMB have been converted into Hong Kong dollars at the rate of HK\$1.00 = RMB0.88214. 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, 7 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.