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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 AND CONNECTED TRANSACTION
DISPOSAL OF 51% EQUITY INTERESTS OF
A NON-WHOLLY OWNED SUBSIDIARY**

THE DISPOSAL

On 4 July 2024 (after trading hours), the Vendor entered into the Agreement with the Purchasers and the Target Company in relation to the Disposal. After Completion, the Target Company will cease to be a non-wholly owned subsidiary of the Company. The consideration for the Disposal will be paid by the Purchasers in cash to the Vendor.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio calculated according to Rule 14.07 of the Listing Rules in respect of the Disposal, exceeds 5% but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Among the Purchasers, Chen Qinghua (陳清華) and Shi Yuhong (石育紅) held 19.8% and 14.7% of the equity interest of the Target Company, respectively as at the date of this announcement and are connected persons of the Company at the subsidiary level. As such, the Disposal also constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As (i) two of the Purchasers are connected persons at the subsidiary level; (ii) the Board has approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of the Agreement are fair and reasonable and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the announcement requirement but is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

INTRODUCTION

On 4 July 2024 (after trading hours), the Vendor entered into the Agreement with the Purchasers and the Target Company in relation to the Disposal. After Completion, the Target Company will cease to be a non-wholly owned subsidiary of the Company. The consideration for the Disposal will be paid by the Purchasers in cash to the Vendor.

THE AGREEMENT

The principal terms of the Agreement are summarised as follows:

Date

4 July 2024 (after trading hours)

Parties

- (i) the Vendor (as the vendor);
- (ii) Chen Qinghua (陳清華), Shi Yuhong (石育紅), Wang Xiaoqing (王孝青), Chen Qianliang (陳潛亮) and Wang Shuxian (王書賢) (as the purchasers), the legal and beneficial owners of, in aggregate, 49% equity interests of the Target Company as at the date of this announcement; and
- (iii) Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司) (the target company).

Subject matter

Pursuant to the Agreement, the Vendor has agreed to transfer, and the Purchasers have agreed to acquire 51% equity interest of the Target Company.

Consideration

The consideration for the Disposal is RMB13.50 million and shall be paid by the respective Purchasers with reference to their respective shareholding in the Target Company. The equity interest of the Target Company to be acquired by the Purchasers and the payment terms of the consideration are as follows:

	Shareholding in the Target Company before the Disposal	Equity interest in the Target Company to be acquired	Equity interest in the Target Company after the Disposal	Consideration to be paid	Payment terms
Chen Qinghua (陳清華)	19.80%	20.70%	40.50%	RMB5,479,412	<ul style="list-style-type: none"> • RMB811,765, being the first installment, shall be paid on or before 30 July 2024; and • RMB4,667,647, being the second instalment, shall be paid on or before 30 September 2024. Out of the second installment to be paid, RMB811,765 shall be paid no later than 30 November 2024.
Shi Yuhong (石育紅)	14.70%	15.30%	30.00%	RMB4,050,000	<ul style="list-style-type: none"> • RMB600,000, being the first installment, shall be paid on or before 30 July 2024; and • RMB3,450,000, being the second instalment, shall be paid on or before 30 September 2024. Out of the second installment to be paid, RMB600,000 shall be paid no later than 30 November 2024.
Wang Xiaoqing (王孝青)	5.40%	5.60%	11.00%	RMB1,482,353	<ul style="list-style-type: none"> • RMB219,608, being the first installment, shall be paid on or before 30 July 2024; and • RMB1,262,745, being the second instalment, shall be paid on or before 30 September 2024. Out of the second installment to be paid, RMB219,608 shall be paid no later than 30 November 2024.

	Shareholding in the Target Company before the Disposal	Equity interest in the Target Company to be acquired	Equity interest in the Target Company after the Disposal	Consideration to be paid	Payment terms
Chen Qianliang (陳潛亮)	4.90%	5.10%	10.00%	RMB1,350,000	<ul style="list-style-type: none"> • RMB200,000, being the first installment, shall be paid on or before 30 July 2024; and • RMB1,150,000, being the second instalment, shall be paid on or before 30 September 2024. Out of the second installment to be paid, RMB200,000 shall be paid no later than 30 November 2024.
Wang Shuxian (王書賢)	4.20%	4.30%	8.50%	RMB1,138,235	<ul style="list-style-type: none"> • RMB168,627, being the first installment, shall be paid on or before 30 July 2024; and • RMB969,608, being the second instalment, shall be paid on or before 30 September 2024. Out of the second installment to be paid, RMB168,627 shall be paid no later than 30 November 2024.
Total	49%	51%	100%	RMB13,500,000	

The consideration for the Disposal was determined after arm's length negotiations between the Vendor and the Purchasers with reference to the actual acquisition cost of approximately RMB13.41 million paid by the Company to the Purchasers pursuant to the Equity Transfer Agreement.

Other Matters

Upon signing of the Agreement, the Vendor shall assist the Purchaser in the following matters:

1. to cooperate with the Purchasers and the Target Company to effect the change of the legal representative and the financial director of the Target Company to personnel designated by the Purchasers and to complete the necessary statutory filings.
2. to assist Hangzhou Huashi Peijian Training School Co., Ltd.* (杭州華石培尖培訓學校有限公司) to commence the deregistration process.

3. to cooperate with Shandong Peijian Education Technology Co., Ltd.* (山東培尖教育科技有限公司) to effect the change of director to personnel designated by the Purchasers and to complete the relevant statutory filings.
4. to re-deploy the financial director it appointed to the Target Company within 3 working days after the Purchasers make full payment of the consideration.

Completion

Completion shall take place on the date when all the following conditions of the Agreement have been fulfilled:

1. within 10 working days after the full payment of the first installments by the respective Purchasers and the total amount paid for the second installments by the respective Purchasers has reached RMB9,500,000, the Vendor shall cooperate with Target Company and its group companies and the Purchasers to complete the following matters:
 - i. to cooperate with the Purchasers and the Target Company to terminate the Structured Contracts dated 1 December 2019, and to release the equity pledge in the amount of RMB5.1 million of the equity interest in Target Company granted by the Vendor in favour of 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;
 - ii. to cooperate with the Purchasers and the Target Company to (i) complete the equity transfer of the Target Company; (ii) effect the change of director to personnel designated by the Purchasers; (iii) effect the change of supervisor to personnel designated by the Purchasers; and (iv) complete the amendments of articles of association of the Target Company and the required statutory filings; and
 - iii. to effect the change of the directors of Chongqing Peijian Technology Co., Ltd.* (重慶培尖科技有限公司) to personnel designated by the Purchasers and to complete the required statutory filings.

INFORMATION OF THE COMPANY, THE VENDOR AND THE PURCHASERS

The Group and the Vendor

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 colleges. The Vendor is an investment holding company with limited liability established under the laws of the PRC on 12 July 2017 and is one of the PRC Operating Entities and controlled by the Company through Contractual Arrangements.

The Target Company

The Target Company is a company established in the PRC with limited liability and is principally engaging in the businesses of education software, education equipment, technology development of electronic products and technology consultancy. The Target Company is a non-wholly owned subsidiary of the Company and is owned as to 51% by the Vendor and 49% by the Purchasers. The Target Company operates New Gaokao* (新高考) Business in Zhejiang Province and nationwide.

The Purchasers

The Purchasers are the co-founders of the Target Company, being the five individuals holding, in aggregate, 49% of the equity interest of the Target Company. Among the Purchasers, Chen Qinghua (陳清華) and Shi Yuhong (石育紅) held 19.8% and 14.7% of the equity interest of the Target Company respectively and are connected persons of the Company at the subsidiary level. To the best of the Directors' knowledge, information and belief after making all reasonable enquiries, save for their interests in the Target Company, the Purchasers are Independent Third Parties.

FINANCIAL INFORMATION OF THE TARGET COMPANY

As at 31 December 2023, the audited total assets and net assets of the Target Company were approximately RMB19,718,078 and RMB5,607,420 respectively.

Set out below is the net profit/(loss) (before and after tax) of the Target Company for the two financial years ended 31 December 2022 and 2023:

	For the year ended 31 December 2022 (Audited) RMB	For the year ended 31 December 2023 (Audited) RMB
Net Profit/(loss) (before tax)	117,490	491,516
Net Profit/(loss) (after tax)	(39,544)	(113,338)

FINANCIAL EFFECT OF THE DISPOSAL

Based on the unaudited management account of the Target Company for the four months ended 30 April 2024, it is expected that the Company will record an unaudited book gain before tax and expenses of approximately RMB1.83 million as a result of the Disposal, which is calculated with reference to the consideration of the Disposal of RMB13.50 million and the payables of RMB11.70 million waived pursuant to the Equity Transfer Agreement less the fair value of the unaudited identifiable assets of the 51% equity interest in the Target Company of approximately RMB23.37 million as at 30 April 2024. The actual gain or loss in connection with the Disposal will be assessed after Completion and is subject to audit.

Upon Completion, the Target Company will cease to be a non-wholly owned subsidiary of the Company and the financial results of the Target Company will not be consolidated into the Company's financial statements.

REASONS FOR THE DISPOSAL AND THE USE OF PROCEEDS

Reference is made to the announcement of the Company dated 6 September 2019 regarding, among others, the acquisition of 51% equity interests in the Target Company by the Vendor. Pursuant to the Equity Transfer Agreement, the Vendor is entitled to request the Purchasers to repurchase the equity interests held by the Vendor of the Target Company should the Target Company recorded audited net loss for any of the financial years ended 31 December 2019, 2020, 2021 or 2022. Taking into account the current policies in force, and after considering the financial status and the profitability of the Target Company, the Board considers that the Company's disposal of the equity interest in the Target Company will allow the Group to realise investment gain, optimise its capital structure and increase the Group's liquidity and reserves. After Completion, the Target Company will cease to be a non-wholly owned subsidiary of the Company. Further, the Directors expect that the net proceeds from the Disposal of approximately RMB13.40 million will be used by the Group as general working capital.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Disposal are fair and reasonable on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As the highest applicable percentage ratio calculated according to Rule 14.07 of the Listing Rules in respect of the Disposal, exceeds 5% but all of the applicable percentage ratios are less than 25%, the Disposal constitutes a discloseable transaction of the Company and therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

Among the Purchasers, Chen Qinghua (陳清華) and Shi Yuhong (石育紅) held 19.8% and 14.7% of the equity interest of the Target Company, respectively as at the date of this announcement and are connected persons of the Company at the subsidiary level. As such, the Disposal also constitute a connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As (i) two of the Purchasers are connected persons at the subsidiary level; (ii) the Board have approved the Disposal; and (iii) the independent non-executive Directors have confirmed that the terms of the Agreement are fair and reasonable and the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Disposal is subject to the announcement requirement but is exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules.

None of the Directors has a material interest in the Agreement and the Disposal, as such no Directors have abstained from voting in the board resolution(s) approving the Agreement and the Disposal.

DEFINITIONS

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

“Agreement”	the share repurchase agreement for the Disposal dated 4 July 2024 entered into between the Purchasers, the Vendor and the Target Company
“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), 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 issued by the Company on the initial public offering and listing dated 15 May 2018
“Completion”	registration of the transfer of 51% equity interest of the Target Company with the competent authority pursuant to the terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the disposal of 51% equity interest of the Target Company by the Vendor pursuant to the Agreement

“Equity Transfer Agreement”	the equity transfer agreement entered into by, amongst others, the Vendor, the Purchasers and the Target Company on 5 September 2019
“Group”	the Company, its subsidiaries and its PRC Operating Entities from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchasers”	collectively Chen Qinghua (陳清華), Shi Yuhong (石育紅), Wang Xiaoqing (王孝青), Chen Qianliang (陳潛亮) and Wang Shuxian (王書賢), the equity holders holding 49% equity interest in aggregate of the Target Company
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, the Business Cooperation Agreements, the Exclusive Service Agreements, the Exclusive Call Option Agreements, the Equity Pledge Agreements, the School Sponsors’ and Directors’ Rights Entrustment Agreements, the School Sponsors’ Powers of Attorney, the Directors’ Powers of Attorney, the Shareholders’ Power of Attorney, the Shareholders’ Rights Entrustment Agreements and the Spouse Undertakings, as amended and/or supplemented from time to time

“Target Company”	Zhejiang Peijian Technology Co., Ltd.* (浙江培尖科技有限公司), a limited liability company established under the laws of the PRC on 29 December 2017 and controlled by the Vendor as to 51% as of the date of this announcement, and one of the Company’s PRC Operating Entities
“Vendor”	Hebei Zerui Education Technology Co., Ltd.* (河北澤瑞教育科技有限責任公司), a limited liability company established under the laws of the PRC on 12 July 2017, which was owned as to 80.625% by Mr. Li Yunong and 19.375% by Ms. Luo Xinlan as at the date of this announcement, and one of the Company’s PRC Operating Entities
“%”	per cent

* *for identification purposes only*

By Order of the Board
China 21st Century Education Group Limited
Li Yasheng
Chairman

Hong Kong, 4 July 2024

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.