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Beijing Kaiwen Dexin Education Technology Co., Ltd.

Announcement on Reply to Shenzhen Stock Exchange Inquiry Letter

The Company and all its board members guarantee that the information disclosed is true, accurate and complete without any incorrect documentation, misleading statement or major omissions.

Beijing Kaiwen Dexin Education Technology Co., Ltd. (hereinafter referred to as "the Company") recently received the Inquiry Letter on Beijing Kaiwen Dexin Education Technology Co., Ltd. issued by the Small and Medium-Sized Enterprise Board Management Department of Shenzhen Stock Exchange (SME Board Inquiry Letter [2018] No. 516) , which required the Company to disclose supplemental information. Below information is now supplemented:

1. Elaborate on the pricing basis and rationality of this transaction in combination with the main assets of the subject, asset evaluation report and the adjustment of the transaction price agreed in the agreement.

[Reply]:

The scope of the acquisition subject includes all tangible assets, intangible assets, real estate and used or available rights of the Westminster Choir College, Westminster Conservatory of Music and Westminster Continuing Education, including but not limited to school premises; teaching equipment and facilities; licenses, agreements and other instruments related to such schools; all the courses; receivables; operational information and records; intellectual property, etc., as well as the donated funds to be transferred to Westminster Choir College and all the newly added donations received before the delivery date.

The Company has hired Beijing Zhonglin Asset Appraisal Co., Ltd. to issue a Report of Asset Appraisal (Zhonglin Ping Zi 2018 No. [60]) on the market value of the tangible and intangible assets of the underlying assets (including 23.3 acres of land and a total of 207,000 square feet of buildings). According to the result of the market approach, as of the benchmark date of December 31, 2017, the above-mentioned assets were valued at US\$40,620,300. At the same time, considering the result of due diligence of the underlying assets conducted by the Company, through friendly negotiation between the two parties, the transaction pricing is determined mainly based on the assessed value of the whole campus property with overall consideration, and the final transaction price is 40 million US dollars, which is slightly lower than the assessed value. The transaction price has a commercial nature and is in the interests of the investors of the Company.

According to the transaction agreement, the final delivery date of this transaction shall be no later than June 30, 2019. In order to ensure the normal teaching order and a stable source of students and maintain the brand and reputation of Westminster during the transition, based on the principle of equal and friendly consultation, the parties hereto include in the agreement a price adjustment mechanism involving the number of students enrolled, the transfer of donation funds and other factors during this period. The mechanism encourages the existing management team of the underlying assets to manage the assets according to custom practice, which is helpful to maintain the integrity and stability of the assets and businesses acquired at the time of delivery and the interests of investors.

2. The counterparty, Rider University, is a non-profit organization. Please indicate the profit model, operation nature and future business plans of the transaction subject and provide risk warnings appropriately.

[Reply]:

Founded in 1865, Rider University is a non-profit private university in New Jersey, USA. As affiliations of Rider University, the transaction subject, including Westminster Choir College, Westminster Conservatory of Music and Westminster Continuing Education (hereinafter referred to as the “underlying colleges”) engage in professional higher education in music, recruit undergraduate and graduate students, and boast a high reputation in their music education, vocal performance, piano performance, education, music theory, composition, and other professional and art management fields. They also offer music education courses and performance programs to music lovers at different ages and skill levels and summer holiday programs, organize professional development forums, provide international exchange learning opportunities, and launch music training programs for middle and high school students and adults. The underlying colleges carry out their teaching and daily operations under the unified management of Rider University through charging tuition, accommodation fees, training fees, program service fees and other fees for the courses, training services and development programs offered, providing benefits and pay salaries to the teachers and employees, and paying costs to external suppliers for the services required for regular teaching and operational management of expenses. The Company respects the development history and tradition of the underlying colleges, and values their accumulated reputation, public relations, alumni network and other social resources in the fields of higher education in music. Aiming to maximize the acquisition integration synergy and protect the investors, in compliance with local laws and regulations, we will rationally plan the businesses of the three schools after acquisition and facilitate the support for the educational infrastructure on the basis of the existing campus while further enhancing the teaching level and improving operational efficiency and capabilities in combination with the

development trend of the industry. In synergetic development with existing business of the Company, a new development situation will be created.

After completion of the acquisition, the Westminster Choir College will maintain its non-profit nature and continue to engage in the formal schooling of higher education in music. The acquisition of the college matches the company's overall strategy, and according to China Accounting Standards, as a non-profit organization, the net assets of the college will be reflected in the consolidated statement in the form of minority equity and its operating income will be listed in the consolidated statement in the form of minority interests.

Westminster Conservatory of Music and Westminster Continuing Education engage in music training and other camp programs, international art exchange programs and other non-formal education and training for music lovers. After the completion of the acquisition, the Company will set up a wholly-owned subsidiary overseas to take over the business of the two colleges, further improve the management and operational efficiency and better develop existing business with corporate management. It will be regarded as a profit-making subsidiary of the Company in terms of accounting, with the training fees, exchange fees and other charges included in the income and credited to the loss and profit of the shareholders of the parent company after deducting relevant costs and expenses. In the preparation of the consolidated financial statements of the listed company, after adjusting the financial statements in accordance with China Accounting Standards, such subsidiaries will be included in the consolidated statement of the listed company. The business of the underlying colleges operated in the United States must meet the industry standards, government management and regulatory requirements. In addition, the transaction is a cross-border acquisition. There are differences between the legal system and the overall legal environment of the country where the subject is located and the country where the Company is located. The Company has established a local team which is familiar with the operation and investment of the US higher education industry to evaluate the subject, conclude the transaction and follow up on the business development. A professional cross-border lawyer team will also be employed to participate in the whole process of legal due diligence, transaction negotiation, drafting of the agreement, and some planning work based on future development in order to effectively control the risks associated with the cross-border transaction.

3. Combining the operation status of the transaction subject, explain the synergy effect with your company's existing main business and the impact on your company's business strategy. Also, explain the potential integration risks your company may face and countermeasures.

[Reply]:

The Company is currently promoting the development model of “K12 Entity School + Art Sports Training + Camp Education + Brand Output”, and the underlying colleges of the acquisition currently offer higher education of music and music education courses for music lovers at different ages and skill levels. The transaction will produce a good synergy effect in the following areas: The Company is engaged in international education business and currently operates two Kaiwen schools. Kaiwen Schools focus on the quality education in terms of students' moral, intellectual and physical development, and implement the quality education concept through physical and art education. Music education, vocal performances, piano performance, education, music theory, composition and other majors of the underlying colleges enjoy high reputation in the world, and the Company will incorporate their advantages in education philosophy, teacher training and curriculum resources to provide world-leading and high-quality music education resources to Kaiwen Schools.

At the same time, the Company is promoting its quality education platform to the society and developing its quality education business to introduce the educational concept of concentrating on overall quality of individuals and returning to the essence of education from Kaiwen Education to the society. With extensive experience in music education, performance programs and exchange services, the underlying colleges will help the Company to build a music learning system suitable for Chinese teenagers, and provide international art exchange opportunities and first-class learning experience for teenagers experiencing the quality education from Kaiwen Education. The underlying colleges will take advantage of the above-mentioned programs of Kaiwen Schools and the Art and Sports Quality Education Platform to directly pass its educational philosophy to young people and music lovers and enhance Westminster's brand recognition and influence in China, which will contribute to the enrolment of international students in China and even in Asia and their international business like exchanges, and help improve its brand output and music education practice. The underlying colleges are mainly engaged in higher education in music and other related businesses, which is different from the K-12 education the Company is currently engaged in, and the Company faces the challenge of integration in terms of management model and corporate culture. The Company respects the development history and business tradition of the underlying colleges, and the underlying colleges will gradually build connection with the Company's international school business and social market business on the basis of maintaining its business stability. Meanwhile, the Company has accumulated rich experience in the operation of international schools this year and reserved a large number of operational and management talents with international background. It has established a team familiar with the management and development of American colleges and universities, which will work closely with the existing management team of the underlying colleges to ensure the smooth

transition and unified and highly efficient management and operation under the standards of listed companies in the future for greater synergy effect.

4. As agreed in the agreement, the current endowment valued at approximately \$19 million and newly added donations received before the delivery date will be transferred to the Westminster Choir College. Please explain the nature of the above-mentioned endowment and donations and related accounting.

[Reply]:

The endowment of Westminster College is donated by the society to support its long-term development, including scholarships, school operations, support for teaching, and discipline construction. Donors will sign donation contracts upon initial donations that clarify the type, amount, and use of the donation. Westminster College currently has an endowment of approximately \$19.9 million, which is divided into two groups by source: the principal of donated funds \$14.9 million and the income generated by the donated funds \$5 million. The former comes directly from the donors and the latter comes from the proceeds generated by the investment of the principal. Under normal circumstances, the principal should not be randomly diverted, and the proceeds can be used to support school development after the school council has made official plans for expenditure of donated funds and it is considered to meet the requirements for such use.

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Prior to the delivery date of the acquisition, the principal and proceeds associated with the donated funds will be transferred to the Westminster Choir College as one of the underlying assets in the Company's acquisition of Westminster Choir College. Westminster Choir College is currently preparing financial reports in accordance with the fund guidelines in US Accounting Standards. When the donated funds are transferred to Westminster Choir College, they are reflected in the net assets of the college based on their fair value. Income of donations from new donors will be confirmed based on the fair value of the donations. The profit and loss of the investment of the donation funds (including dividends, interests and changes in fair value) will be included in the net profit and loss of the investment of donated funds. If the Company completes the acquisition of the Westminster Choir College, in the preparation of the listed company's consolidated financial reports, the financial reports of the college should be adjusted in accordance with the Chinese Accounting Standards for Enterprise. The donated funds are listed as the Company's equity, but due to its nature of fund, the profit and loss related to the donated funds is credited to minority interests and net capital is included in minority equity.

5. Other matters to be explained by your company.

[Reply]:

According to the Securities Law of the People's Republic of China, the Stock Listing Rules of Shenzhen Stock Exchange, and Guidelines for the Standard Operations of

SME Board Listing Companies of the Shenzhen Stock Exchange and other provisions in laws, regulations and regulatory documents, we hereby announce that there are no other matters that should be disclosed but not disclosed in this transaction.

Beijing Kaiwen Dexin Education Technology Co., Ltd.

Board of Directors

July 11, 2018