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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)

CONNECTED TRANSACTIONS

CONSTRUCTION CONTRACTS

CONSTRUCTION CONTRACTS

On 24 January 2019, Shijiazhuang Institute of Technology, one of our PRC Operating Entities, entered into the First Construction Contract with Ningbo Tianzuo, under which Ningbo Tianzuo will repair Building 11 of Shijiazhuang Institute of Technology, for a contract sum of RMB825,049.

On 27 November 2019, Shijiazhuang Institute of Technology, entered into the Second Construction Contract with Ningbo Tianzuo, under which Ningbo Tianzuo will repair foyer and landscape of Building 11, Starlight Stadium, Central Avenue and asphalt pavement of Shijiazhuang Institute of Technology, for a contract sum of RMB3,723,733.

LISTING RULES IMPLICATIONS

Since Mr. Li, one of our controlling shareholders and the chairman of the Board, indirectly controls more than 30% of the voting power at general meetings of Ningbo Tianzuo, Ningbo Tianzuo is an associate of Mr. Li under the Listing Rules and therefore a connected person of the Company. The transactions contemplated under the Construction Contracts thus constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the parties to the First Construction Contract and the Second Construction Contract are the same and were entered into within a 12-month period, in accordance with Rule 14.22 of the Listing Rules, the transactions under the First Construction Contract and the Second Construction Contract shall be aggregated. Since the highest applicable percentage ratio calculated with reference to the consideration under the Construction Contracts is more than 0.1% but less than 5%, the transactions contemplated under the Construction Contracts are subject to the announcement requirement but exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

BACKGROUND

On 24 January 2019, Shijiazhuang Institute of Technology, one of our PRC Operating Entities, entered into the First Construction Contract with Ningbo Tianzuo, under which Ningbo Tianzuo will repair Building 11 of Shijiazhuang Institute of Technology, for a contract sum of RMB825,049.

On 27 November 2019, Shijiazhuang Institute of Technology entered into the Second Construction Contract with Ningbo Tianzuo, under which Ningbo Tianzuo will repair foyer and landscape of Building 11, Starlight Stadium, Central Avenue and asphalt pavement of Shijiazhuang Institute of Technology, for a contract sum of RMB3,723,733.

All the payments payable by Shijiazhuang Institute of Technology was or will be in cash and funded by its internal resources.

THE FIRST CONSTRUCTION AGREEMENT

The key terms of the First Construction Agreement are set out below:

- Date: 24 January 2019
- Parties: (1) Shijiazhuang Institute of Technology
(2) Ningbo Tianzuo
- Project period: 60 days from the commencement of project
- Contract sum: Shijiazhuang Institute of Technology shall pay to Ningbo Tianzuo contract sum of RMB825,049 in the following manner:
- (i) 70% of the contract sum shall be paid upon completion of the project;
 - (ii) 27% shall be paid within one month after settlement procedures; and
 - (iii) 3% shall be held by us as retention money.

The terms of the First Construction Contract and the amount of the contract sum were normal commercial terms arrived at after arm's length negotiation between Shijiazhuang Institute of Technology and Ningbo Tianzuo.

Services: Pursuant to the First Construction Contract, Ningbo Tianzuo agreed to carry out repair work at Building 11 of Shijiazhuang Institute of Technology, including but not limited to repair work of the external wall structure, air-conditioning grid installation, external wall painting and main material testing, finished product maintenance, etc.

THE SECOND CONSTRUCTION AGREEMENT

The key terms of the Second Construction Agreement are set out below:

Date: 27 November 2019

Parties: (1) Shijiazhuang Institute of Technology
(2) Ningbo Tianzuo

Project period: To be completed by 24 August 2020

Contract sum: Shijiazhuang Institute of Technology shall pay to Ningbo Tianzuo contract sum of RMB3,723,733 in the following manner:

- (i) 30% of the contract sum before paving the asphalt concrete road;
- (ii) 40% of the contract sum shall be paid upon completion of the project;
- (iii) 25% shall be paid within one month after settlement procedures; and
- (iv) 5% shall be held by us as retention money.

The terms of the Second Construction Contract and the amount of the contract sum were normal commercial terms arrived at after arm's length negotiation between Shijiazhuang Institute of Technology and Ningbo Tianzuo.

Services: Pursuant to the Second Construction Contract, Ningbo Tianzuo agreed to carry out repair work at foyer and landscape of Building 11, Starlight Stadium, Central Avenue and asphalt pavement of Shijiazhuang Institute of Technology.

BACKGROUND OF THE PARTIES

Ningbo Tianzuo is a company established in the PRC, and is principally engaged in the provision of construction services as well as construction project management.

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 1 July 2003, one of our 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.

REASONS FOR THE TRANSACTIONS

Ningbo Tianzuo has extensive experience and relevant qualification in the repair and construction work. The Company believes that engaging Ningbo Tianzuo as the provider of such services to the Group can ensure quality repair work be completed within the planned timeframe. The Directors (including independent non-executive Directors) believe that the terms of the Construction Contracts are fair and reasonable and in the interests of the shareholders as a whole.

Mr. Li, the chairman of the Board who also indirectly control more than 30% of the voting power at general meetings of Ningbo Tianzuo is considered to have a material interest in the Construction Contracts. Mr. Li has been abstained from voting on the resolutions in relation to the Construction Contracts proposed to the Board. Save as disclosed above, none of the Directors attended the Board meetings has a material interest in the Construction Contracts.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Mr. Li, a controlling shareholder of the Company and the chairman of the Board, holds about 61.82% of the total issued shares of the Company, and hence is a connected person of the Company. Since Mr. Li indirectly controls more than 30% of the voting power at general meetings of Ningbo Tianzuo, Ningbo Tianzuo is an associate of Mr. Li under the Listing Rules and therefore a connected person of the Company. The transactions contemplated under the Construction Contracts thus constitute connected transactions for the Company under Chapter 14A of the Listing Rules.

As the parties to the First Construction Contract and the Second Construction Contract are the same and were entered into within a 12-month period, in accordance with Rule 14.22 of the Listing Rules, the transactions under the First Construction Contract and the Second Construction Contract shall be aggregated. Since the highest applicable percentage ratio calculated with reference to the consideration under the Construction Contracts is more than 0.1% but less than 5%, the transactions contemplated under the Construction Contracts are subject to the announcement requirement but exempt from the independent shareholders' approval requirement of Chapter 14A of the Listing Rules.

The Company should have complied with the relevant notification and announcement requirements under Rule 14.34 of the Listing Rules in respect of the Construction Contracts as and when such obligations arose. Regrettably, the Company acknowledges that the notification and announcement in respect of the Construction Contracts as required under Chapter 14 of the Listing Rules had been delayed due to its unintentional oversight. It was until recently that the business units conducted an overall review of the business activities of the Group in view of the preparation of the Company's annual report as well as devising business plans for the year ahead, and, on a prudent initiative, further consulted the office of the Board which provided an opportunity for the Board, with the assistance of the professional advisers, to gain a better understanding of the nature of the transactions and its Listing Rules implications and, in this regard, the Directors approved the publication of this announcement as soon as practicable.

REMEDIAL ACTIONS

The Company deeply regrets its non-compliance with the Listing Rules but the Company would like to stress that the non-compliance was inadvertent and unintentional. To prevent similar non-compliance from occurring in the future, the Company has implemented the following remedial actions with immediate effect:

1. The Company will arrange more trainings on regulatory compliance matters relating to notifiable transactions to the Directors, senior management and the responsible staff on a regular basis to reinforce their understanding of and importance of compliance with the Listing Rules;
2. The Company will circulate a detailed guideline relating to notifiable and connected transactions under the Listing Rules to remind all the Directors as well as its management team in order to strengthen and reinforce their existing knowledge relating to notifiable and connected transactions, as well as their ability to identify potential issues at early stage;
3. The Company will also circulate a reporting guideline to remind each member of the Group to report those transactions which may constitute potential notifiable or connected transactions to the Group's external legal adviser, company secretary and compliance officer (and) to consult its legal adviser prior to the entering into of those transactions;
4. The Company will work more closely with its internal and external legal advisers on compliance issues; and
5. The Company shall, as and when appropriate and necessary, consult other professional adviser before entering into possible notifiable transaction.

DEFINITIONS

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

“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 Cayman Islands with limited liability whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Construction Contracts”	the First Construction Contract and the Second Construction Contract
“Contractual Arrangements”	the series of contractual arrangements entered into between, among others, the WFOE (as defined in the Prospectus) and the PRC Operating Entities, details of which are described in the section headed Structured Contracts in the Prospectus
“Controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Directors”	the directors of the Company
“First Construction Contract”	the construction contract entered into between Shijiazhuang Institute of Technology and Ningbo Tianzuo on 24 January 2019 in relation to the provision of repair work by Ningbo Tianzuo
“Group”	the Company, its subsidiaries, and its PRC Operating Entities (as defined in the Prospectus) from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Li”	Mr. Li Yunong (李雨濃), a controlling shareholder of the Company, the chairman of the Board and an executive Director
“Ningbo Tianzuo”	Ningbo Tianzuo Engineering Project Management Co., Ltd.* (寧波天作工程項目管理有限公司), a company established in the PRC and indirectly controlled more than 30% by Mr. Li
“RMB”	Renminbi, the lawful currency of the PRC

“Second Construction Contract”	the construction contract entered into between Shijiazhuang Institute of Technology and Ningbo Tianzuo on 27 November 2019 in relation to the provision of repair work by Ningbo Tianzuo
“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 1 July 2003, one of our PRC Operating Entities
“Prospectus”	the prospectus issued by the Company on the initial public offering and listing dated 15 May 2018
“PRC Operating Entities”	namely, Zerui Education, Shijiazhuang Saintach, Hebei Saintach, Shijiazhuang Institute of Technology Schools and Saintach Kindergartens
“%”	per cent

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

Hong Kong, 30 March 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.