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China New Higher Education Group Limited

中國新高教集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2001)

CONNECTED TRANSACTION ACQUISITION OF EQUITY INTEREST IN BEIJING LIANHE

ACQUISITION OF 100% EQUITY INTEREST IN BEIJING LIANHE

Beijing Lianhe Equity Transfer Agreement

Reference is made to the section headed “Relationship with Our Controlling Shareholders” in the Prospectus for the business scope of Beijing Lianhe and the reason to exclude Beijing Lianhe out of the Group at the time of the listing of the Shares on the Stock Exchange (the “**Listing**”). At the time of the Listing, Beijing Lianhe, which was engaged in the business of provision of a free online courses platform to a specific range of students of colleges/universities was at its preliminary stage of development. In order to safeguard the interests of the Company in respect of the future business opportunities in Beijing Lianhe and against potential competition, the Group has adopted such measures including obtaining an option and a right of first refusal to acquire Beijing Lianhe.

As at the date of this announcement, Beijing Lianhe has obtained the business license and the related operating licenses, including a value-added telecommunications business operating license and a radio and TV program production operating license. In light of such development, the Board is pleased to announce that on 4 February 2021, Daai Management and Songming Gaoxue entered into the Beijing Lianhe Equity Transfer Agreement, pursuant to which Daai Management agreed to sell 100% equity interest in Beijing Lianhe to Songming Gaoxue (a wholly-owned subsidiary of Yun Ai Group) for a consideration of RMB2,352,192 which was agreed after arm’s length negotiation between Daai Management and Songming Gaoxue with reference to the net assets value of Beijing Lianhe as of 31 January 2021 prepared pursuant to the Generally Accepted Accounting Principles of the PRC. The consideration for the disposal of Beijing Lianhe by the Group in May 2016 was also based on the net assets value of Beijing Lianhe at the relevant time as disclosed in the Prospectus. Upon completion of the Beijing Lianhe Acquisition, Beijing Lianhe will become an indirect wholly-owned subsidiary of Yun Ai Group.

As none of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules for the transactions contemplated under the Beijing Lianhe Equity Transfer Agreement is more than 5% and the total consideration is less than HK\$3,000,000, the Beijing Lianhe Acquisition is fully exempted from announcement, circular and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Fifth Supplemental Agreement

Immediately upon completion of the Beijing Lianhe Acquisition, Songming Gaoxue and Beijing Lianhe will enter into the Fifth Supplemental Agreement with Huihuang Company, Yun Ai Group, and the registered shareholders of Yun Ai Group, to reflect the acquisition of 100% equity interest in Beijing Lianhe.

The principal terms of the Fifth Supplemental Agreement are set out below:

- (1) since the completion date of the Beijing Lianhe Acquisition, Beijing Lianhe, as a party to the New Structured Contracts, shall assume the rights and obligations under the New Structured Contracts (including all its supplemental agreements as at the same date) as an indirect wholly-owned subsidiary of Yun Ai Group;
- (2) a shareholder's power of attorney has been executed by Yun Ai Group, authorizing Huihuang Company or parties designated by Huihuang Company to assume the rights and obligations as the shareholder of Songming Gaoxue, and another shareholder's power of attorney has been executed by Songming Gaoxue, authorizing Huihuang Company or parties designated by Huihuang Company to assume the rights and obligations as the shareholder of Beijing Lianhe;
- (3) where applicable, in case the validity of any of the New Structured Contracts is affected or impaired by the newly adjusted rights and obligations, each party to the agreement agreed that the New Structured Contracts shall remain effective, and undertook to procure the other signatories to the New Structured Contracts to cooperate with the signing of relevant agreements and related matters, so as to ensure that the New Structured Contracts continue to take effect; and
- (4) the Fifth Supplemental Agreement shall not be changed, altered, supplemented or amended except as otherwise executed by parties in written agreement. No party shall assign its rights or obligations under the Fifth Supplemental Agreement without the prior written consent of all the other parties thereof.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE BEIJING LIANHE EQUITY TRANSFER AGREEMENT AND THE FIFTH SUPPLEMENTAL AGREEMENT

Beijing Lianhe Equity Transfer Agreement

The Board is of the view that the Beijing Lianhe Acquisition will bring the Group with the following benefits:

First, Beijing Lianhe's business has increased rapidly, especially during the period of COVID-19 in 2020 when it made large investment in its cloud hardware, software and security system, laying a solid foundation for subsequent business expansion. Beijing Lianhe has completed the construction of 100,000 concurrent system structures, which can meet the online education demands of all teachers and students of the Group. The rapid growth of Beijing Lianhe is also evidenced by its rising revenue levels, with total revenue of RMB404,000, RMB3,301,000 and RMB7,118,000 for 2018, 2019 and 2020 respectively, representing a compound annual growth rate of 319.75%.

Second, in view of long term cooperation between Beijing Lianhe and the Group, and Beijing Lianhe's years of experience in the provision of online education related technical services for the establishment, operation and maintenance of online education platform, the Beijing Lianhe Acquisition will help consolidate the Group's online educational business resources and save its costs.

Third, the Beijing Lianhe Acquisition will enable the Group to promote collectivized school operation by applying information technology, and adopt an online and offline mixed teaching mode, focusing on the knowledge base as well as the understanding and learning characteristics of students, which will further provide strong support for the schools of the Group to share and co-create various course teaching services, gather high-quality teaching resources and create high-quality courses, thus meeting the future demand of the Group in the provision of online education course services and improving its teaching quality as well as student experience.

Fifth Supplemental Agreement

The Fifth Supplemental Agreement, as a supplemental agreement to the New Structured Contracts, will be entered into mainly (i) to reflect the Group's acquisition of interest in Beijing Lianhe where, upon completion of the Beijing Lianhe Acquisition, the rights and obligations of the relevant parties shall be subject to the terms and conditions of the New Structured Contracts which will enable the Company to exert control over Beijing Lianhe; and (ii) to provide an efficient and cost-saving solution to facilitate the execution of the New Structured Contracts so that validity of the New Structured Contracts will not be affected or impaired by the Group's acquisition of interest in Beijing Lianhe.

The Directors (including the independent non-executive Directors) consider that the Fifth Supplemental Agreement has been entered into on normal commercial terms, and the terms of the transactions thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE COUNTERPARTY AND THE TARGET COMPANY

Daai Management is a company established under the laws of the PRC with limited liability on 18 September 2015 and is wholly owned by Daai Consulting, which in turn is owned as to 90% by Mr. Li and 10% by Ms. Yang. As at the date of this announcement, it holds 100% equity interest in Beijing Lianhe. It is an investment holding company principally engaged in corporate management.

Beijing Lianhe is a company established under the laws of the PRC with limited liability on 17 June 2014 and is wholly owned by Daai Management, a wholly-owned subsidiary of Daai Consulting, which in turn is owned as to 90% by Mr. Li and 10% by Ms. Yang. It is principally engaged in the provision of online education services in the PRC.

INFORMATION OF THE GROUP

The Company is an exempted company incorporated in the Cayman Islands with limited liability on 8 July 2016. It is an investment holding company, together with its subsidiaries and consolidated affiliated entities, principally engages in private formal higher education.

Yun Ai Group is a company established under the laws of the PRC with limited liability on 19 September 2005, and is owned as to 70.8305% by Songming Dexue, 20.0568% by Kunming Paiduipai Economic Information Consultancy Co., Ltd., 5.7305% by Kunming Bamupu Technology Co., Ltd. and 3.3822% by Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd. It is principally engaged in the business of private formal higher education.

LISTING RULES IMPLICATIONS

Beijing Lianhe Equity Transfer Agreement

As none of the applicable percentage ratios calculated under Chapter 14A of the Listing Rules for the transactions contemplated under the Beijing Lianhe Equity Transfer Agreement is more than 5% and the total consideration is less than HK\$3,000,000, the Beijing Lianhe Acquisition is fully exempted from announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Fifth Supplemental Agreement

As explained and disclosed in the announcement of the Company dated 26 August 2019, the New Structured Contracts, as a whole, constitute continuing connected transactions of the Company under the Listing Rules. Thus, the Fifth Supplemental Agreement constitutes a material change to the terms of the New Structured Contracts.

After consultation with the Company's PRC Legal Advisors, the Directors (including the independent non-executive Directors) are of the view that the Fifth Supplemental Agreement will be entered into only to reflect acquisition of Beijing Lianhe by Songming Gaoxue, which will not affect the terms and conditions of the New Structured Contracts, and therefore the entering into of the Fifth Supplemental Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mr. Li, who owns Songming Dexue, a registered shareholder of Yun Ai Group, is one of the parties to the Fifth Supplemental Agreement and considered to have a material interest in the Fifth Supplemental Agreement. Mr. Li has abstained from voting on the resolutions in relation to the Fifth Supplemental Agreement proposed to the Board. Save as disclosed above, none of the Directors has a material interest in the Fifth Supplemental Agreement or has abstained from voting on the resolutions.

As the Beijing Lianhe Acquisition is subject to regulatory approvals from the relevant authorities in the PRC, which may or may not be obtained, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context otherwise requires:

“Beijing Lianhe”	Beijing Lianhe Open Education Technology Co., Ltd.* (北京聯合開放教育科技有限公司), a limited liability company established under the laws of the PRC on 17 June 2014, and wholly owned by Daai Management, a wholly-owned subsidiary of Daai Consulting, which in turn is owned as to 90% by Mr. Li and as to 10% by Ms. Yang
“Beijing Lianhe Acquisition”	the acquisition of 100% equity interest in Beijing Lianhe by Songming Gaoxue pursuant to the terms of the Beijing Lianhe Equity Transfer Agreement
“Beijing Lianhe Equity Transfer Agreement”	the equity transfer agreement dated 4 February 2021 and entered into by and between Daai Management and Songming Gaoxue in relation to the acquisition of 100% equity interest in Beijing Lianhe by Songming Gaoxue from Daai Management
“Board”	the board of Directors of the Company
“Company”	China New Higher Education Group Limited (中國新高教集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 8 July 2016
“Daai Management”	Beijing Daai Enterprise Management Co., Ltd.* (北京大愛企業管理有限公司), a limited liability company established under the laws of the PRC on 18 September 2015 and wholly owned by Daai Consulting
“Daai Consulting”	Daai Consulting Management Co., Ltd. (大愛諮詢管理股份有限公司), a company limited by shares established under the laws of the PRC on 6 May 2015 and owned as to 90% by Mr. Li and 10% by Ms. Yang
“Directors”	the directors of the Company
“Fifth Supplemental Agreement”	the supplemental agreement to the New Structured Contracts dated 4 February 2021 entered into by and among, Songming Gaoxue, Beijing Lianhe, Huihuang Company, Yun Ai Group, and the current registered shareholders of Yun Ai Group, to reflect the change of equity interest of Beijing Lianhe
“Group”	the Company, its subsidiaries, PRC operating schools and consolidated affiliated entities from time to time

“Huihuang Company”	Tibet Daai Huihuang Information and Technology Co., Ltd.* (西藏大愛輝煌信息科技有限公司), a limited liability company established on 5 August 2016 under the laws of the PRC and an indirect wholly-owned subsidiary of the Company
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, as amended from time to time
“Mr. Li”	Mr. Li Xiaoxuan (李孝軒), the founder, one of the controlling shareholders, chairman of the Board and an executive Director of the Company
“Ms. Yang”	Ms. Yang Xuqing (楊旭青), the spouse of Mr. Li
“New Structured Contracts”	has the meaning ascribed to it in the announcement of the Company dated 26 August 2019, as amended and supplemented from time to time
“PRC Legal Advisors”	Commerce & Finance Law Offices, the Company’s legal advisors as to PRC laws
“Prospectus”	the prospectus of the Company dated 5 April 2017 in relation to its initial public offering and listing on the main board of the Stock Exchange
“Share(s)”	ordinary share(s) of US\$0.0001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Songming Dexue”	Songming Dexue Education Development Co., Ltd.* (嵩明德學教育發展有限公司), a limited liability company established under the laws of the PRC on 17 April 2019 and wholly owned by Mr. Li. It is one of the new registered shareholders under the New Structured Contracts and owns 70.8305% of Yun Ai Group
“Songming Gaoxue”	Songming Gaoxue Education Development Co., Ltd.* (嵩明高學教育發展有限公司), a limited liability company established under the laws of the PRC on 9 April 2019 and a wholly-owned subsidiary of Yun Ai Group, a consolidated affiliated entity of the Company

“Yun Ai Group”

Yunnan Einsun Education Investment Group Co., Ltd.* (雲南愛因森教育投資集團有限公司), a limited liability company established under the laws of the PRC on 19 September 2005, and owned as to 70.8305% by Songming Dexue, 20.0568% by Kunming Paiduipai Economic Information Consultancy Co., Ltd., 5.7305% by Kunming Bamupu Technology Co., Ltd. and 3.3822% by Songming Zhongyi Enterprise Management and Consulting Services Co., Ltd.

By order of the Board
China New Higher Education Group Limited
Li Xiaoxuan
Chairman

Hong Kong, 4 February 2021

As at the date of this announcement, the executive Directors are Mr. Li Xiaoxuan, Mr. Zhao Shuai and Ms. Shen Chunmei, and the independent non-executive Directors are Mr. Hu Jianbo, Mr. Kwong Wai Sun Wilson, Mr. Chan Tung Hoi and Dr. Pang Tsz Kit Peter.