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 26 August 2021, 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 the consideration of RMB40,000,000.00; and (ii) the Lessor agreed to lease the Leased Assets to Shijiazhuang Institute of Technology for a term of 36 months, to be payable in 12 quarterly instalments, at an estimated Lease Payment in the amount of approximately RMB45,200,000.00 (without taking into account the repurchase cost).

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 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.

I. FINANCE LEASEBACK AGREEMENT

Date: 26 August 2021

Parties:

(1) Lessor: Shanghai Aijian International Financial Leasing Co., Ltd. (上海愛建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 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 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 RMB40,000,000.00, which was determined after arm's length negotiations between the Group and the Lessor by reference to (i) the original cost of the Leased Assets of approximately RMB40.2 million; 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 estimated aggregate Lease Payment payable by Shijiazhuang Institute of Technology to the Lessor shall be RMB45,200,000.00 (without taking into account the repurchase cost) which shall be payable in 12 quarterly instalments in accordance with the payment schedule set out in the Finance Leaseback Agreement.

The aforesaid Lease Payment in the amount of RMB45,200,000.00 comprises (i) the principal amount of RMB40,000,000.00, which is the same amount as the consideration for the sale and purchase of the Leased Assets; and (ii) the aggregate interest of RMB5,200,000.00. The interest is calculated after arms' length negotiation between the parties with reference to the loan prime rate for 1-year loans in RMB as published by the National Interbank Funding Center from time to time.

The obligations of Shijiazhuang Institute of Technology under the Finance Leaseback Agreement shall be secured by (i) a corporate guarantee 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; (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; and (iii) a personal guarantee given by Mr. Li Yunong, the chairman of the Board, executive Director and a controlling shareholder of the Company.

The terms of the Finance Leaseback Agreement, including the Lease Payment were determined after arm's length negotiation between the parties with reference to, among other things, the 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 approximately RMB1,200,000.00 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, monitoring equipment (such as surveillance cameras, etc), teaching and learning equipment (such as computers, television sets, projectors and training sets, etc) and general office equipment and furniture (such as tables, chairs and printers, etc), which are owned by Shijiazhuang Institute of Technology and being used in its ordinary 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 RMB1,000.00.

As at the date of the Finance Leaseback Agreement, the book value of the Leased Assets was approximately RMB37.6 million. There was no profit attributable to the Leased Assets in the most recent two financial years.

II. 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.

III. INFORMATION ON THE COMPANY, SHIJIAZHUANG INSTITUTE OF TECHNOLOGY AND THE LESSOR

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 Lessor is a joint stock limited company incorporated under the laws of PRC in April 2013. The Lessor is mainly engaged in the provision of comprehensive financial services, including finance leasing, operating leasing, purchase of leased assets in the PRC and overseas, maintenance of leased assets and advisory services on leasing transactions. As at the date of this announcement, the Lessor is owned as to 75% by Shanghai AJ Group Co., Ltd.* (上海愛建集團股份有限公司) and 25% by A-Jex Investment Limited (愛建(香港)有限公司). Shanghai AJ Group Co., Ltd. is in turn a company established under the laws of the PRC listed on the Shanghai Stock Exchange (stock code: 600643).

IV. 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 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 terms shall have the meanings as set out below:

"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 Leaseback Agreement"	the finance leaseback agreement dated 26 August 2021 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 and its subsidiaries
"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, monitoring equipment (such as surveillance cameras, etc), teaching and learning equipment (such as computers, television sets, projectors and training sets, etc) and general office equipment and furniture (such as tables, chairs and printers, etc), which are owned by Shijiazhuang Institute of Technology and being used in its ordinary business
"Lessor"	Shanghai Aijian International Financial Leasing Co., Ltd. (上海愛建融資租賃股份有限公司)
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"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

"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, 26 August 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.