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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, for the establishment of the new campus of the School of Clinical Medicine, on 17 October 2019, the School of Clinical Medicine entered into the Agreement with the Hefei Natural Resources and Planning Bureau, pursuant to which the School of Clinical Medicine has acquired the land use right of the Target Land by way of tender at a total consideration of RMB227,286,315.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the School of Clinical Medicine is in the course of changing its school sponsor where Xinhua Group will eventually be a school sponsor of the School of Clinical Medicine and as one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Acquisition exceeds 5% but is 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

On 20 November 2017, the Company entered into a formal agreement with Anhui Medical University to jointly operate the School of Clinical Medicine with the eventual goal of conversion of the School of Clinical Medicine into a school owned and operated solely by the Group. According to the formal agreement, the Group is entitled to the tuition fees relating to those students admitted in the 2018-2019 school year and thereafter and is responsible for the operation of the new campus.

For the establishment of the new campus of the School of Clinical Medicine, on 17 October 2019, the School of Clinical Medicine entered into the Agreement with the Hefei Natural Resources and Planning Bureau, pursuant to which the School of Clinical Medicine has acquired the land use right of the Target Land by way of tender at a total consideration of RMB227,286,315.

PRINCIPAL TERMS OF THE AGREEMENT

The principal terms of the Agreement are summarized below:

Date

17 October 2019

Parties

- (i) the Hefei Natural Resources and Planning Bureau; and
- (ii) the School of Clinical Medicine

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, the Hefei Natural Resources and Planning Bureau 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 at Shushan District, Hefei City, Anhui Province, the PRC with a total area of 151,524.21 sq.m. (equivalent to approximately 227.29 mu), and the planned use is for educational, research and medical purposes. The term of the land use right for the Target Land is 50 years from the date of completion of the Acquisition, which shall take place within 30 days upon signing of the Agreement.

Consideration and payment arrangements in respect of the Target Land

The total Consideration of the land use right of the Target Land is RMB227,286,315 (equivalent to approximately HK\$258,279,903) (i.e. RMB1,500 per sq.m.). The Consideration will be paid by the internal resources of the School of Clinical Medicine, which is funded by Xinhua Group as part of its operational capital.

Within 30 days upon signing of the Agreement, the School of Clinical Medicine shall pay the Consideration in full to the Hefei Natural Resources and Planning Bureau for the grant of land use right in accordance with the Agreement.

Development of the Target Land

The Target Land will be developed and utilized by the School of Clinical Medicine as its new campus.

REASONS FOR AND BENEFIT OF THE PROPOSED ACQUISITION

The Target Land is situated in Hefei City, Anhui Province, and Hefei City is one of the largest four comprehensive national science centers in the PRC. It is located in the core area of the Hefei BinHu Science City, with convenient transportation, beautiful environment and outstanding location advantages. As the School of Clinical Medicine may effectively utilize rich and excellent science, education and medical resources of Hefei, as well as the prominent synergy with Hefei City and universities of the Group located in Hefei City. The development of the new campus of the School of Clinical Medicine is highly compatible with the Group's development strategy in the field of medical colleges and universities.

Based on the foregoing, the Directors (including the independent non-executive Directors) consider that the Agreement has 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.

INFORMATION OF THE PARTIES

The Company is an investment holding company and its subsidiaries are principally engaged in private higher education.

The School of Clinical Medicine, established in 2003, is an independent college of Anhui Medical University, located in Hefei, Anhui Province, the PRC, and currently jointly operated by the Group and Anhui Medical University. Detailed descriptions can be found in "Business – Planned Additional Schools – School of Clinical Medicine" in the Prospectus, the annual report of the Company for the year ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, the School of Clinical Medicine is in the course of changing its school sponsor where Xinhua Group will eventually be a school sponsor of the School of Clinical Medicine and as one or more of the applicable percentage ratios as defined in the Listing Rules in respect of the Acquisition exceeds 5% but is 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;
“Agreement”	means the State-owned Construction Land Use Right Grant Contract (國有建設用地使用權出讓合同) dated 17 October 2019 entered into between the School of Clinical Medicine and the Hefei Natural Resources and Planning Bureau in relation to the grant of land use right of the Target Land;
“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;
“Hefei Natural Resources and Planning Bureau”	means Hefei Natural Resources and Planning Bureau* (合肥市自然資源和規劃局);
“HK\$”	means Hong Kong dollar, the lawful currency of Hong Kong;
“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.;
“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;
“Prospectus”	means the prospectus of the Company dated 14 March 2018;

“RMB”	means Renminbi, the lawful currency for the time being of the PRC;
“School of Clinical Medicine”	means School of Clinical Medicine of Anhui Medical University (安徽醫科大學臨床醫學院), an independent college of Anhui Medical University established under the laws of the PRC in 2003 and currently jointly operated by the Group and Anhui Medical University as further described in “Business – Planned Additional Schools – School of Clinical Medicine” in the Prospectus, the annual report of the Company for the year ended 31 December 2018 and the interim report of the Company for the six months ended 30 June 2019;
“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 151,524.21 sq.m.(equivalent to approximately 227.29 mu), located east of Tianzhushan Road and north of Wangjiang West Road, in Shushan District, Hefei City, Anhui Province, 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 = RMB0.88. 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, 17 October 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.