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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 ANHUI PROVINCE

THE SPONSORSHIP TRANSFER AGREEMENT

The Board is pleased to announce that on 15 July 2021 (after trading hours), the Company, Maanshan Fengzhi, the Vendor, the Target School and the Guarantor entered into the Sponsorship Transfer Agreement, pursuant to which the Company has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the 100% sponsorship interest in the Target School at a maximum consideration of RMB550,000,000 (subject to adjustments).

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 Sponsorship Transfer Agreement is more than 5% but less than 25%, the Acquisition under the Sponsorship 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.

The Completion is subject to the fulfilment (or where applicable, waiver) of a number of conditions of the Sponsorship Transfer Agreement. 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 SPONSORSHIP TRANSFER AGREEMENT

The Board is pleased to announce that on 15 July 2021 (after trading hours), the Company, Maanshan Fengzhi, the Vendor, the Target School and the Guarantor entered into the Sponsorship Transfer Agreement.

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

Date

15 July 2021

Parties

- (1) The Company;
- (2) Maanshan Fengzhi;
- (3) the Vendor;
- (4) the Target School; and
- (5) the Guarantor.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor, the Target School and the Guarantor as well as their respective ultimate beneficial owners (if applicable) is a third party independent of the Company and its connected persons.

Subject Matter

Pursuant to the Sponsorship Transfer Agreement, the Company has conditionally agreed to purchase, and the Vendor have conditionally agreed to sell, the 100% sponsorship interest of the Target School at a maximum consideration of RMB550,000,000 (subject to adjustments).

Consideration and Payment Terms

The maximum consideration payable by the Company under the Sponsorship Transfer Agreement shall be RMB550,000,000, subject to potential adjustments computed based on the financial statements of the Target School to be agreed by the parties.

The consideration shall be paid in the following manners:

- (a) the first payment in the sum of RMB250,000,000 shall be paid by the Company to the Vendor upon the satisfaction of certain conditions under the Sponsorship Transfer Agreement including, but not limited to:
 - (i) all parties having passed the necessary resolutions approving the Acquisition and the Sponsorship Transfer Agreement and published the relevant announcement;
 - (ii) the execution of the management entrustment agreement among the Company, Maanshan Fengzhi, the Vendor, the Target School and the Guarantor 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 Vendor, the Target School and the Guarantor under the Sponsorship Transfer Agreement having remained true, accurate and not misleading in all respects.

A deposit in the sum of RMB150,000,000 has been paid to the Vendor as at the date of the Sponsorship Transfer Agreement by the Company, such deposit shall be used to settle part of the first payment.

- (b) the second payment in the sum of RMB120,000,000 shall be paid by the Company to the Vendor upon the satisfaction of certain conditions under the Sponsorship Transfer Agreement including, but not limited to:
 - (i) the conditions for the first payment having been satisfied; and
 - (ii) the application for change of sponsor of the Target School having been made and accepted by the competent authorities such that Maanshan Fengzhi will become the sole sponsor of the Target School.
- (c) the final payment in the sum of RMB180,000,000 shall be paid by the Company to the Vendor upon the satisfaction of certain conditions under the Sponsorship Transfer Agreement including, but not limited to:
 - (i) the conditions for the second payment having been satisfied; and
 - (ii) the application for change of sponsor of the Target School having been completed and approved by the competent authorities such that Maanshan Fengzhi becomes the sole sponsor of the Target School.

Termination

The Sponsorship Transfer Agreement may be terminated: (i) by a non-defaulting party if there is any material breach by any other party and such breach is not remedied; (ii) by unanimous written consent of the parties; and (iii) any other circumstances stipulated under the Sponsorship Transfer Agreement. For the purpose of termination of the Sponsorship Transfer Agreement, the Vendor, the Target School and the Guarantor are regarded as one party. The Target School is not entitled to the right to terminate.

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 financial position of the Target School as at 31 May 2021, its location and branding, its premises and facilities, 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 the Group's internal financial resources and/or loan(s) from third party banks.

Guarantee

The Guarantor, by entering into the Sponsorship Transfer Agreement, agreed to guarantee the performance of all obligations of the Vendor under the Sponsorship Transfer Agreement.

STRUCTURE OF THE TARGET SCHOOL UPON COMPLETION

At the Completion, the entire sponsorship interest in the Target School will be wholly-owned by Maanshan Fengzhi. Among others, Maanshan Fengzhi and the Target School will enter into the structured contracts with the Company, 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 become 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 SPONSORSHIP TRANSFER AGREEMENT

The Directors believe that the Sponsorship Transfer Agreement marks the milestone of the Group's first attempt to expand its school network and increase market penetration since its listing in 2019. The Directors consider that with the Acquisition, the Group will be able to penetrate into Yangtze River Delta, 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 Sponsorship Transfer Agreement has been entered into on normal commercial terms or better, 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 Sponsorship Transfer Agreement or is required to abstain from voting on the Board resolutions for considering and approving the same.

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

The Group

The Group is principally engaged in the provision of private higher education in the PRC focusing on profession-oriented education. Currently, the Group is operating four schools in the PRC.

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.

Maanshan Fengzhi

Maanshan Fengzhi is a limited liability company established under the laws of the PRC and is principally engaged in the provision of various services, including technological development and consultation and educational testing and evaluation. It is wholly-owned by Zhaoqing Kepei, a consolidated affiliated entity of the Company.

The Vendor

As at the date of this announcement, the Vendor owns 100% of the sponsorship interest in the Target School. The Vendor is a PRC established company which is listed on the Shenzhen Stock Exchange (stock code: 300044). The Vendor Group is primarily engaged in the provision of big data solutions, including the design, procurement, installation and commissioning of the general layout of machine room, electrical systems, air conditioning systems, as well as computer room intelligent monitoring systems. The Vendor Group is also engaged in the smart cities, smart healthcare, smart education and smart manufacturing businesses. As at the date of this announcement, the ultimate beneficial owner of the Vendor is the Guarantor.

The Target School

The Target School is located in Anhui Province, the PRC and is a private regular undergraduate institution. The predecessor of the Target School is the Industrial & Commercial College of Anhui University of Technology (安徽工業大學工商學院) which was established by the Anhui University of Technology (安徽工業大學) and approved by the Ministry of Education of the PRC and the People's Government of Anhui Province in June 2003. The Industrial & Commercial College of Anhui University of Technology was jointly sponsored by the Anhui University of Technology and the Vendor in December 2014 and was converted to Maanshan University upon approval by the Ministry of Education of the PRC in June 2019. As at the date of the announcement, the Target School has approximately 9,100 undergraduate students and the land use rights of the property of a total area of approximately 487,554 sq. m.

For the two financial years ended 31 December 2019 and 31 December 2020, 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 2019 (RMB'000)	For the year ended 31 December 2020 (RMB'000)
Unaudited net profit (before tax)	21,764	34,317
Unaudited net profit (after tax)	21,764	34,223

As at 31 December 2020, the total asset value and the net asset value of the Target School were approximately RMB916,757,000 (unaudited) and RMB223,503,000 (unaudited), respectively.

The Guarantor

The Guarantor, Mr. Zhou Yong is a merchant and is the ultimate beneficial owner of the Vendor.

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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 as contemplated under the Sponsorship 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 Sponsorship Transfer Agreement
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries from time to time
“Guarantor”	Mr. Zhou Yong (周勇), the ultimate beneficial owner of the Vendor
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Maanshan Fengzhi”	Maanshan Fengzhi Education Technology Co., Ltd.* (馬鞍山豐志教育科技有限公司), a limited liability company established in the PRC on 7 July 2021

“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
“RMB”	Renminbi, the lawful currency of the PRC
“Sponsorship Transfer Agreement”	the Sponsorship Transfer Agreement dated 15 July 2021 entered into by and among the Company, the Vendor, the Target School and the Guarantor, pursuant to which the parties agreed to, among other things, the Acquisition
“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 School”	Maanshan College (馬鞍山學院), a private regular undergraduate institution in Maanshan, Anhui Province, the PRC and as at the date of this announcement, is wholly sponsored by the Vendor
“Vendor”	Shenzhen Sunwin Intelligent Co., Ltd. (深圳市賽為智能股份有限公司), a company established in the PRC on 27 February 1997 and the shares of which are listed on the Shenzhen Stock Exchange (stock code: 300044)
“Vendor Group”	the Vendor and its subsidiaries from time to time
“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
“%”	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, 15 July 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.