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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)

COMPLETION OF ACQUISITION OF HARBIN COLLEGE AND HARBIN COLLEGE STRUCTURED CONTRACTS

COMPLETION OF ACQUISITION OF HARBIN COLLEGE

Reference is made to the announcement dated 13 January 2020 in relation to the acquisition of the 100% sponsorship interest in Harbin College and 100% equity interest in Ganzhou Xuteng, the sole shareholder of the School Sponsor of Harbin College, by the Company.

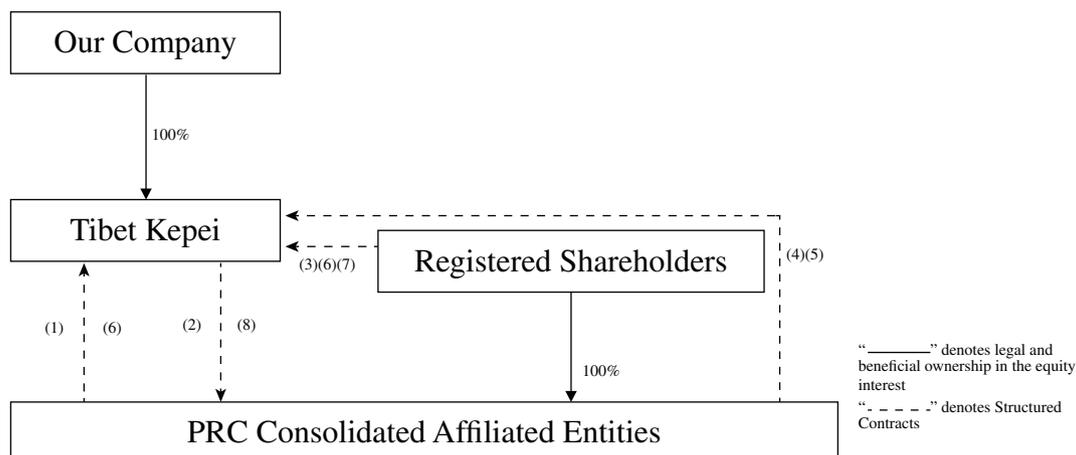
The Board is pleased to announce that the Company has obtained all necessary government approvals as well as business registration and completed the transfer of 100% equity interest in Ganzhou Xuteng.

On 29 March 2021, Tibet Kepei and Harbin College entered into the Harbin College Structured Contracts, of which the terms and conditions therein are the same as the existing Structured Contracts in all material aspects, pursuant to which Harbin College will become an entity controlled by the Company, and its financial results will be consolidated into the accounts of the Group.

HARBIN COLLEGE STRUCTURED CONTRACTS

On 29 March 2021, Tibet Kepei and Harbin College, entered into the following agreements that constitute the Harbin College Structured Contracts, pursuant to which all the economic benefits arising from the business of Harbin College and the School Sponsor are transferred to Tibet Kepei to the extent permitted under the PRC laws and regulations by means of service fees payable by Harbin College and the School Sponsor to Tibet Kepei: the (1) Business Cooperation Agreement; (2) Exclusive Technical Service and Management Consultancy Agreement; (3) Exclusive Call Option Agreement; (4) Equity Pledge Agreement; (5) Shareholders' Rights Entrustment Agreement; (6) School Sponsor's and Directors' Rights Entrustment Agreement; (7) Spouse Undertakings; and (8) Loan Agreement. Following the execution of the Harbin College Structured Contracts, Harbin College will become an entity controlled by the Company, and its financial results will be consolidated into the accounts of the Group.

The following diagram illustrates the relationship among the Company, Tibet Kepei, the Registered Shareholders and the PRC Consolidated Affiliated Entities:



Notes:

1. Payment of service fees.
2. Provision of exclusive technical and management consultancy services.
3. Exclusive call option to acquire all or part of the School Sponsor’s interest in the PRC Consolidated Affiliated Entities and all or part of equity interest in the PRC Consolidated Affiliated Entities.
4. Entrustment of school sponsor’s rights in Harbin College by the School Sponsor.
5. Entrustment of directors’ rights in Harbin College and the School Sponsor by directors of the PRC Consolidated Affiliated Entities.
6. Entrust of shareholders’ right by each of the Registered Shareholders, Zhaoqing Kepei and Ganzhou Xuteng.
7. Pledge of equity interest by the Registered Shareholders of their equity interest in Zhaoqing Kepei.
8. Provision of loans by Tibet Kepei to Zhaoqing Kepei.

Reasons for and Benefits of the Adoption of the Harbin College Structured Contracts

Harbin College is engaged in private higher education.

Pursuant to the Negative List, the provision of higher education in the PRC falls within the “restricted” category. In particular, the Negative List explicitly restricts higher education to Sino-foreign cooperation, which means the foreign investor shall be an educational institution and shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation. In addition, the Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for not less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the “**Foreign Control Restriction**”). The Company had fully complied with the Foreign Control Restriction in respect of Harbin College on the basis that (a) the principals and the chief executive officers of Harbin College are all PRC nationals; and (b) all the members of the board of directors are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the definition of Sino-Foreign Regulation, if we were to apply for any of our schools to be reorganized as a Sino-Foreign Joint Venture Private School for PRC students at higher education institutions (a “**Sino-Foreign Joint Venture Private School**”), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification that provides high quality education (the “**Qualification Requirement**”). Furthermore, pursuant to the implementation opinions, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the “**Foreign Ownership Restriction**”) and the establishment of these schools is subject to approval of education authorities at the provincial or national level. The PRC Legal Advisors have advised that there are no implementing measures or specific guidance on the Qualification Requirement in accordance with the existing PRC laws and regulations and therefore it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirement.

Based on the above and as confirmed by the PRC Legal Advisors, in order to achieve the business purpose of the Company, the Harbin College Structured Contracts, through which the Group will be able to exercise full control over Harbin College and the School Sponsor and consolidate the financial results of Harbin College and the School Sponsor into the accounts of the Group, have been utilized to minimize the potential conflict with the relevant PRC laws and regulations.

Unwinding of the Harbin College Structured Contracts

Under the Sino-Foreign Regulation, foreign investment in higher education in the PRC is required to be in the form of cooperation between PRC educational institutions and foreign educational institutions and subject to the Foreign Ownership Restriction and the Foreign Control Restriction, a foreign investor can only hold less than 50% interest in a Sino-Foreign Joint Venture Private School and not less than 50% of the governing body of the institute offering high education must be appointed by the Chinese investors.

In the event that the Qualification Requirement is removed or the Company is able to meet the Qualification Requirement and there is a change in policy, but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, or (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains, as permitted by the applicable PRC laws and regulations at the relevant time:

- in circumstance (a), the Company will partially unwind the Harbin College Structured Contracts and directly hold an equity interest of less than 50% in the relevant schools (such as a 49.99% equity interest) as the Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, the Company will not be able to control such schools without the Harbin College Structured Contracts in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed or met, the Company will still rely on contractual arrangements to establish control over the schools. The Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant schools. The Company will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Harbin College Structured Contracts;

- in circumstance (b), the Company will partially unwind the Harbin College Structured Contracts and directly hold an equity interest of less than 50% in the relevant schools (such as a 49.99% equity interest) as the Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School up to no more than 50%. However, the Company will not be able to control such school without the Harbin College Structured Contracts in place with respect to the domestic interests. The Company will also acquire rights to appoint the majority members of the board of directors of the schools; and
- in circumstance (c), notwithstanding the Company will be able to hold majority interests in Sino-Foreign Joint Venture Private Schools, the Sino-Foreign Regulation still dictates that there be a domestic interest in the schools and the Company are ineligible to operate the schools by ourselves. Under such circumstances, the Company will acquire rights to appoint members of the board of directors who together shall constitute less than 50% of the board of directors of the relevant schools. The Company will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Harbin College Structured Contracts. The Company also plans to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the relevant schools directly, subject to the approval of the relevant government authorities. As for the remaining minority domestic interests which the Company intends to consolidate, the Company will then control them pursuant to the Harbin College Structured Contracts.

Plan to Comply with the Qualification Requirement

The Company has adopted a specific plan and began to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. Please also refer to the section headed “Structured Contracts” in the Prospectus and the financial reports of the Company for the Group’s efforts and actions undertaken to comply with the Qualification Requirement. As of the date of this announcement, we are still waiting for approval from the BPPE to establish the new school in the State of California.

Summary of the Material Terms of the Harbin College Structure Contracts

A description of each of the specific agreements that comprise the Harbin College Structured Contracts is set out below:

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Tibet Kepei shall provide technical services, management support and consulting services necessary for the private education business, and in return, the PRC Consolidated Affiliated Entities shall make payments of fees accordingly.

To ensure the due performance of the Harbin College Structured Contracts, each of the PRC Consolidated Affiliated Entities agreed to comply, and procure any of its subsidiaries to comply with, and the Registered Shareholders agreed to procure the PRC Consolidated Affiliated Entities to comply with the obligations as prescribed under the Business Cooperation Agreement set forth as follows:

- (a) to carry out its private education operations in a prudent and efficient manner in accordance with good financial and business standards while maintaining the asset value of the PRC Consolidated Affiliated Entities and the quality and standard of private education;
- (b) to prepare school development plans and annual working plans in accordance with the instructions of Tibet Kepei;
- (c) to carry out its private education activities and other relevant business under the assistance of Tibet Kepei;
- (d) to carry out and manage its daily operations and financial management in accordance with the recommendations, advice, principles and other instructions of Tibet Kepei;
- (e) to execute and act upon the recommendations of Tibet Kepei in terms of employment and removal of senior management and staff;
- (f) to adopt the advice, guidance and plans given by Tibet Kepei in relation to their respective strategic development;
- (g) to carry out its business operations and maintain its respective necessary licenses, all government licenses, permits, authorizations and approvals in legal and valid condition based on the purpose to develop education business. Any act/omission that may cause such government licenses, permits, authorizations and approvals to be invalid, revoked, or incapable of renewal after expiration shall not be allowed; in the event any and all government license, permits, authorizations and approvals necessary for each of the PRC Consolidated Affiliated Entities to carry out business are requested to change and/or increase due to the alteration of provisions of the relevant government authorities, the PRC Consolidated Affiliated Entities shall make change and/or supplement in accordance with any requirement of the PRC laws;
- (h) to provide business operating management and financial materials relevant to the PRC Consolidated Affiliated Entities at the request of Tibet Kepei, to inform material adverse impact circumstances of Tibet Kepei that arise or may arise in the business or operation, and to prevent occurrence of such circumstances and/or expansion of loss with its best endeavors;
- (i) to purchase and hold assets and business insurance of the PRC Consolidated Affiliated Entities from the insurance company agreed by Tibet Kepei at the request of Tibet Kepei, the amount and coverage of which shall be in line with the general insurance of a company and school that operate similar business or have similar assets or properties in the same area; and
- (j) to keep and manage all authorized original seals and registered documents of Harbin College and other documents or items necessary for the achievement of the purposes of the Harbin College Structured Contracts.

(2) *Exclusive Technical Service and Management Consultancy Agreement*

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Tibet Kepei agreed to provide exclusive technical services to the PRC Consolidated Affiliated Entities, including but not limited to, (a) design, development, update and maintenance of software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of the PRC Consolidated Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the education activities of the PRC Consolidated Affiliated Entities; (d) provision of other technical support necessary for the education activities of the PRC Consolidated Affiliated Entities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by the PRC Consolidated Affiliated Entities.

Furthermore, Tibet Kepei agreed to provide exclusive management consultancy services to the PRC Consolidated Affiliated Entities, including but not limited to, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management; (i) provision of management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of marketing network; and (m) providing other management technical services reasonably requested by the PRC Consolidated Affiliated Entities.

In consideration of the technical and management consultancy services provided by Tibet Kepei, each of the PRC Consolidated Affiliated Entities agreed to Tibet Kepei a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law) and the legally compulsory development fund of Harbin College (if required by the law)) and other expenses required by the applicable PRC laws; and the School Sponsor agreed to pay Tibet Kepei a service fee equal to all of its net profit (after deducting all necessary costs, expenses, taxes, losses from the previous year (if required by law) and statutory accumulation funds. Tibet Kepei has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of the PRC Consolidated Affiliated Entities, provided that any adjusted amount shall not exceed the amount mentioned above.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Tibet Kepei shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Tibet Kepei to the PRC Consolidated Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Tibet Kepei and other parties.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably granted Tibet Kepei or its designated purchaser the right to purchase all or part of the school sponsor's interest of the PRC Consolidated Affiliated Entities and equity interest in the PRC Consolidated Affiliated Entities (the "**Equity Call Option**"). The purchase price payable by Tibet Kepei or its designated purchaser in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Tibet Kepei or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest in Harbin College and/or equity interest in the School Sponsor as it decides at any time.

In the event that PRC laws and regulations allow Tibet Kepei or us to directly hold all or part of the equity interest in the PRC Consolidated Affiliated Entities and operate private education business in the PRC, Tibet Kepei shall issue the notice of exercise of the equity call option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the equity call option shall not be lower than the maximum percentage then allowed to be held by Tibet Kepei or the Company under the PRC laws and regulations.

(4) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Registered Shareholders, Zhaoqing Kepei and Ganzhou Xuteng unconditionally and irrevocably pledged and granted first priority security interests over all of his/her/its equity interest in Zhaoqing Kepei, Ganzhou Xuteng and the School Sponsor, respectively, together with all related rights thereto as security for performance of the Harbin College Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Tibet Kepei as a result of any event of default on the part of the Registered Shareholders, each of the PRC Consolidated Affiliated Entities and all expenses incurred by Tibet Kepei as a result of enforcement of the obligations of the Registered Shareholders, each of the PRC Consolidated Affiliated Entities under the Harbin College Structured Contracts (the "**Secured Indebtedness**").

Pursuant to the Equity Pledge Agreement, without the prior written consent of Tibet Kepei, the Registered Shareholders, Zhaoqing Kepei and the Ganzhou Xuteng shall not transfer the equity interest or create any further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid. The Registered Shareholders, Zhaoqing Kepei and Ganzhou Xuteng also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreement.

(5) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders, Zhaoqing Kepei and Ganzhou Xuteng has irrevocably authorized and entrusted Tibet Kepei to exercise all of his/her/their respective rights as shareholders of Zhaoqing Kepei, Ganzhou Xuteng and the School Sponsor (together, "**the Relevant Subsidiaries**") to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of the Relevant Subsidiaries, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of the Relevant Subsidiaries, as the case may be; (c) the right to appoint directors or legal representative of the Relevant Subsidiaries, as the case may be; (d) the right to propose to convene interim shareholders' meetings of the Relevant Subsidiaries, as the case may be; (e) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders, Zhaoqing Kepei and Ganzhou Xuteng have authority to sign in his or their capacity as shareholders of the Relevant Subsidiaries, as the case may be; (f) the right to instruct the directors and legal representative of the Relevant Subsidiaries, as the case may be to act in accordance with the instruction of Tibet Kepei; (g) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of the Relevant Subsidiaries, as the case may be; (h) the right to handle the legal procedures of registration, approval and licensing of the Relevant Subsidiaries, as the case may be at the education department, the department of civil affairs or other government regulatory departments; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of the Relevant Subsidiaries as amended from time to time.

In addition, each of the Registered Shareholders, Zhaoqing Kepei and Ganzhou Xuteng has irrevocably agreed that (i) Tibet Kepei may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Tibet Kepei or its designated person, without prior notice to or approval by the Registered Shareholders, Zhaoqing Kepei and Ganzhou Xuteng; and (ii) any person as successor of civil rights of Tibet Kepei or liquidator by reason of subdivision, merger, liquidation of Tibet Kepei or other circumstances shall have authority to replace Tibet Kepei to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(6) School Sponsor's and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor has irrevocably authorized and entrusted Tibet Kepei to exercise all its rights as school sponsor of Harbin College to the extent permitted by PRC laws.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, each of the directors of Harbin College (the "**Appointees**") has irrevocably authorized and entrusted Tibet Kepei to exercise all his/her rights as directors of the PRC Consolidated Affiliated Entities and to the extent permitted by PRC laws.

(7) Spouse Undertakings

Pursuant to the Spouse Undertakings, each of Mr. Ye, Ms. Shu, the spouse of Mr. Ye Nianjiu and the spouse of Mr. Ye Xun (the “**Relevant Spouse**”) has irrevocably undertaken that:

- (a) the Relevant Spouse has full knowledge of and has consented to the entering into of the Harbin College Structured Contracts by his/her spouse, and in particular, the arrangement as set out in the Harbin College Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest in Zhaoqing Kepei, pledge or transfer the direct or indirect equity interest in Zhaoqing Kepei, or the disposal of the direct or indirect equity interest in Zhaoqing Kepei in any other forms;
- (b) the Relevant Spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to the PRC Consolidated Affiliated Entities;
- (c) the Relevant Spouse authorizes his/her spouse or his/her authorized person to sign and execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the Relevant Spouse’s equity interest in Zhaoqing Kepei (direct or indirect) in order to safeguard the interest of Tibet Kepei under the Harbin College Structured Contracts and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;
- (d) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in Zhaoqing Kepei;
- (e) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events;
- (f) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Tibet Kepei and the Relevant Spouse in writing; and
- (g) the Spouse Undertakings shall have the same term as and incorporate the terms of the Business Cooperation Agreement.

(8) *Loan Agreement*

Pursuant to the Loan Agreement, Tibet Kepei agreed to provide interest-free loans to Zhaoqing Kepei, Ganzhou Xuteng and the School Sponsor in accordance with the PRC laws and regulations and Zhaoqing Kepei, Ganzhou Xuteng and the School Sponsor agreed to utilize the proceeds of such loans to contribute as capital of the Harbin College.

The terms of the Loan Agreement shall continue until all direct or indirect interest of the PRC Consolidated Affiliated Entities has been transferred to Tibet Kepei and the registration process required thereafter has been completed with the relevant local authorities.

Each loan to be granted under the Loan Agreement will be for an indefinite term until termination at the sole discretion of Tibet Kepei. The loan will become due and payable upon Tibet Kepei's demand under any of the following circumstances: (i) a bankruptcy application, bankruptcy reorganization or bankruptcy settlement has been filed by or against Zhaoqing Kepei, Ganzhou Xuteng and the School Sponsor; (ii) a winding-up or liquidation application has been filed by or against Zhaoqing Kepei, Ganzhou Xuteng and the School Sponsor; (iii) Zhaoqing Kepei, Ganzhou Xuteng and the School Sponsor becoming insolvent or incurring any other significant personal debt which may affect its ability to repay the loan under the Loan Agreement; (iv) Tibet Kepei or its designee exercising in full its option to purchase all direct or indirect school sponsor's interests to the extent permitted by the PRC laws and regulations; or (v) any of Zhaoqing Kepei, Ganzhou Xuteng and the School Sponsor or Harbin College commits any breach of any obligations under the Harbin College Structured Contracts, or any warranties provided by any of Zhaoqing Kepei, Ganzhou Xuteng and the School Sponsor or Harbin College under the Harbin College Structured Contracts is proved incorrect or inaccurate.

As advised by the PRC Legal Advisors, the interest-free loans granted by Tibet Kepei to Zhaoqing Kepei, Ganzhou Xuteng and the School Sponsor are not in violation of the applicable PRC laws and regulations.

Further Information about the Harbin College Structured Contracts

Dispute Resolution

Each of the Harbin College Structured Contracts provides that:

- (a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Harbin College Structured Contracts shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;
- (b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;

- (c) the arbitration commission shall have the right to award remedies over the equity interest and property interest and other assets of the PRC Consolidated Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of the PRC Consolidated Affiliated Entities; and
- (d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of the Company, the PRC Consolidated Affiliated Entities are located shall be considered as having jurisdiction for the above purposes.

Legality of the Harbin College Structured Contracts

The PRC Legal Advisors are of the opinion that the Harbin College Structured Contracts are to minimize the potential conflict with relevant PRC laws and regulations and that the Harbin College Structured Contracts as a whole and each of the agreements comprising the Harbin College Structured Contracts are legal, valid and binding on the parties thereto, enforceable under the PRC laws and regulations, except that the Harbin College Structured Contracts provide that the arbitral body may award remedies over the shares and/or assets of the PRC Consolidated Affiliated Entities, injunctive relief and/or winding up of the PRC Consolidated Affiliated Entities, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under the PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in the PRC Consolidated Affiliated Entities in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China, and do not, individually or collectively, constitute a breach of any PRC laws and regulations and will not be deemed invalid or ineffective under those laws and regulations; in particular, the Harbin College Structured Contracts do not violate the Civil Code of the PRC and other applicable PRC laws and regulations.

Protection in the Event of Death, Bankruptcy or Divorce of the Registered Shareholders

Pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertakes to Tibet Kepei that, in the event of death, loss of or restriction on capacity, divorce or other circumstances regarding the Registered Shareholder which may affect the exercise of his direct or indirect equity interest in Zhaoqing Kepei, the Registered Shareholders' respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Harbin College Structured Contracts.

Protection in the Event of Dissolution or Liquidation of Harbin College and the School Sponsor

Pursuant to the Business Cooperation Agreement, in the event of merger and subdivision of the PRC Consolidated Affiliated Entities, the Registered Shareholders undertake to Tibet Kepei that, among others, Tibet Kepei and/or its designee shall have the right to exercise all school sponsor's rights on behalf of School Sponsor and/or to exercise all shareholders' rights on behalf of the Registered Shareholders and shall instruct the PRC Consolidated Affiliated Entities to transfer assets received under the PRC laws directly to Tibet Kepei and/or its designee.

Furthermore, Tibet Kepei has been irrevocably authorized and entrusted to exercise the rights of School Sponsor as school sponsor of Harbin College and the rights of the Appointees as directors of Harbin College and rights of Registered Shareholders as shareholders of Zhaoqing Kepei.

Loss Sharing

In the event that Harbin College and/or the School Sponsor incur any loss or encounter any operational crisis, Tibet Kepei may, but is not obliged to, provide financial support to Harbin College and/or the School Sponsor. None of the agreements constituting the Harbin College Structured Contracts provide that the Company or its wholly-owned PRC subsidiary, Tibet Kepei, is obligated to share the losses of Harbin College and/or the School Sponsor or provide financial support to Harbin College and/or the School Sponsor. Further, Harbin College and/or the School Sponsor shall be solely liable for their own debts and losses with assets and properties owned by themselves.

Under the PRC laws and regulations, the Company or Tibet Kepei is not expressly required to share the losses of Harbin College and/or the School Sponsor or provide financial support to Harbin College and/or the School Sponsor. Despite the foregoing, given that Harbin College and/or the School Sponsor's financial condition and results of operations are consolidated into the Group's financial condition and results of operations under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if Harbin College and/or the School Sponsor suffer losses.

Insurance

The Company does not maintain any insurance policy to cover the risks relating to the Harbin College Structured Contracts.

Arrangement to Address Potential Conflict of Interest

The Company has in place arrangements to address the potential conflicts of interest between the Registered Shareholders on the one hand, and the Company on the other hand. Pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertakes to Tibet Kepei that, unless with the prior written consent of Tibet Kepei, the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any business or activity which competes or may potentially compete with any of Harbin College and/or the School Sponsor and its subsidiaries (the "**Competing Business**") and Tibet Kepei is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Harbin College Structured Contracts; or (ii) require the entity engaging in the Competing Business to cease operation. The Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the School Sponsor and the Registered Shareholders on the one hand, and the Company on the other hand.

Risks associated with the Harbin College Structured Contracts

The Group entered into the Harbin College Structured Contracts through its wholly-owned subsidiary, Tibet Kepei, pursuant to which all economic benefits arising from the business of the PRC Consolidated Affiliated Entities will be transferred to Tibet Kepei to the extent permitted by the PRC laws and regulations by means of services fees payable by the PRC Consolidated Affiliated Entities to Tibet Kepei.

Foreign investment in the education industry in the PRC is extensively regulated and subject to numerous restrictions. The Company has been and are expected to continue to be dependent on the Harbin College Structured Contracts to operate its education business. If the Harbin College Structured Contracts that establish the structure for operating the Group's China business are found to be in violation of any existing or future PRC laws, rules, regulations or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the MOE, would have broad discretion in dealing with such violations, including:

- (a) revoking the business and operating licenses of the Company's PRC subsidiary or consolidated affiliated entities;
- (b) discontinuing or restricting the operations of any related-party transactions among the Company's PRC subsidiary or consolidated affiliated entities;
- (c) imposing additional conditions or requirements with which the Group, the Company's PRC subsidiary or consolidated affiliated entities may not be able to comply;
- (d) requiring the Company to undergo a costly and disruptive restructuring such as forcing us to establish new entities, re-apply for the necessary licenses or relocate its businesses, staff and assets;
- (e) restricting or prohibiting the use of proceeds from public offering or other financing activities to finance the Company's business and operations in the PRC; or
- (f) taking other regulatory or enforcement actions, including imposing fines, which could be harmful to the Company's business.

Directors' Views on the Harbin College Structured Contracts

The Directors believe that the Harbin College Structured Contracts are narrowly tailored because the Harbin College Structured Contracts are only used to enable the Group to consolidate the financial results of Harbin College and/or the School Sponsor which engage or will engage in the operation of higher education, where the PRC laws and regulations currently restrict operation of higher education to Sino-foreign ownership, in addition to imposing qualification requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership. As of the date of this announcement, the Group has not encountered any interference or encumbrance from any governing bodies in the plan to adopt the Harbin College Structured Contracts so that the financial results of the operation of Harbin College and the School Sponsor can be consolidated to those of the Group, and based on the advice of the PRC Legal Advisors, the Directors are of the view that the Harbin College Structured Contracts are enforceable under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "Dispute Resolution" in this announcement.

LISTING RULES IMPLICATIONS

The transactions contemplated under the Harbin College Structured Contracts, as a whole, constitute continuing connected transactions of the Company under the Listing Rules because (1) each of Mr. Ye, Ms. Shu and Mr. Ye Xun is a connected person under Rule 14A.07(1) of the Listing Rules; (2) each of Mr. Ye Xun and Mr. Ye Nianjiu is a connected person under Rule 14A.07(4) of the Listing Rules; and (3) Zhaoqing Kepei, the entire equity interest of which is held by Mr. Ye, Ms. Shu, Mr. Ye Xun and Mr. Ye Nianjiu, is a connected person of the Company under Rule 14A.07(4) of the Listing Rules.

As disclosed in the Prospectus, framework of the Structured Contracts may be reproduced in operating company engaging in the same business as that of the Group, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Structured Contracts (as defined in the Prospectus).

CONSOLIDATED FINANCIAL RESULTS OF HARBIN COLLEGE AND THE SCHOOL SPONSOR

According to HKFRSs 10 – Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although the Company does not directly or indirectly own Harbin College and the School Sponsor, the Harbin College Structured Contracts as mentioned above enable the Company to exercise control over Harbin College and the School Sponsor.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“BPPE”	California Bureau for Private Postsecondary Education, a unit of the California Department of Consumer Affairs charged with regulation of private postsecondary education institutions operating in the State of California
“Business Cooperation Agreement”	the business cooperation agreement entered into by and among Tibet Kepei, the PRC Consolidated Affiliated Entities and the Registered Shareholders dated 29 March 2021
“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
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the directors of the Company or any one of them
“Equity Pledge Agreement”	the equity pledge agreement entered into by and among Tibet Kepei, the PRC Consolidated Affiliated Entities and the Registered Shareholders dated 29 March 2021
“Exclusive Call Option Agreement”	the exclusive call option agreement entered into by and among, Tibet Kepei, the PRC Consolidated Affiliated Entities and the Registered Shareholders dated 29 March 2021
“Exclusive Technical Service and Management Consultancy Agreement”	the exclusive technical service and management consultancy agreement entered into by and among Tibet Kepei and the PRC Consolidated Affiliated Entities dated 29 March 2021
“Ganzhou Xuteng”	Ganzhou Xuteng Enterprise Management Co., Ltd.* (贛州序騰企業管理有限公司), a limited liability company incorporated in the PRC, the sole shareholder of the School Sponsor
“Group”	the Company and its subsidiaries
“Harbin College”	Harbin Institute of Petroleum* (哈爾濱石油學院), a private regular undergraduate institution in Harbin, the PRC

“Harbin College Structured Contracts”	collectively, the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the Shareholders’ Rights Entrustment Agreement, the School Sponsor’s and Directors’ Rights Entrustment Agreement, the Spouse Undertakings and the Loan Agreement
“HKFRSs”	the Hong Kong Financial Reporting Standard(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Agreement”	the loan agreement entered into by and among Tabei Kepei and the PRC Consolidated Affiliated Entities dated 29 March 2021
“MOE”	the Ministry of Education of the PRC (中華人民共和國教育部)
“Mr. Ye”	Mr. Ye Nianqiao (葉念喬), the founder of the Group, one of the controlling shareholders (as defined under the Listing Rules) of the Company, chairman of the Board and an executive Director
“Mr. Ye Nianjiu”	Mr. Ye Nianjiu (葉念廩), one of the substantial Shareholders (as defined under the Listing Rules) and brother of Mr. Ye
“Mr. Ye Xun”	Mr. Ye Xun (葉濤), one of the substantial Shareholders (as defined under the Listing Rules), an executive Director and the son of Mr. Ye and Ms. Shu
“Ms. Shu”	Ms. Shu Liping (舒麗萍), the spouse of Mr. Ye and one of the controlling shareholders (as defined under the Listing Rules) of the Company
“Negative List”	Special Administrative Measures for Foreign Investment Access (Negative List) (2020) (外商投資准入特別管理措施(負面清單)(2020年版)), which was promulgated jointly by the Ministry of Commerce of the PRC (中華人民共和國商務部) and the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會*) on 23 June 2020 and became effective from 23 July 2020, and as amended from time to time

“PRC”	the People’s Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Consolidated Affiliated Entities”	for the purpose of this announcement, Zhaoqing Kepei, Ganzhou Xuteng, Harbin College and the School Sponsor
“PRC Legal Advisors”	Jingtian & Gongcheng, the Company’s legal advisors as to PRC laws
“Prospectus”	the prospectus of the Company dated 15 January 2019
“Registered Shareholders”	the shareholders of Zhaoqing Kepei, namely Mr. Ye, Ms. Shu, Mr. Ye Xun and Mr. Ye Nianjiu
“RMB”	Renminbi, the lawful currency of the PRC
“School Sponsor”	Harbin Huarui Enterprise Co., Ltd.* (哈爾濱華瑞實業有限公司), a limited liability company incorporated in the PRC, the sole sponsor of Harbin College
“School Sponsor’s and Directors’ Rights Entrustment Agreement”	the School Sponsor’s and directors’ rights entrustment agreement entered into by and among the School Sponsor, Harbin College, the directors of Harbin College and Tibet Kepei dated 29 March 2021
“Share(s)”	ordinary share(s) of US\$0.00001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders’ Rights Entrustment Agreement”	the shareholders’ rights entrustment agreement entered into by and among the Registered Shareholders, the Consolidated Affiliated Entities and Tibet Kepei dated 29 March 2021
“Sino-Foreign Regulation”	the Regulation on Sino-Foreign Cooperation in Operating Schools (中華人民共和國中外合作辦學條例), promulgated by the State Council of the PRC (中華人民共和國國務院) in 2003 and last amended on 2 March 2019
“Spouse Undertakings”	the spouse undertakings dated 29 March 2021, executed by each of (i) Mr. Ye, the spouse of Ms. Shu; (ii) Ms. Shu, the spouse of Mr. Ye, (iii) Ms. Chen Chen (陳晨), the spouse of Mr. Ye Xun; and (iv) Ms. Chen Xinni (陳欣妮), the spouse of Mr. Ye Nianjiu

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	has the meaning as defined in the Prospectus
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Tibet Kepei”	Tibet Kepei Information Technology Co., Ltd.* (西藏科培信息科技有限公司), a limited liability company established in the PRC on 4 June 2018, and an indirect wholly-owned subsidiary of our Company
“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

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

Hong Kong, 29 March 2021

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 Dr. XU Ming, Dr. DENG Feiqi and Dr. LI Xiaolu as independent non-executive Directors.

* *for identification purpose only*