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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)**

**DISCLOSEABLE TRANSACTION  
FINANCE LEASE ARRANGEMENTS**

**FINANCE LEASE AGREEMENTS**

- (1) On 20 April 2021, Shijiazhuang Institute of Technology and the First Lessor entered into the First Finance Lease Agreement, pursuant to which (i) the First Lessor shall purchase the Leased Assets I from Shijiazhuang Institute of Technology at the consideration of RMB45,000,000.00; and (ii) the First Lessor agreed to lease the Leased Assets I to Shijiazhuang Institute of Technology for a term of 36 months, to be payable in 12 quarterly instalments, at an estimated total lease payments in the amount of approximately RMB50,000,000.00 (without taking into account the repurchase cost).
- (2) On 20 April 2021, Shijiazhuang Institute of Technology and the Second Lessor entered into the Second Finance Lease Agreement, pursuant to which (i) the Second Lessor shall purchase the Leased Assets II from Shijiazhuang Institute of Technology at the consideration of RMB50,000,000.00; and (ii) the Second Lessor agreed to lease the Leased Assets II to Shijiazhuang Institute of Technology for a term of 36 months, to be payable in 12 quarterly instalments, at an estimated total lease payments in the amount of approximately RMB55,103,831.87 (without taking into account the repurchase cost).

## **LISTING RULES IMPLICATION**

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the First Finance Lease Agreement and the Second Finance Lease Agreement exceeds 5% but all the applicable percentage ratios are below 25%, the entering into of each of the First Finance Lease Agreement and the Second Finance Lease Agreement constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements, but exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

### **I. FIRST FINANCE LEASE AGREEMENT**

**Date:** 20 April 2021

**Parties:**

- (1) First Lessor: Haier Finance Leasing Corp., Ltd.\* (海爾融資租賃股份有限公司)
- (2) Lessee: Shijiazhuang Institute of Technology

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, the First Lessor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

The First Finance Lease Agreement comprised (i) the purchase of the Leased Assets I by the First Lessor from Shijiazhuang Institute of Technology; and (ii) the lease arrangements, details of which are discussed below.

#### **Sale and purchase arrangements**

Pursuant to the terms of the First Finance Lease Agreement, the First Lessor shall purchase the Leased Assets I from Shijiazhuang Institute of Technology at a total consideration of RMB45,000,000.00, which was determined after arm's length negotiations between the Group and the First Lessor by reference to the independent valuation of the Leased Assets I through the adoption of cost method.

#### **Lease back arrangement**

Pursuant to the First Finance Lease Agreement, the First Lessor agreed to lease the Leased Assets I back to Shijiazhuang Institute of Technology for a period of 36 months.

## **Lease payments**

Pursuant to the First Finance Lease Agreement, the total estimated aggregate Lease Payment I payable by Shijiazhuang Institute of Technology to the First Lessor shall be RMB50,000,000.00 (without taking into account the repurchase cost), comprising the rental payment in the total amount of RMB50,000,000.00, which shall be payable in 12 quarterly instalments in accordance with the payment schedule set out in the First Finance Lease Agreement.

The aforesaid rental payment in the total amount of RMB50,000,000.00 comprises (i) the principal amount of RMB45,000,000.00, which is the same amount as the consideration for the sale and purchase of the Leased Assets I; and (ii) the estimated aggregate interest of RMB5,000,000.00. The interest is calculated at floating rate, with reference to the Benchmark Interest Rate, being approximately 4.89% per annum as at the date of the First Finance Lease Agreement. During the lease term of the First Finance Lease Agreement, if any adjustment was made to the Benchmark Interest Rate, the First Lessor has the right, without obtaining consent from Shijiazhuang Institute of Technology to make adjustment of same direction and same proportion to the rental payment amount in accordance with the First Finance Lease Agreement. The rental payment amount prior to the adjustment date of the Benchmark Interest Rate shall remain unchanged, and the subsequent instalments of rental payment after the adjustment date of the Benchmark Interest Rate shall be charged based on the adjusted rental payment amount.

The obligations of Shijiazhuang Institute of Technology under the First Finance Lease Agreement shall be secured by (i) a personal guarantee given by Mr. Li Yunong, the chairman of the Board, executive Director and a controlling shareholder of the Company; and (ii) a corporate guarantee given by Hebei Zerui Education Technology Co., Ltd.\* (河北澤瑞教育科技有限責任公司), a PRC operating entity of the Group which was owned as to 80.63% by Mr. Li Yunong and 19.38% by Ms. Luo Xinlan as at the date of this announcement.

The terms of the First Finance Lease Agreement, including the Lease Payment I were determined after arm's length negotiation between the parties with reference to, among other things, the value of the Leased Assets I, the First Lessor's purchase cost of the Leased Assets I, the interest rate and the prevailing market practice.

## **Consultancy fee**

The First Lessor and Shijiazhuang Institute of Technology have also entered into a consultancy service agreement, pursuant to which Shijiazhuang Institute of Technology shall pay to the First Lessor the consultancy fee of approximately RMB1,350,000.00 for the provision of consultation services, including but not limited to, consultation on the arrangement under the finance lease, such as the structure of the transaction and proposal on the finance lease model.

The terms of the consultancy service agreement with the First Lessor, including the consultancy fee payable therein, were determined after arm's length negotiation between the parties with reference to the prevailing market rates for consultancy service for finance lease arrangements of similar assets.

## **Security deposit**

Pursuant to the terms of the First Finance Lease Agreement, Shijiazhuang Institute of Technology shall pay a security deposit in the amount of RMB900,000.00, which bears no interest. Subject to the fulfilment by Shijiazhuang Institute of Technology of all of its obligations under the First Finance Lease Agreement, and provided any breach of the agreement, if any, had been rectified, the security deposit shall be used to offset the last instalment of the rental payment payable.

## **Ownership of the Leased Assets I**

The Leased Assets I are certain teaching equipment, furniture, laboratory equipment, books and electronic devices owned by Shijiazhuang Institute of Technology and being used in its ordinary business. During the lease term under the First Finance Lease Agreement, the Leased Assets I shall be owned by the First Lessor.

Upon expiry of the lease term under the First Finance Lease Agreement, Shijiazhuang Institute of Technology shall repurchase the Leased Assets I at the repurchase cost of RMB100.00 together with the last instalment of the rental payment.

As at the date of the First Finance Lease Agreement, the book value of the Leased Assets I was RMB45,552,562.00. There was no profit attributable to the Leased Assets I in the most recent two financial years.

## **II. SECOND FINANCE LEASE AGREEMENT**

**Date:** 20 April 2021

**Parties:**

- (1) Second Lessor: JIC Leasing (Shanghai) Co., Ltd.\* (中建投融資租賃(上海)有限公司)
- (2) Lessee: Shijiazhuang Institute of Technology

The Directors confirm that to the best of their knowledge, information and belief, having made all reasonable enquiries, the Second Lessor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

The Second Finance Lease Agreement comprised (i) the purchase of the Leased Assets II by the Second Lessor from Shijiazhuang Institute of Technology; and (ii) the lease arrangements, details of which are discussed below.

## **Sale and purchase arrangements**

The Second Lessor agreed to purchase the Leased Assets II from Shijiazhuang Institute of Technology at the consideration of RMB50,000,000.00, which was determined after arm's length negotiations between the Group and the Second Lessor by reference to the independent valuation of the Leased Assets II through the adoption of cost method.

## **Lease back arrangement**

Pursuant to the Second Finance Lease Agreement, the Second Lessor agreed to lease the Leased Assets II for a term of 36 months.

## **Lease payments**

Pursuant to the Second Finance Lease Agreement, the estimated total Lease Payment II payable by Shijiazhuang Institute of Technology to the Second Lessor shall be approximately RMB55,103,831.87 (without taking into account the repurchase cost), payable in 12 quarterly instalments during the lease period in accordance with the payment schedule in the Second Finance Lease Agreement, comprising (i) the principal amount of RMB50,000,000.00, being the total consideration for the sale and purchase of the Leased Assets II; and (ii) the estimated aggregate interest of RMB5,103,831.87. The interest is calculated at floating rate, calculated by the one- to three-year loan prime rate as promulgated by the PBOC with upward adjustment of 1.70%, being approximately 6.45% per annum as at the date of the Second Finance Lease Agreement. The interest rate may be adjusted according to the prevailing loan prime rate promulgated by the PBOC from time to time.

The obligations of Shijiazhuang Institute of Technology under the Second Finance Lease Agreement shall be secured by (i) a pledge on the receivable of Shijiazhuang Institute of Technology in the amount of RMB55,103,831.87, being the school fees and boarding fees receivable for the year 2021; (ii) a personal guarantee to be given by Mr. Li Yunong, the chairman of the Board, executive Director and a controlling shareholder of the Company; (iii) a corporate guarantee to be given by Hebei Sheng Dao Xiang Cheng Education and Technology Co., Ltd.\* (河北晟道象成教育科技有限公司), a wholly-owned subsidiary of the Company; and (iv) a corporate guarantee to be given by Hebei Zerui Education Technology Co., Ltd.\* (河北澤瑞教育科技有限責任公司), a PRC operating entity of the Group which was owned as to 80.63% by Mr. Li Yunong and 19.38% by Ms. Luo Xinlan as at the date of this announcement.

The terms of the Second Finance Lease Agreement, including the Lease Payment II, were determined after arm's length negotiation between the parties with reference to, among other things, the value of the Leased Assets II, the Second Lessor's purchase cost of the Leased Assets II, the interest rate and the prevailing market practice.

## **Security deposit**

Pursuant to the terms of the Second Finance Lease Agreement, Shijiazhuang Institute of Technology shall pay a security deposit in the amount of RMB1,000,000.00, which bears no interest. Subject to the fulfilment by Shijiazhuang Institute of Technology of all of its obligations under the Second Finance Lease Agreement, the security deposit shall be used to offset the last instalment of the Lease Payment II payable.

## **Consultancy fee**

Shijiazhuang Institute of Technology shall pay a consultancy fee in the total sum of RMB1,750,000.00 to the Second Lessor, for its consultation services rendered to the Group with respect to the finance lease under the Second Finance Lease Agreement, such as advising on the financial aspect and business aspect issues in relation to the finance lease and advising on the taxation matters in relation to the finance lease.

The terms of the consultancy service agreements with the Second Lessor, including the consultancy fee payable therein, were determined after arm's length negotiation between the parties with reference to the prevailing market rates for consultancy service for finance lease arrangements of similar assets and their scope of service.

## **Ownership of the Leased Assets II**

The Leased Assets II are certain teaching equipment, furniture, books and electronic devices owned by Shijiazhuang Institute of Technology and being used in its ordinary business. During the lease term under the Second Finance Lease Agreement, the Leased Assets II will be owned by the Second Lessor.

The ownership of the Leased Assets II shall be vested in the Second Lessor throughout the lease period.

Upon the expiry of the lease period, Shijiazhuang Institute of Technology shall pay the repurchase cost of RMB100.00 to repurchase the Leased Assets II from the Second Lessor. Subject to the Second Lessor receiving the full amount of the Lease Payment II, the repurchase costs and any other related fees, the ownership of the Leased Assets II shall be transferred to Shijiazhuang Institute of Technology automatically.

As at the date of the Second Finance Lease Agreement, the book value of the Leased Assets II was RMB56,547,214.00. There was no profit attributable to the Leased Assets II in the most recent two financial years.

### **III. REASONS FOR AND BENEFITS OF THE FINANCE LEASE ARRANGEMENTS**

The Group is principally engaged in providing educational services and related management services in the PRC. The Finance Lease Arrangements would enable the Company to further optimize its cash flows, extend the Company's financing channels and mitigate the adverse risks resulted from the obsolete technologies of teaching facilities. The funding from the Finance Lease Arrangements would be used for replenishing the working capital of the Group.

The Directors are of the view that the terms of the Finance Lease Arrangements are fair and reasonable and are in the interests of the Company and its shareholders as a whole.

### **IV. INFORMATION ON THE COMPANY, SHIJIAZHUANG INSTITUTE OF TECHNOLOGY AND LESSORS**

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 junior college established under the laws of the PRC on 1 July 2003 of which school sponsor's interest is wholly owned by Hebei Zerui Education Technology Co., Ltd.\* (河北澤瑞教育科技有限責任公司) as at the date of this announcement and one of the Group's operating entities in the PRC.

The First Lessor is principally engaged in the business of financial leasing and related financial services in the PRC. The First Lessor is owned as to 36.32% by Haier Group (Qingdao) Financial Holdings Limited (海爾集團(青島)金融控股有限公司); 33.00% by Shanghai Haizhu Yunju Enterprise Management Consulting Partnership (Limited Partnership)\* (上海海鑄雲聚企業管理諮詢合夥企業(有限合夥)); 29.35% by Haier International Company Limited; and 1.33% by Bohou Fanglue (Beijing) Management Technology Co., Ltd.\* (博厚方略(北京)管理技術有限公司). Haier Group (Qingdao) Financial Holdings Limited and Shanghai Haizhu Yunju Enterprise Management Consulting Partnership (Limited Partnership) are indirect non-wholly owned subsidiaries of Haier Group Corporation (海爾集團).

The Second Lessor is a wholly-owned subsidiary of JIC Leasing Co., Ltd.\* (中建投租賃股份有限公司) which principally engaged in providing comprehensive financial solutions for equipment manufacturing, transportation, information technology and other industries to meet the financing needs of customers. JIC Leasing Co., Ltd. is in turn owned as to 74.96% by China Jianyin Investment Co., Ltd.\* (中國建銀投資有限責任公司), which is a state-owned enterprise.

## V. IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of each of the First Finance Lease Agreement and the Second Finance Lease Agreement exceeds 5% but all the applicable percentage ratios are below 25%, the entering into of each of the First Finance Lease Agreement and the Second Finance Lease Agreement constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements, but exempt from the shareholders' approval requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Benchmark Interest Rate”	the benchmark interest rate of RMB loans issued by the PBOC
“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), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Finance Lease Agreements”	the First Finance Lease Agreement and the Second Finance Lease Agreement, collectively
“Finance Lease Arrangements”	the finance lease arrangements under the Finance Lease Agreements
“First Finance Lease Agreement”	the sales and leaseback agreement dated 20 April 2021 entered into between Shijiazhuang Institute of Technology and the First Lessor in relation to the financial leasing of the Leased Assets I
“First Lessor”	Haier Finance Leasing Corp., Ltd.* (海爾融資租賃股份有限公司)
“Group”	the Company and its subsidiaries
“Lease Payment I”	the total lease payment in relation to the financial leasing of the Leased Assets I under the First Finance Lease Agreement
“Lease Payment II”	the total lease payment in relation to the financial leasing of the Leased Assets II under the Second Finance Lease Agreement
“Leased Assets I”	the Leased Assets I are certain teaching equipment, furniture, laboratory equipment, books and electronic devices owned by Shijiazhuang Institute of Technology and being used in its ordinary business



“Leased Assets II”	the Leased Assets II are certain teaching equipment, furniture, books and electronic devices owned by Shijiazhuang Institute of Technology and being used in its ordinary business
“Lessors”	the First Lessor and the Second Lessor
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	the People’s Bank of China
“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
“RMB”	Renminbi, the lawful currency of the PRC
“Second Finance Lease Agreement”	the finance lease agreement dated 20 April 2021 entered into between Shijiazhuang Institute of Technology and the Second Lessor in relation to the financial leasing of the Leased Assets II
“Second Lessor”	JIC Leasing (Shanghai) Co., Ltd.* (中建投融資租賃(上海)有限公司)
“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 of which school sponsor’s interest is wholly owned by Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司) as at the date of this announcement and one of the Group’s operating entities in the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent.

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

Hong Kong, 20 April 2021

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

\* *For identification purposes only*