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CHINA EAST EDUCATION HOLDINGS LIMITED

中國東方教育控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 667)

CONTINUING CONNECTED TRANSACTIONS PROVISION OF FINANCIAL ASSISTANCE

On 4 August 2020 (after trading hours), the Company and each of Mr. Wu Junbao and Mr. Xiao Guoqing (each as a “Substantial Shareholder”) entered into a Loan Framework Agreement, pursuant to which the Company agreed to, through its designated lending subsidiary(ies), make available to the receiving companies to be designated by Mr. Wu Junbao and Mr. Xiao Guoqing a RMB revolving loan facility in a maximum daily balance (excluding the accrued interests) of RMB130 million and RMB260 million, respectively, at an interest rate of 7% per annum for the Availability Period.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Wu Junbao is a non-executive Director and a controlling shareholder of the Company, and Mr. Xiao Guoqing is an executive Director and a Substantial Shareholder of the Company. Both of them are connected persons of the Company under the Listing Rules. Therefore, the Loan Framework Agreements and transactions thereunder constitute continuing connected transactions of the Company under Rule 14A.26 of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) (other than profits ratio) in respect of the aggregated maximum daily balance (including an estimated maximum accrued interests) of the revolving loan facilities under the Loan Framework Agreements exceed 0.1% but do not exceed 5%, the Loan Framework Agreements are therefore subject to the reporting and announcement requirements but are exempt from the circular and independent shareholders’ approval requirements under Rule 14A.76(2) of the Listing Rules.

As Mr. Wu Junbao and Mr. Xiao Guoqing are connected persons of the Company as disclosed above, the Personal Guarantees constitute continuing connected transactions of the Company in the form of financial assistance under the Listing Rules. According to Rule 14A.90 of the Listing Rules, such financial assistance received by the Group is fully exempt from the reporting, announcement and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules as the Directors (including the independent non-executive Directors) consider that it is conducted on normal commercial terms or better and it is not secured by the assets of the Group.

On 4 August 2020 (after trading hours), the Company and each of Mr. Wu Junbao and Mr. Xiao Guoqing (each as a “Substantial Shareholder”) entered into a Loan Framework Agreement, pursuant to which the Company agreed to, through its designated lending subsidiary(ies), make available to the receiving companies to be designated by Mr. Wu Junbao and Mr. Xiao Guoqing a RMB revolving loan facility in a maximum daily balance (excluding the accrued interests) of RMB130 million and RMB260 million, respectively, at an interest rate of 7% per annum for the Availability Period.

THE LOAN FRAMEWORK AGREEMENTS

Set out below is a summary of the terms of the Loan Framework Agreements. The terms of the two Loan Framework Agreements are identical, unless indicated otherwise.

Date

4 August 2020 (after trading hours)

Parties

- (1) the Company’s designated lending subsidiary(ies), as lender; and
- (2) a Substantial Shareholder (for any designated receiving company(ies) of which such Substantial Shareholder controls 30% or more of the voting rights at general meeting), as the borrower.

Subject matter

Pursuant to each Loan Framework Agreement, the Company agrees to, through its designated lending subsidiary(ies), make available to the designated receiving companies of Mr. Wu Junbao and Mr. Xiao Guoqing a RMB revolving loan facility in a maximum daily balance (excluding the accrued interests) of RMB130 million and RMB260 million, respectively, at an interest rate of 7% per annum for the Availability Period. The aggregated maximum daily balance (excluding the accrued interests) shall be RMB390 million.

Term

For the period of commencing from the date of the Loan Framework Agreement up to and inclusive of the Maturity Date.

Drawdown

Subject to Substantial Shareholders' fulfillment of conditions as stated in the respective Loan Framework Agreement, the Company agrees to, through its designated lending subsidiary(ies), provide a Loan to the receiving company designated by a Substantial Shareholder on any Drawdown Date within the Availability Period, upon receipt of the application by such Substantial Shareholder 5 Business Days before such Drawdown Date and pursuant to the terms of the Loan Framework Agreement. Each drawdown request shall include, among other things, (i) the amount of the Loan, (ii) the period of such Loan (which must be within the Availability Period) and the Repayment Date, and (iii) the Drawdown Date for such Loan.

The Company's subsidiaries will not be obliged to make any Loan to a Substantial Shareholder if, among others, (i) as a result of the daily balance (excluding the accrued interests) of the Loan(s) would exceed the maximum daily balance, which is RMB130 million for Mr. Wu Junbao and RMB260 million for Mr. Xiao Guoqing; or (ii) on the date of the applicable drawdown request or on the proposed Drawdown Date for that Loan an event of default as defined in the Loan Framework Agreement is continuing or would result from that Loan.

The Company and/or its subsidiaries may entrust the Loan(s) to the receiving companies to be designated by the respective Substantial Shareholders through entrusted loan agreements to be entered into among the respective borrowers, the designated receiving company(ies) and reputable banks or other ways mutually agreed by the Company and Substantial Shareholders.

Interest payment and pricing policies

The applicable interest rate for the Loan(s) shall be 7% per annum, which is higher than the benchmark loan interest rate for financial institutions in the PRC.

Interest shall be payable on the Loan(s) in arrears quarterly, provided that on the Maturity Date, the borrower(s) shall pay, to the extent not already paid, all accrued but unpaid interest owing and/or payable under the Loan Framework Agreement.

Repayment

The respective borrower(s) or the designated receiving company(ies) shall repay each Loan under the Loan Framework Agreement on the Repayment Date unless the lender(s) allows for a roll over. No repayment or rollover date shall extend beyond the Maturity Date. The borrower(s) may, if it gives the lender(s) no less than one Business Day prior notice, prepay the whole or any part of a Loan together with accrued interest on the amount prepaid.

HISTORICAL AMOUNT AND ANNUAL CAP

There is no historical amount in relation to provision of financial assistance by the Group to the Substantial Shareholders or their controlled companies. The proposed maximum daily balance (excluding the accrued interests) under each of the Loan Framework Agreements for the five months ending 31 December 2020 and the year ending 31 December 2021 shall be RMB130 million for Mr. Wu Junbao and RMB260 million for Mr. Xiao Guoqing, respectively, while the aggregated maximum daily balance (excluding the accrued interests) being RMB390 million. Such proposed caps were determined by the Company and the Substantial Shareholders after arm's length negotiation and with a view to optimizing Group's temporarily surplus cash resources and managing risks and to facilitate the development of designated receiving companies in their primary businesses in the PRC, including commercial services, public facilities management, equipment and community public area renovation, office building and commercial renovation, and investment.

PERSONAL GUARANTEES

To secure the Loan(s), each of the Substantial Shareholders shall enter into a Personal Guarantee. Each of the Substantial Shareholders irrevocably and unconditionally, among others, guarantees to the lender(s) the punctual performance by his respective designated receiving companies for borrowing the Loan(s) and undertakes that whenever the respective borrower(s) does not pay any amount of the Loan when due, he shall immediately on demand pay that amount as if he were the principal of the Loan(s). In addition, each of the Substantial Shareholders made a guarantee that the Company has the right to postpone the payment of the Company's dividends to the Substantial Shareholders to the amount of the Loans and interests owed by the respective borrower(s) until the Loans and interests are fully paid.

RISK CONTROL MEASURES

The Directors (including the independent non-executive Directors) consider that the following risk control measures adopted by the Company are adequate to cover the risks involved in the provision of financial assistance pursuant to the Loan Framework Agreements:

- i. when the lending company(ies) enter into entrusted loan agreement(s) with reputable PRC bank(s), the entrusted bank(s) will assess the financial position of the receiving company(s) regularly to ensure the repayment ability;
- ii. upon the Company's and the respective lender(s)' request at any time, Substantial Shareholders shall provide forthwith to the Company and the respective lender(s) any documents and information relating to the business operations and financial position of the receiving company(ies) designated by the respective Substantial Shareholders, including but not limited to financial reports and financial statements;

- iii. if the Substantial Shareholder(s) or any borrower of a loan has any potential risks of financial instability, the Substantial Shareholders shall inform the Company and/or lender(s) and/or the entrusted bank(s) immediately; and
- iv. if the Substantial Shareholder(s) or any borrower of a Loan has shown any signs of financial instability, the Company and/or the lender(s) and/or the entrusted bank(s) can demand the borrower(s) to repay prior to the Repayment Date all or part of outstanding principal and interest accrued under the Loan Framework Agreement by giving not less than 10 Business Days prior written notice to such Substantial Shareholder.

REASONS FOR AND BENEFITS OF THE ENTERING INTO THE LOAN FRAMEWORK AGREEMENTS AND PROVISION OF FINANCIAL ASSISTANCE

The Directors (including the independent non-executive Directors) considered even though the entry into of the Loan Framework Agreements is not in the ordinary and usual course of business of the Group, the terms of the Loan Framework Agreements, which have been entered into after arm's length negotiation between the Company and the Substantial Shareholders, are on normal commercial terms taking into account the prevailing market interest rates, and the terms therein are fair and reasonable and in the interest of the Company and the Shareholders as a whole. The provision of the Loan(s) under the Loan Framework Agreements will provide a better return on the Group's temporarily surplus cash resources which is beneficial to the Group and the Shareholders as a whole. The Loan(s) will be financed by the internal resources of the Group and will not be financed by the listing proceeds of the Company.

Mr. Wu Junbao and Mr. Xiao Guoqing are considered to have an interest in the transactions contemplated under the Loan Framework Agreements, and had abstained from voting on the relevant Board resolutions to approve the respective Loan Framework Agreements. Save for the above, no Director has a material interest in the transactions contemplated under the Loan Framework Agreements, and none of them is required to abstain or had abstained from, voting on the relevant Board resolutions to approve the Loan Framework Agreements.

INFORMATION OF THE COMPANY, THE GROUP AND THE BORROWERS

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of vocational education institutions.

Mr. Wu Junbao is a non-executive Director and a controlling shareholder of the Company. Mr. Xiao Guoqing is an executive Director and a Substantial Shareholder of the Company. The designated receiving companies will be companies controlled by any of Mr. Wu Junbao or Mr. Xiao Guoqing, which mainly operate in the PRC with businesses including commercial services, public facilities management, equipment and community public area renovation, office building and commercial renovation, and investment.

IMPLICATIONS UNDER THE LISTING RULES

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DEFINITIONS

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

“Availability Period”	the period of commencing from the date of the Loan Framework Agreements up to and inclusive of the Maturity Date
“Board”	the board of Directors
“Business Days(s)”	any day on which banks in PRC are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in the PRC
“Company”	China East Education Holdings Limited, a company incorporated in Cayman Islands with limited liability and the Shares of which are listed on the Stock Exchange (stock code: 667)
“connected person”	has the meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Drawdown Date”	the date on which a Loan is or is to be made within the Availability Period and must be a business day
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan(s)”	a loan or loans made or to be made under the Loan Framework Agreements or the principal amount outstanding for the time being of that loan
“Loan Framework Agreements”	the RMB130 million and RMB260 million revolving loan facility agreements dated 4 August 2020 entered into between the Company and Mr. Wu Junbao and Mr. Xiao Guoqing, respectively
“Maturity Date”	31 December 2021
“Personal Guarantee(s)”	the personal guarantee made by each of the Substantial Shareholders as guarantor in favour of the Company
“Repayment Date”	the proposed repayment date for a Loan, provided that such repayment date shall not fall on a date after the Maturity Date
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.0001 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed to it under the Listing Rules
“Substantial Shareholder(s)”	has the meaning as ascribed to it under the Listing Rules, and for the purpose of this announcement, includes Mr. Wu Junbao and Mr. Xiao Guoqing

“RMB” Reminbi dollars, the lawful currency of the PRC

“%” per cent

By order of the Board
China East Education Holdings Limited
WU Wei
Chairman

Hong Kong, 4 August 2020

As at the date of this announcement, the Board comprises Mr. WU Wei and Mr. XIAO Guoqing as executive Directors; Mr. WU Junbao and Mr. LU Zhen as non-executive Directors; and Mr. HUNG Ka Hai, Clement, Mr. CHEUNG Tsun Yung, Thomas and Dr. ZHU Guobin as independent non-executive Directors.