

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**21世紀教育**

21ST CENTURY EDUCATION

**China 21st Century Education Group Limited**

**中國21世紀教育集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1598)**

**CONTINUING CONNECTED TRANSACTIONS**

**RENEWAL OF ENTRUSTMENT AGREEMENT**

**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**



**Gram Capital Limited**  
**嘉林資本有限公司**

## **BACKGROUND**

Reference is made to the Prospectus in relation to the 2010 Entrustment Agreement entered into between Shijiazhuang Institute of Technology and Lionful Education on June 21, 2010.

On June 21, 2010, Shijiazhuang Institute of Technology entered into the 2010 Entrustment Agreement with Lionful Education, pursuant to which Lionful Education engaged Shijiazhuang Institute of Technology to implement the key school operation and student administration of Sifang College West Campus, of which the yearly entrustment fee shall be 65% of the tuition generated by Sifang College West Campus.

As the 2010 Entrustment Agreement is going to expire on June 30, 2020 and in light of the business needs and the benefits of entering into the New Entrustment Agreement, the Board proposes to seek the approval of the Independent Shareholders for entering into the New Entrustment Agreement, the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps.

## **LISTING RULES IMPLICATIONS FOR THE NEW ENTRUSTMENT AGREEMENTS**

Lionful Education is controlled by Mr. Li and Ms. Luo as to 80.62% and 19.37%, respectively. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Li, a Director and one of the controlling shareholders and Ms. Luo, one of the controlling shareholders, are connected persons of the Company. Lionful Education is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) held directly by connected persons as defined in Rule 14A.07(1) of the Listing Rules, and hence an associate of Mr. Li and Ms. Luo and a connected person of our Company.

Based on the annual caps proposed under the New Entrustment Agreement, as at least one of the applicable percentage ratios exceeds 5%, and thus the connected transaction contemplated under the New Entrustment Agreement constitutes a continuing connected transaction of the Company which is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **EXTRAORDINARY GENERAL MEETING**

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the transactions contemplated under New Entrustment Agreement and the corresponding annual caps.

An Independent Board Committee, comprising Mr. Guo Litian, Mr. Yao Zhijun and Mr. Wan Joseph Jason, all being independent non-executive Directors, has been established to consider the New Entrustment Agreement and the corresponding annual caps thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps.

Gram Capital has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps.

Any Shareholders who have a material interest in the New Entrustment Agreement shall abstain from voting on the resolution in relation thereto to be proposed at the EGM. As at the date of this announcement, Mr. Li and Ms. Luo are controlling shareholders of the Company, and have material interest in the New Entrustment Agreement. As such, Mr. Li, Ms. Luo and their associates shall abstain from voting on the ordinary resolution(s) approving the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps in the EGM.

A circular containing, among other things, (i) a letter from the Board setting out details of the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from Gram Capital to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information required under the Listing Rules, will be despatched to the Shareholders on or before June 12, 2020.

## BACKGROUND

Reference is made to the Prospectus in relation to the 2010 Entrustment Agreement entered into between Shijiazhuang Institute of Technology and Lionful Education on June 21, 2010.

Starting from May 2002, Lionful Education and Shijiazhuang Tiedao University started joint schooling in Sifang College, an educational institution providing undergraduate education and offer undergraduate degrees in the PRC. Pursuant to the joint schooling arrangement agreed between Lionful Education and Shijiazhuang Tiedao University, Lionful Education is responsible for the operation and management in the west campus of Sifang College (“**Sifang College West Campus**”), which is located at the same premises where Shijiazhuang Institute of Technology operates. Accordingly, Lionful Education shall be entitled to receive 65% of tuition revenue generated from Sifang College West Campus and Shijiazhuang Tiedao University shall be entitled to receive the remaining 35%. With the gradual development of Shijiazhuang Institute of Technology, it has developed an advanced management system with sufficient administrative and human resources in relation to school management and operation.

Subsequently, on June 21, 2010, Shijiazhuang Institute of Technology entered into the 2010 Entrustment Agreement with Lionful Education, pursuant to which Lionful Education engaged Shijiazhuang Institute of Technology to implement the key school operation and student administration of Sifang College West Campus, of which the yearly entrustment fee shall be 65% of the tuition generated by Sifang College West Campus.

As the 2010 Entrustment Agreement is going to expire on June 30, 2020 and in light of the business needs and the benefits of entering into the New Entrustment Agreement, the Board proposes to seek the approval of the Independent Shareholders for entering into the New Entrustment Agreement, the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps.

The details of the New Entrustment Agreement are set out below.

## NEW ENTRUSTMENT AGREEMENT

Date: May 27, 2020

Parties: Shijiazhuang Institute of Technology and Lionful Education

Term: From January 1, 2020 to December 31, 2022 (To align with the period of the proposed annual caps, the New Entrustment Agreement took effect from January 1, 2020, retrospectively)

Pursuant to the New Entrustment Agreement, Lionful Education engaged Shijiazhuang Institute of Technology, which has sufficient campus management capability, to implement the key school operation and student administration of Sifang College West Campus. The principal terms of which are summarized as follows:

1. Lionful Education entrusts Shijiazhuang Institute of Technology to implement the teaching and operation of the Sifang College West Campus under the joint schooling arrangement, and pays Shijiazhuang Institute of Technology the entrustment fee, and Shijiazhuang Institute of Technology guarantees the normal operation of the Sifang College West Campus.

2. Shijiazhuang Institute of Technology is responsible for, among others, organizing teaching according to Sifang College's training plan and curriculum syllabus; assessment of students ensuring the quality of teaching and management of the teaching premises.
3. Shijiazhuang Institute of Technology has the right to obtain entrustment fees in a timely and reasonable manner. The entrustment fee shall be confirmed and settled every month.
4. The yearly entrustment fee is 65% of the tuition generated by Sifang College West Campus. Such rate represents the amount of revenue generated from Sifang College West Campus' tuition to which Lionful Education is entitled as agreed between Lionful Education and Shijiazhuang Tiedao University pursuant to the joint schooling arrangement.

### **Pricing policy for the New Entrustment Agreement**

The entrustment fee was determined through arm's length negotiation between Lionful Education and the Group, taking into account of the reputation of Shijiazhuang Tiedao University and the capacity and quality of school facilities provided by Lionful Education to Sifang College West Campus for its operations.

### **Historical annual caps and transaction amounts**

The table below sets out the historical annual caps for the two financial years ended December 31, 2019 and the six months ending June 30, 2020 and also the historical transaction amounts for the two years ended December 31, 2019 and four months ended April 30, 2020 under the 2010 Entrustment Agreement:

	<b>Financial year ended December 31, 2018 (RMB million)</b>	<b>Financial year ended December 31, 2019 (RMB million)</b>	<b>Six months ending June 30, 2020 (RMB million)</b>
Annual caps	21.0	21.0	12.0
	<b>Financial year ended December 31, 2018 (RMB million)</b>	<b>Financial year ended December 31, 2019 (RMB million)</b>	<b>Four months ended April 30, 2020 (RMB million)</b>
Historical transaction amounts	17.2	17.9	6.0

The historical transaction amount for the four months ended April 30, 2020 was based on the Company's management accounts and was an estimation only. As at the date of this announcement, the corresponding annual caps for the six months ending June 30, 2020 have not been exceeded.

## Annual Caps of the New Entrustment Agreement and Basis of Determination

The table below sets out the proposed annual caps of the New Entrustment Agreement for the three financial years ending December 31, 2022.

	<b>Financial year ending December 31, 2020 (RMB million)</b>	<b>Financial year ending December 31, 2021 (RMB million)</b>	<b>Financial year ending December 31, 2022 (RMB million)</b>
Annual Caps	24.0	24.0	24.0

The proposed annual caps were determined with reference to (i) the historical amounts of the revenue generated from tuition from Sifang College West Campus, and (ii) the expected increase in tuition of Sifang College West Campus.

## REASONS AND BENEFITS OF THE NEW ENTRUSTMENT AGREEMENT

Based on our sound and solid collaborative ties with Lionful Education and Shijiazhuang Tiedao University, the entering into of the New Entrustment Agreement allows us to leverage and monetize the experience and capabilities we have built up in operating our own schools, and keeps bringing a steady stream of revenue to us.

## INFORMATION OF THE PARTIES

### The Group and Shijiazhuang Institute of Technology

The Group is primarily serving a wide range of students from preschool students in its kindergartens, to primary school, middle school and high school students in its tutorial centers, to junior college and continuing education students in its college. The above transactions will not bring significant impact on the financial position and operating results of the Company. Shijiazhuang Institute of Technology, a junior college established under the laws of the PRC on July 1, 2003, one of the PRC Operating Entities and the financial results of which have been consolidated in the financial statements of the Group as if it is a consolidated subsidiary pursuant to the Contractual Arrangements.

### Lionful Education

Lionful Education is a limited liability company established under the laws of the PRC on November 2, 2000 and is principally engaged in education services. It is wholly-owned by Hebei Xue You Fang Education Technology Co., Ltd.\* (河北學有方教育科技有限公司), a limited liability company established under the laws of the PRC on August 4, 2016 owned as to 80.62% by Mr. Li and 19.37% by Ms. Luo as at the date of this announcement.

## **LISTING RULES IMPLICATIONS FOR THE NEW ENTRUSTMENT AGREEMENT**

Lionful Education is controlled by Mr. Li and Ms. Luo as to 80.62% and 19.37%, respectively. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Li, a Director and one of the controlling shareholders and Ms. Luo, one of the controlling shareholders, are connected persons of the Company. Lionful Education is a 30%-controlled company (as defined in Rule 14A.12(1)(c) of the Listing Rules) held directly by connected persons as defined in Rule 14A.07(1) of the Listing Rules, and hence an associate of Mr. Li and Ms. Luo and a connected person of the Company.

Based on the annual caps proposed under the New Entrustment Agreement, as at least one of the applicable percentage ratios exceeds 5%, and thus the connected transaction contemplated under the New Entrustment Agreement constitutes a continuing connected transaction of the Company which is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, as required by Rule 14A.52 of the Listing Rules, the period for continuing connected transactions must not exceed three years, except in cases where the nature of the transactions requires the contract to be of a duration longer than three years.

Director, Mr. Li, being a controlling shareholder of the Lionful Education, is deemed to have material interests in the continuing connected transactions contemplated under the New Entrustment Agreement and has abstained from voting on the relevant resolution of the Board. Save for the Director mentioned above, none of the other Directors is or is deemed to have a material interest in the above transactions.

## **INTERNAL CONTROL MEASURES**

The Group has established Connected Transactions Management Regulation and Information Disclosure Management Policy and has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including (without limitation) the regular reporting of transaction volume to the Group's finance department for monitoring the annual caps of the relevant transactions.

In addition, the Company's auditors and independent non-executive Directors will conduct annual review of the transactions contemplated under the New Entrustment Agreement and provide annual confirmations in accordance with the Listing Rules that the transactions are conducted in accordance with the terms of the New Entrustment Agreement, on normal commercial terms, in the interest of the Company and its Shareholders as a whole, and in accordance with the relevant pricing policies.

## **GENERAL**

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the transactions contemplated under New Entrustment Agreement and the corresponding annual caps.



An Independent Board Committee, comprising Mr. Guo Litian, Mr. Yao Zhijun and Mr. Wan Joseph Jason, all being independent non-executive Directors, has been established to consider the New Entrustment Agreement and the corresponding annual caps thereunder and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps.

Gram Capital has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser of the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps.

Any Shareholders who have a material interest in the New Entrustment Agreement shall abstain from voting on the resolution in relation thereto to be proposed at the EGM. As at the date of this announcement, Mr. Li and Ms. Luo are controlling shareholders of the Company, and have material interest in the New Entrustment Agreement. As such, Mr. Li, Ms. Luo and their associates shall abstain from voting on the ordinary resolution(s) approving the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps in the EGM.

Save as disclosed above and to the best of the Directors' knowledge, no other Shareholder had any material interest in the New Entrustment Agreement, and no other Shareholder is required to abstain from voting at the EGM on the ordinary resolution(s) approving the New Entrustment Agreement and the corresponding annual caps thereunder.

A circular containing, among other things, (i) a letter from the Board setting out details of the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of recommendation from Gram Capital to the Independent Board Committee and the Independent Shareholders; (iv) a notice of the EGM; and (v) other information required under the Listing Rules, will be despatched to the Shareholders on or before June 12, 2020.

## **DEFINITIONS**

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

“2010 Entrustment Agreement”	the entrustment agreement entered into between Shijiazhuang Institute of Technology and Lionful Education on June 21, 2010 for a term of ten years commencing on July 1, 2010 and ending on June 30, 2020 and may be renewable by negotiation before expiration of the term;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;

“Company”	China 21st Century Education Group Limited (中國21世紀教育集團有限公司), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Contractual Arrangements”	the series of contractual arrangements entered into between, among others, the wholly foreign owned enterprise and the PRC Operating Entities, details of which are described in the section headed “Structured Contracts” in the Prospectus;
“controlling shareholder(s)”	has the meaning given to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider and, if thought fit, approve the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps;
“Group”	the Company, its subsidiaries, and its PRC Operating Entities from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time;
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Guo Litian, Mr. Yao Zhijun and Mr. Wan Joseph Jason, all being independent non-executive Directors, to consider the terms of the transactions contemplated under the New Entrustment Agreement and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the ordinary resolution regarding the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a corporation licensed to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the transactions contemplated under the New Entrustment Agreement and the corresponding annual caps;



“Independent Shareholders”	Shareholders who will not be required under the Listing Rules to abstain from voting at the EGM;
“Lionful Education”	Hebei Lionful Education Investment Co., Ltd.* (河北廿一世紀教育投資有限公司), a limited liability company established under the laws of the PRC on November 2, 2000, which is wholly-owned by Hebei Xue You Fang Education Technology Co., Ltd.* (河北學有方教育科技有限公司, a limited liability company established under the laws of the PRC with limited liability on August 4, 2016 and owned as to 80.62% by Mr. Li and 19.37% by Ms. Luo) as at the date of this announcement;
“Mr. Li”	Mr. Li Yunong (李雨濃), a controlling shareholder and an executive Director;
“Ms Luo”	Ms. Luo Xinlan (羅心蘭), one of controlling shareholder;
“New Entrustment Agreement”	entrustment agreement entered into between Shijiazhuang Institute of Technology and Lionful Education on May 27, 2020 to renew the 2010 Entrustment Agreement;
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
“PRC Operating Entities”	Shijiazhuang Saintach, Hebei Saintach, Shijiazhuang Institute of Technology, Saintach Tutorial Schools, Peijian Tutorial Schools, Shinedao Tutorial Schools and Saintach Kindergartens;
“Prospectus”	the prospectus issued by the Company on the initial public offering and listing dated May 15, 2018;
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the capital of the Company;
“Shareholder(s)”	holder(s) of the Share(s);
“Shijiazhuang Institute of Technology”	Shijiazhuang Institute of Technology* (石家莊理工職業學院), a junior college established under the laws of the PRC on July 1, 2003 of which school sponsor’s interest is wholly owned by Zerui Education as at the date of this announcement and one of the PRC Operating Entities;
“Sifang College”	Shijiazhuang Tiedao University Sifang College* (石家莊鐵道大學四方學院), an institution jointly operated by Shijiazhuang Tiedao University, an Independent Third Party, and Lionful Education which is controlled by our controlling shareholders, Mr. Li and Ms. Luo;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary”	has the meaning given to it under the Listing Rules; and
“Zerui Education”	Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司), a limited liability company established under the laws of the PRC on July 12, 2017, owned as to 80.625% by Mr. Li and 19.375% by Ms. Luo as at the date of this announcement, and one of the PRC Operating Entities.

\* *for identification purpose only.*

By order of the Board  
**China 21st Century Education Group Limited**  
**Li Yunong**  
*Chairman*

Hong Kong, May 27, 2020

*As at the date of this announcement, executive Directors are Mr. Li Yunong, Ms. Liu Hongwei, Mr. Ren Caiyin, Mr. Liu Zhanjie and Ms. Yang Li; and independent non-executive Directors are Mr. Guo Litian, Mr. Yao Zhijun and Mr. Wan Joseph Jason.*