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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 9 August 2023 (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 RMB30,000,000.00; and (ii) the Lessor agreed to lease the Leased Assets back to Shijiazhuang Institute of Technology for a period of 30 months, the estimated aggregate Lease Payment shall be RMB34,340,000.00 (without taking into account the repurchase cost of RMB100.00) which shall be payable in 10 instalments, with the first payment on the 4th month after the payment of the consideration by the Lessor and in every three months thereafter and the final payment being on the 30th month after the payment of the consideration by the Lessor.

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: 9 August 2023 (after trading hours)

Parties: (i) JC International Finance & Leasing Co., Ltd.(君創國際融資租賃有限公司) (as Lessor); and

(ii) Shijiazhuang Institute of Technology (as Lessee)

The Finance Leaseback Agreement comprised (i) the purchase of the Leased Assets by the Lessor from Shijiazhuang Institute of Technology; and (ii) the Finance Leaseback Arrangement, 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 RMB30,000,000.00, 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 3 August 2023 of approximately RMB32.18 million based on (i) the original cost of the Leased Assets; and (ii) their status.

Finance 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 30 months.

Lease Payment

Pursuant to the Finance Leaseback Agreement, the aggregate Lease Payment payable by Shijiazhuang Institute of Technology to the Lessor shall be RMB34,340,000.00 (without taking into account the repurchase cost of RMB100.00) which shall be payable in 10 instalments, with the first payment on the 4th month after the payment of the consideration by the Lessor and in every three months thereafter and the final payment being on the 30th month after the payment of the consideration by the Lessor pursuant to the timeline set out in the Finance Leaseback Agreement.

The aforesaid Lease Payment in the amount of RMB34,340,000.00 comprises (i) the lease principal of RMB30,000,000.00, which is the same amount as the consideration for the sale and purchase of the Leased Assets; and (ii) the lease interest of RMB4,340,000.00. The lease interest is calculated at floating rate, with reference to the Benchmark Interest Rate, and is approximately 9.19% per annum as at the date of the Finance Leaseback Agreement.

Both the Lessor and the Lessee agreed that the Lease Payment will not be adjusted with reference to the Benchmark Interest Rate during the period of the Finance Leaseback Arrangement.

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 Xinlan (羅心蘭) as at the date of this announcement; and (ii) a corporate guarantee given by Shijiazhuang Zerui, a company established under the laws of the PRC and wholly-owned by Zerui Education as at the date of this announcement.

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 RMB720,000.00 for the provision of consultation services, including but not limited to, consultation on the Finance Leaseback Arrangement, 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 teaching and learning equipment (such as projectors, servers and training rooms, etc.), general office equipment and furniture (such as computers and storage cabinets, etc.) and dormitory furniture, 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 RMB32.18 million. 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 2023.

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 Group is primarily serving a wide range of students from preschool students in its kindergartens, high school students enrolled in its high school, as well as junior college students, secondary school students and continuing education students in its college.

Shijiazhuang Institute of Technology is a full-time regular higher school 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 limited liability company incorporated under the laws of the PRC in 2015. The Lessor is principally engaged in the business of finance lease, lease business, purchase lease assets from PRC and overseas. Based on the public information available, as at the date of this announcement, the Lessor is owned as to 71.07% by Junchuang Financial Group Limited (君創金融集團有限公司) ("**Junchuang Financial**"); 19.24% by Legend Holdings Corporation, a joint stock limited liability company incorporated under the laws of the PRC with its overseas shares listed on the Stock Exchange (stock code: 03396) ("**Legend Holdings**"); 4.95% by Shanghai Junqing Enterprise Management Co., Ltd.* (上海君清企業管理有限公司) ("**Shanghai Junqing**"); 3.84% by Shanghai Junhai Enterprise Management Co., Ltd.* (上海君海企業管理有限公司) ("**Shanghai Junhai**"); and 0.90% by Hainan Junyi Enterprise Management Center (Limited Partnership)* (海南君毅企業管理中心 (有限合夥)) ("**Hainan Junyi**"). Based on the information available to the Directors, Junchuang Financial is wholly owned by Junchuang Holdings Limited (君創控股有限公司) and is ultimately indirectly owned by Legend Holdings. To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, none of the Company and its connected persons (individually or together), directly or indirectly, have the power to exercise or control the exercise of 30% or more of the voting power at Junchuang Financial's, Legend Holdings', Shanghai Junqing's, Shanghai Junhai's and Hainan Junyi's general meetings and thus the Lessor is an Independent Third Party.

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;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“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 9 August 2023 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 teaching and learning equipment (such as projectors, servers and training rooms, etc.), general office equipment and furniture (such as storage cabinets and operating desks, etc.) and dormitory furniture, which are owned by Shijiazhuang Institute of Technology and being used in its ordinary course of business;
“Lessor”	JC International Finance & Leasing Co., Ltd. (君創國際融資租賃有限公司);
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Independent Third Party(ies)”	a party 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, as amended, supplemented or otherwise modified from time to time;
“Mr. Li”	Mr. Li Yunong (李雨濃), the controlling shareholder of the Company;
“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”	Zerui Education, Shijiazhuang Institute of Technology* (石家莊理工職業學院), Hebei Saintach Education and Technology Co., Ltd.* (河北新天際教育科技有限公司), Shijiazhuang Saintach Education and Technology Co., Ltd.* (石家莊新天際教育科技有限公司), Saintach Kindergarten(s), Hangzhou Yimai Enterprise Management Consulting Co., Ltd.* (杭州一脈學鼎教育科技有限公司), Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司) and Shijiazhuang Yuying Experimental High School* (石家莊育英實驗中學);
“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;
“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 full-time regular higher school 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;
“Shijiazhuang Zerui”	Shijiazhuang Zerui Education and Technology Co., Ltd.* (石家莊澤瑞教育科技有限公司), a company established under the laws of the PRC with limited liability on 2 July 2021, which is wholly-owned by Zerui Education;
“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 Yasheng
Chairman

Hong Kong, 9 August 2023

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