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China Kepei Education Group Limited

中國科培教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1890)

DISCLOSEABLE TRANSACTION ACQUISITION OF A SCHOOL IN HARBIN

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 13 January 2020, the Company, Zhaoqing Kepei, the Vendors, Huarui and the Target School entered into the Equity Transfer Agreement, pursuant to which the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the 100% sponsorship interest in the Target School and (upon completion of the Restructuring) the 100% equity interest in the Target Companies at a total consideration of RMB1,450,000,000.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio pursuant to Chapter 14 of the Listing Rules in respect of the transactions contemplated under the Equity Transfer Agreement is more than 5% but less than 25%, the Acquisition under the Equity Transfer Agreement constitutes a discloseable transaction for the Company and will be subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfilment (or where applicable, waiver) of a number of conditions. As the Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

THE EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 13 January 2020, the Company, Zhaoqing Kepei, the Vendors, Huarui and the Target School entered into the Equity Transfer Agreement.

The principal terms of the Equity Transfer Agreement are summarized below:

Date

13 January 2020

Parties

- (1) The Company;
- (2) Zhaoqing Kepei;
- (3) the Vendors;
- (4) Huarui; and
- (5) the Target School.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors, Huarui and the Target School as well as their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

Pursuant to the Equity Transfer Agreement, the Company has conditionally agreed to purchase, and the Vendors have conditionally agreed to sell, the 100% sponsorship interest of the Target School and (upon completion of the Restructuring) the 100% equity interest in the Target Companies at a total consideration of RMB1,450,000,000.

Payment Terms

The total consideration payable by the Company under the Equity Transfer Agreement is RMB1,450,000,000 which shall be paid in the following manners:

- (a) the first payment in the sum of RMB450,000,000 shall be paid by the Company to the Vendors, on or after 10 February 2020, subject to the satisfaction of certain conditions under the Equity Transfer Agreement including, but not limited to:
 - (i) the Target School and Huarui having passed the necessary resolutions approving the Acquisition;
 - (ii) the execution of the management entrustment agreement among Zhaoqing Kepei, Huarui, Mr. Xie and the Target School in relation to the transfer of the management rights in respect of the Target School;
 - (iii) no objection having been received from the relevant government authorities in respect of the Acquisition; and
 - (iv) the representations and warranties given by the Vendors and Huarui under the Equity Transfer Agreement having remained true, accurate and not misleading in all respects;

- (b) the second payment in the sum of RMB700,000,000 shall be paid by the Company to the Vendors within 10 working days upon the satisfaction of certain conditions under the Equity Transfer Agreement including, but not limited to:
- (i) the conditions for the first payment having been satisfied;
 - (ii) the application for change of sponsor of the Target School having been completed and approved by the competent authorities such that Huarui becomes the sole sponsor of the Target School;
 - (iii) the transfer of the 100% equity interest in Huarui by the Vendors to Zhaoqing Kepei and the relevant Administration for Industry and Commerce registration having been completed; and
 - (iv) the completion of the Restructuring in accordance with the Equity Transfer Agreement; and
- (c) the final payment in the sum of RMB300,000,000 shall be paid by the Company to the Vendors (i) on 15 September 2020; or (ii) within 10 working days upon the satisfaction of the conditions for the second payment, whichever is later.

Termination

The Equity Transfer Agreement may be terminated (i) by a non-defaulting party if there is any material breach by any other party; (ii) by unanimous written consent of the parties; or (iii) if the Ministry of Education of the PRC does not approve the application in relation to the change of sponsor of the Target School to Huarui within 365 days from the date of such application. In the event of any material breach by a party, such party shall indemnify the other parties against the losses suffered as a result of the breach in accordance with the Equity Transfer Agreement.

Basis of Consideration

The consideration of the Acquisition was arrived at after arm's length negotiations of the parties with reference to, among other things, the historical turnover and the total asset value of the Target School, its location and branding, the courses it offers, the employment opportunities and the prospects of the graduates, the number of students and enrollments of the school and the observation by the Company regarding the recent market value of schools of similar size.

The consideration to be paid by the Company will be funded by partially by the portion of IPO Net Proceeds which were allocated for the purpose of acquiring additional schools and partially by the Group's internal financial resources and/or loan(s) from third party banks.

STRUCTURE OF THE TARGET SCHOOL UPON COMPLETION

At Completion, the sponsorship interest in the Target School will be wholly owned by Huarui. Among others, Huarui and the Target School will enter into the structured contracts with the Company and/or the Target Companies, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, upon which the Target School will be treated as a consolidated affiliated entity of the Company and the Target School's results of operations will be consolidated into the Group's results of operations. The Company will publish further announcement(s) according to the Listing Rules and the Guidance Letter HKEx-GL77-14 issued by the Stock Exchange upon Completion.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER AGREEMENT

The Directors believe that the Equity Transfer Agreement marks the milestone of the Group's first attempt to expand its school network and increase market penetration since its listing last year. The Directors consider that with the Acquisition, the Group will be able to penetrate into Harbin, another important and strategic location for the Group. Furthermore, following the Acquisition, the total number of students of the Group will be further increased and its profitability as well as reputation will be further enhanced.

The Directors consider that the Equity Transfer Agreement has been entered into on normal commercial terms, and the terms of the transactions thereunder are fair and reasonable and in the interests of the Company and its shareholders as a whole. None of the Directors has any material interest in the transactions contemplated under the Equity Transfer Agreement or is required to abstain from voting on the Board resolution for considering and approving the same.

INFORMATION ON THE GROUP AND THE PARTIES TO THE EQUITY TRANSFER AGREEMENT

The Group

The Group is principally engaged in the provision of private higher education in South China focusing on profession-oriented education. Currently, the Group is operating two schools in the PRC, namely Guangdong Polytechnic College and Zhaoqing School.

The Company

The Company is a limited liability company incorporated in the Cayman Islands and an investment holding company. The shares of the Company are listed on the Main Board of the Stock Exchange on 25 January 2019.

Zhaoqing Kepei

Zhaoqing Kepei is a limited liability company incorporated under the laws of the PRC and principally engaged in the provision of private higher education in South China focusing on profession-oriented education. It wholly owns the sponsorship interest of Guangdong Polytechnic College and Zhaoqing School.

The Vendors

As at the date of this announcement, each of Mr. Xie and Huarui owns 98% and 2% sponsorship interest in the Target School, respectively. Huarui is a limited liability company incorporated in the PRC and principally engaged in investment holding. As at the date of this announcement, Huarui is owned by Mr. Xie and Mr. Wang as to 80% and 20%, respectively.

The Target School

The Target School is located in Harbin, the PRC and is a private regular undergraduate institution established by Mr. Xie and Huarui, and approved by the Ministry of Education of the PRC in 2003. As at the date of the announcement, it has approximately 9,366 undergraduate students and the land use rights of the property of a total area of approximately 666,667 sq. m.

For the years ended 31 December 2018 and 31 December 2019, the net profit of the Target School prepared pursuant to the Generally Accepted Accounting Principles of the PRC was as follows:

	For the year ended 31 December 2018 <i>(RMB'000)</i>	For the year ended 31 December 2019 <i>(RMB'000)</i>
Unaudited net profit (before tax)	36,445	68,421
Unaudited net profit (after tax)	36,445	68,421

As at 31 December 2019, the total asset value and the net asset value of the Target School were approximately RMB845,802,000 (unaudited) and RMB763,787,000 (unaudited) respectively.

LISTING RULES IMPLICATIONS

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Completion is subject to the fulfilment (or where applicable, waiver) of a number of conditions. As the Acquisition may or may not proceed, shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the acquisition of the 100% sponsorship interest in the Target School and (upon completion of the Restructuring) the 100% equity interest in the Target Companies as contemplated under the Equity Transfer Agreement
“Board”	the board of directors of the Company
“Company”	China Kepei Education Group Limited (中國科培教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 24 August 2017

“Completion”	the completion of the Acquisition in accordance with the Equity Transfer Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 13 January 2020 entered into by and among the Company, Zhaoqing Kepei, the Vendors, Huarui and the Target School, pursuant to which the parties agreed to, among other things, the Acquisition
“Group”	the Company and its subsidiaries from time to time
“Guangdong Polytechnic College”	Guangdong Polytechnic College (廣東理工學院), a private institution of higher education established in the PRC on 8 December 2005, of which the school sponsor’s interest is wholly owned by Zhaoqing Kepei and is a consolidated affiliated entity of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Huarui”	Harbin Huarui Enterprise Co., Ltd.* (哈爾濱華瑞實業有限公司), a limited liability company incorporated in the PRC with limited liability, which is jointly owned by Mr. Xie and Mr. Wang as of the date of this announcement
“IPO Net Proceeds”	the net proceeds received by the Company from its initial public offering on the Stock Exchange on 25 January 2019, the intended use of which was disclosed in the prospectus of the Company dated 15 January 2019
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Wang”	Mr. Wang Fu (王富)
“Mr. Xie”	Mr. Xie Yongli (謝永利)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, does not include Hong Kong, the Macau Special Administrative Region and Taiwan
“Restructuring”	the restructuring of the Target School to be conducted by the Vendors in accordance with the Equity Transfer Agreement including, but not limited to, the transfer of the sponsorship interest in the Target School to Huarui, the establishment of the Target Companies and the execution of the structured contracts, which are to be completed before Completion

“RMB”	Renminbi, the lawful currency of the PRC
“sq. m.”	square meter
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	has the meaning as defined in the prospectus of the Company dated 15 January 2019
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Target Companies”	the new onshore and offshore companies to be incorporated by the Vendors for the purpose of the Restructuring which will be transferred to the Company and Zhaoqing Kepei, respectively, at Completion
“Target School”	Harbin Institute of Petroleum* (哈爾濱石油學院), a private regular undergraduate institution in Harbin, the PRC and as at the date of this announcement, is jointly sponsored by Mr. Xie and Huarui
“Vendors”	Mr. Xie and Mr. Wang together with, where the context requires, their respective investment holding entities which will hold the 100% equity interest in the Target Companies before Completion
“Zhaoqing Kepei”	Zhaoqing Kepei Education Investment Development Co., Ltd.* (肇慶市科培教育投資開發有限公司), a limited liability company established in the PRC on 8 March 2000
“Zhaoqing School”	Zhaoqing Science and Technology Secondary Vocational School* (肇慶市科技中等職業學校), a private secondary vocational education institution established in the PRC on 19 May 2000, of which the school sponsor’s interest is wholly owned by Zhaoqing Kepei and is a consolidated affiliated entity of the Company
“%”	per cent

* Denotes English translation of the name of a Chinese company and is provided for identification purpose only.

By order of the Board
China Kepei Education Group Limited
Ye Nianqiao
Chairman

Hong Kong, 13 January 2020

As at the date of this announcement, the Board comprises Mr. YE Nianqiao, Dr. ZHANG Xiangwei, Mr. ZHA Donghui, Ms. LI Yan and Mr. YE Xun as executive Directors, Mr. WANG Chuanwu as non-executive Director, and Mr. XU Ming, Dr. DENG Feiqi and Dr. LI Xiaolu as independent non-executive Directors.