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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 LEASEBACK AGREEMENT**

FINANCE LEASEBACK AGREEMENT

On 25 October 2022 (after trading hours), Shijiazhuang Institute of Technology and the Lessor entered into the Finance Leaseback Agreement, pursuant to which (i) the Lessor shall purchase the Leased Assets from Shijiazhuang Institute of Technology at a total consideration of RMB20,000,000.00; and (ii) the Lessor agreed to lease the Leased Assets back to Shijiazhuang Institute of Technology for a period of 36 months, the estimated aggregate Lease Payment shall be RMB22,515,000.00 (without taking into account the repurchase cost of RMB100.00) which shall be payable in 12 quarterly instalments.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios for the Finance Leaseback Agreement exceeds 5% but all the applicable percentage ratios are below 25%, the entering into of the Finance Leaseback 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.

FINANCE LEASEBACK AGREEMENT

Date: 25 October 2022

Parties: (i) Haier Finance Leasing Corp., Ltd.* (海爾融資租賃股份有限公司) (as Lessor); and
(ii) Shijiazhuang Institute of Technology (as Lessee)

To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, the Lessor and its ultimate beneficial owner(s) are third parties independent of the Company and its connected person(s).

The Finance Leaseback Agreement comprised (i) the purchase of the Leased Assets by the 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 Finance Leaseback Agreement, the Lessor shall purchase the Leased Assets from Shijiazhuang Institute of Technology at a total consideration of RMB20,000,000.00, which was determined after arm's length negotiations between the Group and the Lessor by reference to the appraised value of the Leased Assets as at 30 September 2022 of approximately RMB20.1 million based on (i) the original cost of the Leased Assets; and (ii) their status.

Leaseback arrangement

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

Lease Payment

Pursuant to the Finance Leaseback Agreement, the aggregate Lease Payment payable by Shijiazhuang Institute of Technology to the Lessor shall be RMB22,515,000.00 (without taking into account the repurchase cost of RMB100.00) which shall be payable in 12 quarterly instalments in accordance with the payment schedule set out in the Finance Leaseback Agreement. Further, Shijiazhuang Institute of Technology will pay a deposit of RMB600,000.00 to the Lessor and the amount (without interest) will be used to partially set off the final instalment of the Lease Payment.

The aforesaid Lease Payment in the amount of RMB22,515,000.00 comprises (i) the lease principal of RMB20,000,000.00, which is the same amount as the consideration for the sale and purchase of the Leased Assets; and (ii) the lease interest of RMB2,515,000.00. The lease interest is calculated at floating rate, with reference to the Benchmark Interest Rate, and is approximately 7.14% per annum as at the date of the Finance Leaseback Agreement. During the lease term of the Finance Leaseback Agreement, if any adjustment is made to the Benchmark Interest Rate, the Lessor has the right, without obtaining consent from Shijiazhuang Institute of Technology, to make adjustment in the same direction and proportion to the rental payment amount in accordance with the Finance Leaseback 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 Finance Leaseback Agreement shall be secured by (i) a corporate guarantee given by Zerui Education, a PRC Operating Entity of the Group which was owned as to approximately 80.625% by Mr. Li and approximately 19.375% by Ms. Luo as at the date of this announcement; and (iii) a personal guarantee given by Mr. Li, the chairman of the Board, an executive Director and a controlling shareholder of the Company.

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

Consultancy fee

The 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 Lessor the consultancy fee of RMB600,000.00 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 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.

Ownership of the Leased Assets

The Leased Assets consist of air-conditioning equipment, teaching and learning equipment (such as projectors, tablets, laboratory equipment and computers etc.) and general office equipment and furniture (such as tables, chairs and bookshelves, etc.), which are owned by Shijiazhuang Institute of Technology and being used in its ordinary course of business. During the lease term under the Finance Leaseback Agreement, the Leased Assets shall be owned by the Lessor.

Upon expiry of the lease term under the Finance Leaseback Agreement, Shijiazhuang Institute of Technology has the right to repurchase the Leased Assets at the repurchase cost of RMB100.00.

As at the date of the Finance Leaseback Agreement, the appraised value of the Leased Assets was approximately RMB20,119,518.00. There was no revenue attributable to the Leased Assets in the most recent two financial years.

It is expected that according to the International Financial Reporting Standards, the transactions contemplated under the Finance Leaseback Agreement shall be accounted for as financing arrangements and therefore would not have any significant immediate effect on the earnings of the Group for the year ending 31 December 2022.

REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASEBACK ARRANGEMENT

The Group is principally engaged in providing educational services and related management services in the PRC. The Finance Leaseback Arrangement 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 Leaseback Arrangement would be used for replenishing the working capital of the Group.

The Directors are of the view that the terms of the Finance Leaseback Arrangement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

INFORMATION ON 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 junior college established under the laws of the PRC on 1 July 2003 of which school sponsor's interest is wholly-owned by Zerui Education as at the date of this announcement and one of the Group's PRC Operating Entities.

The Lessor

The Lessor is a joint stock limited company established under the laws of PRC in 2013. The Lessor is principally engaged in the business of financial leasing and related financial services in the PRC. Based on the public information available, as at the date of this announcement, the Lessor is owned as to 37.65% by Haier Group (Qingdao) Financial Holdings Limited (海爾集團(青島)金盈控股有限公司); 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)); and 29.35% by Haier International Co., Limited (海爾國際有限公司). Haier Group (Qingdao) Financial Holdings Limited, Shanghai Haizhu Yunju Enterprise Management Consulting Partnership (Limited Partnership)* and Haier International Co., Limited are indirect non-wholly owned subsidiaries of Haier Group Corporation (海爾集團), a collective enterprise established under the laws of the PRC in 1984.

IMPLICATION UNDER THE LISTING RULES

As one or more of the applicable percentage ratios for the Finance Leaseback Agreement exceeds 5% but all the applicable percentage ratios are below 25%, the entering into of the Finance Leaseback 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 expressions shall have the following meanings when used herein:

“Benchmark Interest Rate”	the benchmark interest rate of RMB loans issued by the People’s Bank of China;
“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;
“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;
“Finance Leaseback Agreement”	the finance leaseback agreement dated 25 October 2022 entered into between Shijiazhuang Institute of Technology and the Lessor in relation to the financial leasing of the Leased Assets;
“Finance Leaseback Arrangement”	the finance leaseback arrangement under the Finance Leaseback Agreement;
“Group”	the Company, its subsidiaries and the PRC Operating Entities from time to time;
“Lease Payment”	the total lease payment in relation to the financial leasing of the Leased Assets under the Finance Leaseback Agreement;
“Leased Assets”	the leased assets consist of air-conditioning equipment, teaching and learning equipment (such as projectors, tablets, laboratory equipment and computers etc.) and general office equipment and furniture (such as tables, chairs and bookshelves, etc.), which are owned by Shijiazhuang Institute of Technology and being used in its ordinary course of business;

“Lessor”	Haier Finance Leasing Corp., Ltd.* (海爾融資租賃股份有限公司);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	the lawful currency of Hong Kong;
“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;
“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 Schools 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 junior college established under the laws of the PRC on 1 July 2003 of which school sponsors’ interest are wholly-owned by Zerui Education as of the date of this announcement, and one of the PRC Operating Entities;
“Shinedao Tutorial School(s)”	Shaoxing Shangyu Shinedao Education Tutorial School* (紹興市上虞區學鼎教育培訓學校) and Zhoushan Dinghai Shinedao Education Tutorial School* (舟山市定海區學鼎教育培訓學校), which are the PRC Operating Entities;
“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, 25 October 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.