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**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  
2023 ENTRUSTMENT AGREEMENT**

**BACKGROUND**

Reference is made to the announcement of the Company dated 27 May 2020 and the circular of the Company dated 17 June 2020 that, among other things, Shijiazhuang Institute of Technology and Lionful Education entered into the New Entrustment Agreement on 27 May 2020 for the provision of school operation and student administration of west campus of Sifang College by Shijiazhuang Institute of Technology for a term from 1 January 2020 to 31 December 2022.

On 8 November 2022 (after trading hours), Shijiazhuang Institute of Technology entered into the 2023 Entrustment Agreement with Lionful Education for a term from 1 January 2023 to 31 December 2025 to renew the New Entrustment Agreement. Pursuant to the 2023 Entrustment Agreement, Lionful Education engaged Shijiazhuang Institute of Technology to implement the key school operation and student administration of west campus of Sifang College.

**IMPLICATIONS UNDER THE LISTING RULES**

Lionful Education is controlled by Mr. Li and Ms. Luo as to approximately 80.625% and 19.375%, respectively. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Li, an executive Director and one of the controlling shareholders of the Company and Ms. Luo, one of the controlling shareholders of the Company, are both 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 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.

As the applicable percentage ratios for the 2023 Entrustment Agreement exceed 5%, the transactions contemplated thereunder constitute continuing connected transactions of the Company which are subject to the announcement, reporting, annual review 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 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed Annual Caps.

An Independent Board Committee, comprising all independent non-executive Directors, has been established to consider the 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed Annual Caps and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the relevant resolution regarding the 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed Annual Caps. Gram Capital has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the same.

Any Shareholder who has a material interest in the 2023 Entrustment Agreement shall abstain from voting to approve the 2023 Entrustment Agreement 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 2023 Entrustment Agreement. As such, Mr. Li, Ms. Luo and their associates shall abstain from voting on the relevant resolution at the EGM accordingly.

A circular containing, among other things, (i) a letter from the Board setting out details of the transactions contemplated under the 2023 Entrustment Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice 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 30 November 2022 as more time is required for the preparation of information to be included in the circular.

### **BACKGROUND**

Reference is made to the announcement of the Company dated 27 May 2020 and the circular of the Company dated 17 June 2020 that, among other things, Shijiazhuang Institute of Technology and Lionful Education entered into the New Entrustment Agreement on 27 May 2020 for the provision of school operation and student administration of west campus of Sifang College by Shijiazhuang Institute of Technology for a term from 1 January 2020 to 31 December 2022.

On 8 November 2022 (after trading hours), Shijiazhuang Institute of Technology entered into the 2023 Entrustment Agreement with Lionful Education for a term from 1 January 2023 to 31 December 2025 to renew the New Entrustment Agreement. Pursuant to the 2023 Entrustment Agreement, Lionful Education engaged Shijiazhuang Institute of Technology to implement the key school operation and student administration of west campus of Sifang College.

### **2023 Entrustment Agreement**

The principal terms of the 2023 Entrustment Agreement are set out below:

Date: 8 November 2022

Parties: (i) Shijiazhuang Institute of Technology (as the service provider); and  
(ii) Lionful Education (as the recipient of services)

Term: From 1 January 2023 to 31 December 2025

Subject matter: Pursuant to the 2023 Entrustment Agreement, Lionful Education engaged Shijiazhuang Institute of Technology, which possess sufficient campus management capability, to implement the key school operation and student administration of west campus of Sifang College. 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 west campus of Sifang College 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 west campus of Sifang College.
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 west campus of Sifang College. Such rate represents the amount of revenue generated from west campus of Sifang College's tuition to which Lionful Education is entitled as agreed between Lionful Education and Shijiazhuang Tiedao University pursuant to the joint schooling arrangement.

**Pricing policy:** The entrustment fee was determined through arm's length negotiation between Lionful Education and the Group, taking into account factors including the reputation of Shijiazhuang Tiedao University and the capacity, quality of school facilities provided by Lionful Education to west campus of Sifang College for its operations, the expected number of students for the three years ending 31 December 2025 and the gross profit margin for the two years ended 31 December 2021 and for the nine months ended 30 September 2022 of west campus of Sifang College.

**Condition precedent:** The terms of the 2023 Entrustment Agreement are conditions upon the Independent Shareholders having approved the 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed Annual Caps.

### Historical annual caps and transaction amounts

The table below sets out the historical annual caps for the three financial years ending 31 December 2022 and also the historical transaction amounts for the two years ended 31 December 2021 and for the nine months ended 30 September 2022 under the New Entrustment Agreement:

	<b>For the year ended 31 December</b>		<b>For the year ending 31 December</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Annual caps	<u>24.0</u>	<u>24.0</u>	<u>24.0</u>
	<b>For the year ended 31 December</b>		<b>For the nine months ended</b>
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Historical transaction amounts	<u>19.5</u>	<u>20.9</u>	<u>14.8</u>

The historical transaction amount for the nine months ended 30 September 2022 was based on the Company's management accounts and was an estimation only. As at the date of this announcement, the corresponding annual cap for the year ending 31 December 2022 has not been exceeded.

### **Proposed Annual Caps and basis of determination**

The table below sets out the proposed Annual Caps of the 2023 Entrustment Agreement for the three financial years ending 31 December 2025:

	<b>For the year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Annual Caps	<u>27.0</u>	<u>27.0</u>	<u>27.0</u>

The proposed Annual Caps were determined with reference to, among others, the following factors:

- (i) the historical amounts of the revenue generated from tuition from west campus of Sifang College;
- (ii) the reputation of Shijiazhuang Tiedao University and the capacity and quality of school facilities provided by Lionful Education to west campus of Sifang College for its operations; and
- (iii) the expected growth in number of students and tuition of west campus of Sifang College.

### **REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 ENTRUSTMENT AGREEMENT**

Based on our sound and solid collaborative ties with Lionful Education and Shijiazhuang Tiedao University, the entering into of the 2023 Entrustment Agreement allows us to leverage and monetize the experience and capabilities we have built up in operating our own schools, and generating a steady stream of revenue to us.

Each of the Directors (excluding the independent non-executive Directors, being members of the Independent Board Committee, who will express their views after taking into consideration the advice of the Independent Financial Adviser) consider that the terms of the 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed Annual Caps were determined on arm's length basis and are on normal commercial terms and are fair and reasonable and the entering into of the 2023 Entrustment Agreement is in the interests of the Company and its Shareholders as a whole.

## **INFORMATION OF THE PARTIES**

### **The Group and Shijiazhuang Institute of Technology**

The Company is an investment holding company and the Group is a private education service provider based in Hebei Province of the PRC, which provides educational services and related management services in the PRC.

Shijiazhuang Institute of Technology is a full-time junior college established under the laws of the PRC on 1 July 2003, which implements high-level professional training and secondary vocational education, and is one of the PRC Operating Entities, 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 2 November 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 4 August 2016 and owned as to approximately 80.625% by Mr. Li and 19.375% by Ms. Luo as at the date of this announcement.

## **INTERNAL CONTROL MEASURES**

In order to ensure that the transactions contemplated under the 2023 Entrustment Agreement will be on normal commercial terms, and that the relevant fees will not fall below the prevailing market rate, the Group will adopt the following measures:

- (i) the finance department of the Group, will be responsible for regular monitoring of the continuing connected transactions contemplated under the 2023 Entrustment Agreement to ensure that the entrustment fee will not exceed the Annual Cap for that financial year and conducted in accordance with the Company's connected transactions management system, information disclosure management system and contract management system;
- (ii) the Company will engage its auditors to conduct annual review of the transactions contemplated under the 2023 Entrustment Agreement; and
- (iii) the independent non-executive Directors will review the continuing connected transactions to be conducted pursuant to the 2023 Entrustment Agreement on an annual basis and confirm in the annual report of the Company whether such continuing connected transactions have been entered into in the ordinary and usual course of business of the Group, on normal commercial terms or better, and in accordance with the 2023 Entrustment Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Lionful Education is controlled by Mr. Li and Ms. Luo as to approximately 80.625% and 19.375%, respectively. Pursuant to Rule 14A.07(1) of the Listing Rules, Mr. Li, an executive Director and one of the controlling shareholders of the Company and Ms. Luo, one of the controlling shareholders of the Company, are both 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 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.

As the applicable percentage ratios for the 2023 Entrustment Agreement exceeds 5%, the transactions contemplated thereunder constitute continuing connected transactions of the Company which are subject to the announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Li has a material interest in the 2023 Entrustment Agreement, he has abstained from voting on the Board resolution to approve the 2023 Entrustment Agreement. Save as disclosed above, none of the Directors has any material interest in the transactions contemplated under the 2023 Entrustment Agreement and hence no other Director was required to abstain from voting on the relevant resolution approving the same.

## **EXTRAORDINARY GENERAL MEETING**

The Company will convene the EGM for the Independent Shareholders to consider and, if thought fit, approve the 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed Annual Caps.

An Independent Board Committee, comprising all independent non-executive Directors, has been established to consider the 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed Annual Caps and to advise and make recommendations to the Independent Shareholders as to how to vote at the EGM on the relevant resolution regarding the 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed Annual Caps. Gram Capital has been appointed with the approval of the Independent Board Committee as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the same.

Any Shareholder who has a material interest in the 2023 Entrustment Agreement shall abstain from voting to approve the 2023 Entrustment Agreement 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 2023 Entrustment Agreement. As such, Mr. Li, Ms. Luo and their associates shall abstain from voting on the relevant resolution at the EGM accordingly.

A circular containing, among other things, (i) a letter from the Board setting out details of the transactions contemplated under the 2023 Entrustment Agreement; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice 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 30 November 2022 as more time is required for the preparation of information to be included in the circular.

## DEFINITIONS

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

“2023 Entrustment Agreement”	the entrustment agreement entered into between Shijiazhuang Institute of Technology and Lionful Education on 8 November 2022 for a term from 1 January 2023 to 31 December 2025, and may be renewable by negotiation before expiration of the term;
“Annual Cap(s)”	RMB27.0 million, RMB27.0 million and RMB27.0 million, being the maximum entrustment fee to be received by the Group from Lionful Education for each of the years ending 31 December 2023, 2024 and 2025 under the 2023 Entrustment Agreement, respectively;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	China 21st Century Education Group Limited (中國21世紀教育集團有限公司), an exempted company incorporated under the laws of 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 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed Annual Caps;
“Group” or “we”	the Company, its subsidiaries and the PRC Operating Entities from time to time;



“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	the lawful currency of Hong Kong;
“Independent Board Committee”	the independent board committee of the Company comprising all independent non-executive Directors to advise the Independent Shareholders in respect of the 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed Annual Caps;
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation 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 appointed for the purposes of advising the Independent Board Committee and the Independent Shareholders in respect of the 2023 Entrustment Agreement, the transactions contemplated thereunder and the corresponding proposed 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 2 November 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 on 4 August 2016 and owned as to approximately 80.625% by Mr. Li and 19.375% by Ms. Luo as at the date of this announcement;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time;
“Mr. Li”	Mr. Li Yunong (李雨濃), an executive Director and one of the controlling shareholders of the Company;
“Ms. Luo”	Ms. Luo Xinlan (羅心蘭), one of the controlling shareholders of the Company;
“New Entrustment Agreement”	the entrustment agreement entered into between Shijiazhuang Institute of Technology and Lionful Education on 27 May 2020 for a term from 1 January 2020 to 31 December 2022;
“Peijian Tutorial School”	Hangzhou Huashi Peijian Tutorial School Limited* (杭州華石培尖培訓學校有限公司), which is the PRC Operating Entity;

“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 Education and Technology Co., Ltd.* (石家莊新天際教育科技有限公司), Hebei Saintach Education and Technology Co., Ltd.* (河北新天際教育科技有限公司), Shijiazhuang Institute of Technology, Saintach Tutorial Schools, Peijian Tutorial School, Shinedao Tutorial School and Saintach Kindergartens;
“Prospectus”	the prospectus issued by the Company on the initial public offering and listing dated 15 May 2018;
“RMB”	Renminbi, the lawful currency of the PRC;
“Saintach Kindergarten(s)”	Shijiazhuang Qiaoxi District Blue Crystal Saintach Kindergarten* (石家莊市橋西區新天際藍水晶幼兒園), Shijiazhuang Luquan District Fukang Saintach Kindergarten* (石家莊市鹿泉區新天際福康幼兒園), Shijiazhuang Chang’an District Jianhua Saintach Kindergarten* (石家莊市長安區新天際建華幼兒園), Shijiazhuang Qiaoxi District Lidu Saintach Kindergarten* (石家莊市橋西區新天際麗都幼兒園), Shijiazhuang High-tech Industrial Development Zone Tianshan Saintach Kindergarten* (石家莊高新技術產業開發區新天際天山幼兒園), Shijiazhuang Chang’an District Qinghui Saintach Kindergarten* (石家莊市長安區新天際清暉幼兒園), Zhengding County Saintach Kindergarten* (正定縣新天際幼兒園) and Zhengding County Fumenli Saintach Kindergarten* (正定縣新天際福門里幼兒園), which are the PRC Operating Entities;
“Saintach Tutorial School(s)”	Shijiazhuang City Qiaoxi District Bilingual Culture Tutorial School* (石家莊市橋西區雙語文化培訓學校), Shijiazhuang City Chang’an District Saintach Tutorial School* (石家莊市長安區新天際培訓學校), Shijiazhuang Yuhua District Donggang Road Saintach Tutorial School* (石家莊市裕華區東崗路新天際培訓學校), Shijiazhuang City Qiaoxi District Zhicheng Tutorial School* (石家莊市橋西區智城培訓學校), Shijiazhuang City High-tech Zone Saintach Tutorial School* (石家莊市高新區新天際培訓學校) and Shijiazhuang City Xinhua District Huixuan Education Tutorial School* (石家莊市新華區慧軒教育培訓學校), which are the PRC Operating Entities;
“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 full-time junior college established under the laws of the PRC on 1 July 2003, which implements high-level professional training and secondary vocational education, of which school sponsors’ interest are wholly-owned by Zerui Education as of the date of this announcement, and is one of the PRC Operating Entities;
“Shinedao Tutorial School”	Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校), which is the PRC Operating Entity;
“Sifang College”	Shijiazhuang Tiedao University Sifang College* (石家莊鐵道大學四方學院), established in 2001, an independent institution implementing undergraduate education under approval of the Hebei Provincial People’s Government and confirmation by the Ministry of Education, jointly operated by Shijiazhuang Tiedao University, an independent third party, and Lionful Education which is controlled by controlling shareholders of the Company, Mr. Li and Ms. Luo;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning given to it under the Listing Rules;
“Zerui Education”	Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司), a company established under the laws of the PRC with limited liability on 12 July 2017, an indirect wholly-owned subsidiary controlled by the Company through Contractual Arrangements; and
“%”	per cent.

\* *for identification purposes only*

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

Hong Kong, 8 November 2022

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