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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)

CONTINUING CONNECTED TRANSACTIONS TENANCY AGREEMENT

The board (“**Board**”) of directors (“**Directors**”) of China Xinhua Education Group Limited (“**Company**”, together with its subsidiaries, the “**Group**”) announces that on 25 December 2018, the School of Clinical Medicine of Anhui Medical University* (安徽醫科大學臨床醫學院) (“**School of Clinical Medicine**”) entered into a tenancy agreement (“**Tenancy Agreement**”) with Anhui New East Culinary Institute* (安徽新東方烹飪專修學院) (“**Anhui New East**”), pursuant to which Anhui New East (as landlord) has agreed to lease a premise located in Hefei, Anhui province, the PRC, to School of Clinical Medicine (as tenant) as campus for a term from January 1, 2019 to July 31, 2020 (“**Connected Lease**”).

As Mr. Wu Junbao is the controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”)) of the Company indirectly interested in approximately 71.40% of the issued share capital of the Company as at the date of this announcement. Anhui New East Culinary Institute, being indirectly held by Wu Junbao as to 42.67%, is an associate (as defined in the Listing Rules) of Mr. Wu Junbao and a connected person (as defined in the Listing Rules) of the Company. Therefore, the transactions contemplated under the Tenancy Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on the annual caps, the Board expects that the highest relevant percentage ratios in respect of the Connected Lease with connected persons will, on an annual basis, be more than 0.1% but less than 5%, and as such the Connected Lease will be exempt from the circular (including independent financial advice) and independent shareholders’ approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

INTRODUCTION OF THE TENANCY AGREEMENT

The Board announces that on 25 December 2018, School of Clinical Medicine, a school jointly operated by the Company and an independent third party, entered into Tenancy Agreement with Anhui New East, pursuant to which Anhui New East (as landlord) has agreed to lease a premise located at Guanjing Road, Xiangshan Road, Professional Education Town, Yaohai District Hefei, Anhui province, the PRC, to School of Clinical Medicine (as tenant) as campus for a term from January 1, 2019 to July 31, 2020 at a monthly rental of RMB600,000. The rental amount was determined based on arm’s length negotiations between Anhui New East and School of Clinical Medicine with reference to the prevailing market price of comparable lease.

HISTORICAL AMOUNT AND PROPOSED ANNUAL CAPS

Pursuant to a tenancy agreement entered into between Anhui New East and the School of Clinical Medicine dated November 16, 2018, the Premise was leased by the School of Clinical Medicine from Anhui New East for a term from December 1, 2018 to December 31, 2018, at a monthly rental of RMB600,000.

The annual cap for the maximum amount payable for each of the year ending December 31, 2019 and for the seven months ending July 31, 2020 under the Connected Lease is expected to be RMB7.2 million and RMB4.2 million, respectively.

REASONS FOR ENTERING INTO THE TENANCY AGREEMENT

Pursuant to the agreement of joint operation of School of Clinical Medicine, the Group shall invest into and be responsible for the operation of the School of Clinical Medicine. The Group had decided to apply for the land use right to construct the new campus under the School of Clinical Medicine and will construct the new campus in phases. Prior to the completion of the new campus, the Directors (including the independent non-executive Directors) considered that it would be commercially beneficial to the Group to lease the premise under the Tenancy Agreement from Anhui New East. It is expected that the premise under the Tenancy Agreement will be able to provide sufficient accommodation facilities for the contemplated student recruitment during the cooperation period under the agreement of joint operation of School of Clinical Medicine.

The annual caps are estimated based on the annual rental payable by the Group under the Connected Lease. The rental payable under the Connected Lease were negotiated on arm's length basis with reference to the prevailing market rental prices of comparable premises in the locality confirmed by an independent property valuer.

The Directors (including the independent non-executive Directors) are of the view, based on the valuation report issued by the independent property valuer, that (i) the transactions contemplated under the Connected Lease have been and will be entered into on normal terms that are fair and reasonable; and (ii) the proposed annual caps for the transactions contemplated under the Connected Lease are fair and reasonable and in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

The School of Clinical Medicine is a school jointly operated by an Independent Third Party and the Company. Mr. Wu Junbao, the controlling shareholder of the Company, is indirectly interested in approximately 71.40% of the issued share capital of the Company as at the date of this announcement. Anhui New East Culinary Institute, being indirectly held by Wu Junbao as to approximately 42.67%, is an associate of Mr. Wu Junbao and a connected person of the Company. Therefore, the transactions contemplated under the Tenancy Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Based on the annual caps, the Board expects that the highest relevant percentage ratios in respect of the Connected Lease with connected persons will, on an annual basis, be more than 0.1% but less than 5%, and as such the Connected Lease will be exempt from the circular (including independent financial advice) and independent shareholders' approval requirements and are subject to the annual review, reporting and announcement requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

Mr. Wu Junbao, being the Director who may have a material interest, has voluntarily abstained from voting on the board resolution(s) of the Company concerning the Connected Lease.

INFORMATION ON THE GROUP AND ANHUI NEW EAST

The Group is principally engaged in providing formal higher education in the Yangtze River Delta, the PRC.

Anhui New East is mainly engaged in providing vocational training education to students in Hefei, the PRC.

* *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.*

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

Hong Kong, 25 December 2018

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.