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China Chuanglian Education Financial Group Limited

中國創聯教育金融集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2371)

DISCLOSEABLE TRANSACTION ACQUISITION OF LEADING FORTUNE GLOBAL GROUP LIMITED

THE SP AGREEMENT

The Board announces that on 29 July 2021 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, entered into the SP Agreement with the Vendor, an Independent Third Party, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Shares and the Loan at a Consideration of up to HK\$166,000,000.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) of the Proposed Acquisition exceed 5% but are less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

As completion of the Proposed Acquisition is subject to satisfaction and/or waiver of a number of conditions precedent, the Proposed Acquisition may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

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THE SP AGREEMENT

Details of the SP Agreement are set out below:

Date

29 July 2021

Parties

- (1) 創聯金融科技有限公司 Chuanglian Financial Technology Limited, a wholly-owned subsidiary of the Company, as the purchaser
- (2) Mr. Pan Ruixin, as the vendor

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

Pursuant to the SP Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell, the Sale Shares and the Loan, at the Consideration of up to HK\$166,000,000. The Sale Shares represent the entire issued share capital of the Target Company.

Consideration

The Consideration of up to HK\$166,000,000 (which may be subject to downward adjustments as described below) shall be settled by the Purchaser to the Vendor in the following manner:

- (1) HK\$42,000,000 shall be payable by the Purchaser to the Vendor in cash on the Completion Date; and
- (2) HK\$124,000,000 shall be payable by the Purchaser by the issuance of the Promissory Note to the Vendor on the Completion Date.

The Vendor guarantees and warrants to the Purchaser that the Net Profit for the Relevant Period shall meet the Guaranteed Profit (i.e. HK\$160,000,000). In the event that the Net Profit for the Relevant Period does not meet the Guaranteed Profit, the Promissory Note shall be cancelled upon maturity and the Purchaser shall not be liable for the repayment of the principal or any other fees payable by the Purchaser to the Vendor or the holder of the Promissory Note thereunder. Under the aforementioned circumstance, the final Consideration shall be deemed to be adjusted downward to HK\$42,000,000.

The Group intends to finance the Consideration through a number of means, including the proceeds generated from the Share Placing and the CB Placing, the Group's internal resources, or a combination of them by reference to the then prevailing circumstances.

The Consideration has been arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to, among others, (a) the fair value of the assets under the finance lease agreements entered into between the WFOE and its lessees; (b) the business prospects of the Target Group taking into account the current prevailing business contracts on hand; (c) Guaranteed Profit; (d) the payment terms of the Consideration; and (e) the reasons for and benefits of the Proposed Acquisition as set out in the section headed "Reasons for and Benefits of the Proposed Acquisition" in this announcement.

Based on the aforesaid, the Directors (including the independent non-executive Directors) are of the view that the Consideration is fair and reasonable and on normal commercial terms and that the entering into of the SP Agreement is in the interests of the Company and the Shareholders as a whole.

Guaranteed Profit

The Guaranteed Profit for the Relevant Period is HK\$160,000,000.

In the event that the Net Profit for the Relevant Period is equal to or greater than the Guaranteed Profit, the Purchaser shall repay the principal amount of the Promissory Note upon its maturity.

In the event that the Net Profit for the Relevant Period is less than the Guaranteed Profit, the Promissory Note shall be cancelled upon maturity and the Purchaser shall not be liable for the repayment of the principal or any other fees payable by the Purchaser to the Vendor or the holder of the Promissory Note thereunder.

Conditions precedent to the Proposed Acquisition

Completion is conditional upon the following conditions precedent having been fulfilled or waived by the Purchaser (as the case may be):

- (1) the completion of the due diligence review of the Target Company and the Target Group (in respect of its licences, permits, operations and management, etc.), the Sale Shares and the Loan to the satisfaction of the Purchaser;
- (2) the Purchaser has, in compliance with its articles of association, obtained approvals in relation to the Proposed Acquisition (including but not limited to the transactions contemplated under the SP Agreement) from its board of directors;
- (3) the delivery of a legal due diligence report issued by the PRC legal advisers appointed by the Purchaser in respect of the WFOE which is established in the PRC, in such form and contents to the satisfaction of the Purchaser;
- (4) with regard to the entering into and performance of the SP Agreement, each of the Vendor, the Purchaser, the Target Company and its subsidiaries having obtained and completed all necessary consents, approvals and filings from or with any relevant governmental or regulatory authorities in the PRC, Hong Kong or other jurisdictions;

- (5) since the date of the SP Agreement, there being no material adverse effect to the Target Group which may affect the transactions contemplated under the SP Agreement; and
- (6) all the warranties and representations provided by the Vendor under the SP Agreement remaining true and accurate and not misleading as at the date of Completion.

The Purchaser has the right to waive any of the above conditions precedent in part or in full. In the event that any of the above conditions precedent is not fulfilled (or as the case may be, waived by the Purchaser) on or before the Long Stop Date, the SP Agreement shall cease and terminate and none of the parties shall have any obligations towards the other parties.

The Directors confirm that as at the date of this announcement, none of the above conditions precedent have been fulfilled and the Company has no intention to waive any of the above conditions precedent.

Completion

Completion shall take place on the Completion Date.

Upon Completion, (a) the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results, assets and liabilities of the Target Group will be consolidated into the consolidated financial statements of the Company; and (b) the Vendor shall assign the Loan owing to him by the WFOE to the Purchaser.

Core management of the Target Group

Pursuant to the SP Agreement, the Vendor has unconditionally and irrevocably undertaken to the Purchaser that he shall procure (a) the Target Group to enter into service agreements with each of the Core Management prior to Completion; and each of the Core Management shall remain as an employee of the Target Group for a minimum of three years after Completion, unless such employment is terminated by the Target Group in accordance with applicable labour laws and regulations.

Indemnity

Pursuant to the SP Agreement, the Vendor has unconditionally and irrevocably undertaken to indemnify the Purchaser for any loss, damages, costs and any other forms of liabilities suffered by the Purchaser (including any professional fees and expenses) in respect of the following matters:

- (1) the failure on the part of the Vendor to fulfil his undertakings or obligations under the SP Agreement which constitutes a breach of the SP Agreement;

- (2) the legality and validity of the establishment and existence of the Target Group being affected due to any reasons;
- (3) all liabilities, fine, penalty, interests accrued thereon, fees and expenses, etc. to be borne by the Target Group or the Purchaser which are related to any non-compliance matters involving the Target Group that happens on or before the Completion Date; and
- (4) any other matters provided in the SP Agreement.

Tax indemnity

Pursuant to the SP Agreement, the Vendor has unconditionally and irrevocably undertaken to indemnify the Purchaser upon demand against any loss or liability suffered by the Target Group in relation to taxation which are summarized as follows:

- (1) any tax liability of the Target Group arising from a material event occurring on or before the date of Completion, whether or not the tax is charged or attributed to any other person;
- (2) any tax liability of the Target Group that arises or occurs on or before the date of Completion as a result of any or a series of material event(s) whether or not such tax is chargeable against or attributable to any other person;
- (3) any tax liability of the Target Group that would not have been payable had there been no termination, reduction, amendment or cancellation on certain tax deduction as a result of any material event occurred on or before the date of Completion, and such tax deduction has been reflected in the management accounts of the Target Group or has been calculated as assets in the management accounts of the Target Group; or the management accounts of the Target Group have shown that such tax liability has been taken into account when calculating (and reducing) deferred tax or provision for other payables; or the management accounts have shown that no provision has been made for deferred tax as a result of such tax liability. In the event that the Target Group has to re-pay any tax which has already been fully paid, due to the occurrence of the material event on or before the Completion Date, resulting in the expropriation, reduction, elimination or cancellation of the rights arose from any tax paid in full, such tax being re-paid shall be deemed to be caused by the material event;
- (4) any current or future tax liability of the Target Group that would not have been payable for the use of deduction of or for the purpose of eliminating taxation, as a result of any material event which should have occurred on or before the date of Completion but the material event incurred after the Completion Date which relates to the Target Group being responsible for tax liability;
- (5) any tax liability of the Target Group recovered or estreated or demanded from any tax or regulatory authority in the PRC after the date of Completion resulting from any event occurred on or before the Completion Date which has not been paid or has been omitted to pay; and
- (6) any tax liability of the Target Group arising from damages, guarantee, mortgage or lien on or before the date of Completion.

The Vendor unconditionally and irrevocably undertakes to indemnify the Purchaser in full against any and all claims, proceedings, loss and damages (including any fine and interests accrued thereon) and all reasonable and appropriate costs (including but not limited to legal fees), expenses and disbursement as a result of or in connection with the tax indemnity and there is no limitation period on which the Purchaser may claim for tax indemnity.

THE PROMISSORY NOTE

Pursuant to the SP Agreement, the Purchaser will issue to the Vendor the Promissory Note with a principal amount of HK\$124,000,000 upon Completion. The principal terms of the Promissory Note are summarised as follows:

Issuer

The Purchaser

Principal Amount

HK\$124,000,000

Non-interest bearing and maturity

The Promissory Note shall be non-interest bearing and shall mature upon expiry of the 15-month period commencing on the first date of the month immediately following the Completion Date.

Transferability

The Promissory Note is not transferrable.

Early redemption or cancellation

No early redemption is allowed.

In the event that the Net Profit for the Relevant Period is equal to or greater than the Guaranteed Profit, the Purchaser shall repay the principal amount of the Promissory Note upon its maturity.

In the event that the Net Profit for the Relevant Period is less than the Guaranteed Profit, the Promissory Note shall be cancelled upon maturity and the Purchaser shall not be liable for the repayment of the principal or any other fees payable by the Purchaser to the Vendor or the holder of the Promissory Note thereunder.

The Directors are of the view that the terms of the Promissory Note are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE TARGET GROUP

The Target Company is an investment holding company incorporated in the British Virgin Islands. The Target Company, via its wholly-owned subsidiary, the Hong Kong Company, is indirectly interested in 100% equity interests in the WFOE.

As at the date of this announcement, the Target Company does not have any operations nor have any other major assets other than its indirect investment in the WFOE via the Hong Kong Company.

The Target Group commences its business in June 2021 and focuses on the provision of finance leases, information and computer technology and consulting services over high performance data processing computer units which are specialised in distributed ledger technology, blockchain and cryptocurrencies. As at the date of this announcement, the Target Group has provided finance leases over high performance data processing computer units to 8 customers with a total contract sum of approximately RMB101,309,000. In addition, the Target Group has also entered into contracts with all of these customers for the provision of information and computer technology and consulting services.

The operations of the Target Group are mainly managed and run by the Vendor and the Target Group's technical director who has more than 5 years of experience in computer engineering.

Based on the unaudited management accounts of the Target Group as provided by the Vendor, the WFOE's net assets and total assets as at 20 July 2021 was approximately RMB379,000 and RMB53,464,000 respectively, and the fair value of the high performance data processing computer units leased by the Target Group to its lessees was approximately RMB54,000,000 as at 19 July 2021.

INFORMATION ON THE PURCHASER AND THE VENDOR

The Purchaser is a wholly-owned subsidiary of the Company and is principally engaged in general investment holding.

Mr. Pan Ruixin, the Vendor is a businessman with years of experience in finance lease, investment and financial planning industries.

REASONS FOR AND BENEFITS OF THE PROPOSED ACQUISITION

The Company and its subsidiaries are principally engaged in the provision of the online training and education services and financial services. Currently, the Group's financial services business segment mainly focuses on the Hong Kong market.

Given the Target Group has secured 8 finance lease contracts with a total contract sum of approximately RMB101,309,000, the Company considers that the Proposed Acquisition could enable the Group to expand its financial services business segment into the PRC by tapping into the PRC financial leasing business.

Furthermore, the Target Group is familiar with and has expertise in distributed ledger technology, blockchain and cryptocurrencies. Having considered the rapid technological development and the increased adoption and usage of blockchain technologies in businesses, it is expected that upon Completion, the Group will be able to leverage on the technical expertise of the Core Management and the clientele of the Target Group to further expand the Target Group's business which in turn could diversify the Group's income stream and enhance the Group's profitability.

Based on the above, the Directors consider that the terms of the Proposed Acquisition are fair and reasonable, and the Proposed Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in the Listing Rules) of the Proposed Acquisition exceed 5% but are less than 25%, the Proposed Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirement under Chapter 14 of the Listing Rules.

As completion of the Proposed Acquisition is subject to satisfaction and/or waiver of a number of conditions precedent, the Proposed Acquisition may or may not proceed. Shareholders and investors should exercise caution when dealing in the Shares.

DEFINITIONS

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

“Board”	the board of directors of the Company from time to time
“CB Placing”	the placing of 2-year 3.5% coupon per annum unlisted convertible bonds in an aggregate principal amount of up to HK\$40,000,000 issued by the Company, details of which are set out in the Company's announcements dated 28 April 2021, 18 May 2021 and 28 May 2021

“Company”	China Chuanglian Education Financial Group Limited (中國創聯教育金融集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Proposed Acquisition
“Completion Date”	the third business day immediately after (a) the day where all the conditions precedent are fulfilled and/or waived (where applicable); or (b) the Long Stop Date, whichever is the earlier, or such later date as agreed in writing by the parties to the SP Agreement
“connected person”	has the meaning ascribed to it under the Listing Rules
“Consideration”	up to HK\$166,000,000, being the maximum consideration payable by the Purchaser to the Vendor for the Proposed Acquisition
“Core Management”	includes the Vendor, the technical director and the risk management director of the Target Group
“Director(s)”	the director(s) of the Company from time to time
“Group”	the Company and its subsidiaries from time to time
“Guaranteed Profit”	HK\$160,000,000 for the Relevant Period
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Company”	瑞恩生物科技有限公司 Revinco Technology Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“Independent Third Party(ies)”	party(ies) which are not connected persons of the Company (as defined in the Listing Rules) and are independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan”	the unsecured, non-interest bearing loan owed by the WFOE to the Vendor as at the Completion Date

“Long Stop Date”	29 October 2021 or such later date as the Purchaser and the Vendor may agree in writing
“Net Profit”	the audited consolidated net profit after taxation of the Target Group prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and audited by an auditor appointed by the Purchaser
“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
“Promissory Note”	the promissory note in the principal amount of HK\$124,000,000 to be issued by the Purchaser to the Vendor as partial settlement of the Consideration pursuant to the terms of the SP Agreement
“Proposed Acquisition”	the proposed acquisition of the Sale Shares and the Loan by the Purchaser from the Vendor pursuant to the SP Agreement
“Purchaser”	創聯金融科技有限公司 Chuanglian Financial Technology Limited, a wholly-owned subsidiary of the Company
“Relevant Period”	the 12-month period commencing on the first date of the month immediately following the Completion Date
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	100 shares in the Target Company, representing the entire issued share capital of the Target Company as at the date of this announcement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Share Placing”	the placing of 470,000,000 new Shares by the Company, details of which are set out in the Company’s announcements dated 28 April 2021, 18 May 2021 and 28 May 2021
“Shareholder(s)”	holder(s) of the issued Share(s) from time to time
“SP Agreement”	the sale and purchase agreement dated 29 July 2021 entered into between the Purchaser and the Vendor in relation to the Proposed Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Target Company”	盛富環球集團有限公司 Leading Fortune Global Group Limited, a company incorporated in the British Virgin Islands and is wholly-owned by the Vendor as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“US\$”	United States dollars, the lawful currency of the United States of America
“Vendor”	Mr. Pan Ruixin (潘瑞欣)
“WFOE”	中昱融資租賃(深圳)有限公司 (Zhongyu Financial Leasing (Shenzhen) Co., Ltd.*), a company established in the PRC on 22 January 2018 and is an indirect wholly-owned subsidiary of the Target Company
“%”	per cent.

By order of the Board
China Chuanglian Education Financial Group Limited
Lu Xing
Chairman

Hong Kong, 29 July 2021

As at the date of this announcement, the Board comprises Mr. Lu Xing (Chairman), Mr. Li Jia, Mr. Xu Dayong, Mr. Hu Dingdong, Mr. Zhang Jie and Mr. Song Bo as executive Directors and Mr. Leung Siu Kee, Mr. Wu Yalin and Ms. Wang Shuping as independent non-executive Directors.

** The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*