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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS HIGHLIGHTS

The Board has resolved to recommend the payment of a final dividend of HK$0.10 per share for the year ended 31 December 2019.

	Year ended 31 December			
	2019	2018	**Change**	**Percentage Change**
	RMB'000	*RMB'000*	*RMB'000*	(%)
Revenue	**714,215**	575,451	138,764	+24.1
Gross profit	**481,791**	389,515	92,276	+23.7
Profit for the year	**456,274**	341,956	114,318	+33.4
Core net profit*	**449,537**	345,412	104,125	+30.1
Basic earnings per share (RMB per share)	**0.23**	0.23	—	—
Diluted earnings per share (RMB per share)	**0.23**	0.22	0.01	+4.5

* Core net profit was derived from the profit for the year after adjusting for the item which is not indicative of the Group's operating performance. Please refer to the section of "Financial Review" in this announcement for details of the reconciliation of the profit for the year to the core net profit of the Group.

	2019/2020 School Year**	2018/2019 School Year**	**Change**	**Percentage Change (%)**
Number of students enrolled	**57,924**	45,118	12,806	+28.4

** A school year generally starts from September 1 of each calendar year to August 31 of the following calendar year.

	As at 31 December			
	2019	2018	**Change**	**Percentage Change**
	RMB'000	*RMB'000*	*RMB'000*	(%)
Contract Liabilities	**411,870**	334,564	77,306	+23.1

The board (the "**Board**") of directors (the "**Directors**") of China Kepei Education Group Limited (the "**Company**") is pleased to announce the consolidated annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	***2019***	*2018*
		RMB'000	*RMB'000*
Revenue	3	**714,215**	575,451
Cost of sales		**(232,424)**	(185,936)
Gross profit		**481,791**	389,515
Other income and gains	3	**81,026**	57,988
Selling and distribution expenses		**(24,344)**	(14,540)
Administrative expenses		**(77,297)**	(77,462)
Other expenses		**(789)**	(4,603)
Finance costs	4	**(1,894)**	(8,975)
Share of profits/(losses) of:			
A joint venture		**222**	33
An equity method investment		**(505)**	—
PROFIT BEFORE TAX	8	**458,210**	341,956
Income tax expense	5	**(1,936)**	—
PROFIT FOR THE YEAR		**456,274**	341,956
Attributable to:			
Owners of the parent		**456,274**	341,956
Earnings per share attributable to ordinary equity holders of the parent			
Basic	7		
— For profit for the year		**RMB0.23**	RMB0.23
Diluted			
— For profit for the year		**RMB0.23**	RMB0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	*2018*
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**456,274**	341,956
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Equity investments designated at fair value through other comprehensive income: Changes in fair value	**28,767**	—
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods	**28,767**	—
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**28,767**	—
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**485,041**	341,956
Attributable to:		
Owners of the parent	**485,041**	341,956

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,422,592**	1,274,380
Right-of-use assets		**207,973**	—
Prepaid land lease payments		**—**	198,104
Investment in a joint venture		**2,170**	1,948
Equity method investment		**141,695**	—
Equity investments designated at fair value through other comprehensive income		**62,653**	—
Financial assets at fair value through profit or loss		**50,136**	—
Prepayments for non-current assets		**93,045**	128,996
Total non-current assets		**1,980,264**	1,603,428
CURRENT ASSETS			
Trade receivables	9	**29,658**	22,650
Prepayments, other receivables and other assets		**29,481**	25,144
Financial assets at fair value through profit or loss		**271,966**	246,106
Cash and cash equivalents		**1,111,749**	432,921
Total current assets		**1,442,854**	726,821
CURRENT LIABILITIES			
Contract liabilities	3	**411,870**	334,564
Other payables and accruals	10	**105,931**	115,643
Interest-bearing bank loans	11	**—**	10,000
Lease liabilities		**1,526**	—
Convertible redeemable bond		**—**	332,700
Tax payable		**870**	—
Deferred income		**808**	808
Total current liabilities		**521,005**	793,715
NET CURRENT ASSETS/(LIABILITIES)		**921,849**	(66,894)
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,902,113**	1,536,534

	Note	**2019**	2018
		RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,902,113**	1,536,534
NON-CURRENT LIABILITIES			
Interest-bearing bank loans	11	**100,000**	100,000
Lease liabilities		**9,039**	—
Deferred income		**3,161**	3,969
Total non-current liabilities		**112,200**	103,969
Net assets		**2,789,913**	1,432,565
EQUITY			
Equity attributable to owners of the parent			
Share capital		**136**	—
Reserves		**2,789,777**	1,432,565
Total equity		**2,789,913**	1,432,565

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

China Kepei Education Group Limited was incorporated in the Cayman Islands on 24 August 2017 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The address of the registered office of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 25 January 2019.

The principal activity of the Company is investment holding. During the year, the Company and its subsidiaries were principally engaged in providing private education services in the People's Republic of China (the "**PRC**").

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain financial instruments and convertible redeemable bond which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements to HKFRSs 2015 to 2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

3. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered, after deducting scholarships and refunds during the year.

An analysis of revenue, other income and gains is as follows:

	Note	**Year ended 31 December** **2019** ***RMB'000***	2018 *RMB'000*
Revenue			
Revenue from contracts with customers			
Tuition fees		**655,566**	521,114
Boarding fees		**52,412**	44,191
Other education service fees*		**6,237**	10,146
		714,215	575,451
Other income and gains			
Bank interest income	8	**21,700**	4,565
Rental income		**17,125**	16,830
Government grants			
Related to assets		**808**	808
Related to income		**4,395**	7,949
Exchange gain, net	8	**10,636**	26,447
Fair value gains, net			
Convertible redeemable bond		**13,941**	—
Financial assets at fair value through profit or loss	8	**12,421**	1,389
		81,026	57,988

* During the year, other education service fees mainly represented income received from the provision of other education services including training services to the students, which was amortised over the training periods of the services rendered.

Contract liabilities

Significant changes in the contract liability balances during the year are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**334,564**	258,395
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	**(334,564)**	(258,395)
Increases due to cash received, excluding amounts recognised as revenue during the year	**411,870**	334,564
At the end of the year	**411,870**	334,564

(1) Revenue recognised in relation to contract liabilities

The following table shows the amounts of revenue recognised in the current year that were included in the contract liabilities at the beginning of the Reporting Period:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	**306,795**	236,985
Boarding fees	**27,769**	21,410
	334,564	258,395

(2) Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Expected to be recognised as revenue within one year:		
Tuition fees	**382,295**	306,795
Boarding fees	**29,575**	27,769
	411,870	334,564

There were no contract assets at the end of the Reporting Period recognised in the consolidated statement of financial position.

4. FINANCE COSTS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Interest on lease liabilities	**478**	—
Interest on bank loans	**5,516**	17,115
Interest on the convertible redeemable bond	**1,365**	3,300
Total interest expense on financial liabilities not at fair value through profit or loss	**7,359**	20,415
Less: Interest capitalised	**(5,465)**	(11,440)
	1,894	8,975

5. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Huanan Education Group Limited, the Company's directly held subsidiary, was incorporated in the British Virgin Islands ("**BVI**") as an exempted company with limited liability under the BVI Companies Act and accordingly is not subject to income tax.

China Kepei Education (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, is subject to income tax at the rate of 16.5% on the taxable profits for the year ended 31 December 2019, based on the existing legislation, interpretations and practices in respect thereof.

According to the Implementation Rules on the Law for Promoting Private Education of the People's Republic of China (the "**Implementation Rules**"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. Private schools of which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education services are eligible to enjoy the income tax exemption treatment if the sponsors of such schools do not require reasonable returns.

The sponsor of Guangdong Polytechnic College does not require reasonable returns and therefore Guangdong Polytechnic College has applied the corporate income tax exemption treatment since its establishment in accordance with the historical tax returns filed with the relevant tax authorities.

The sponsor of Zhaoqing Science and Technology Secondary Vocational School requires reasonable returns. The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the year, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed with the relevant tax authorities, Zhaoqing Science and Technology Secondary Vocational School has applied the preferential tax treatments since its establishment.

As a result, no income tax expense was recognised for the PRC schools during the year.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, the Group's non-school subsidiaries which operate in Mainland China are generally subject to Corporate Income Tax ("**CIT**") at a rate of 25% on their taxable income.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current — Hong Kong	**155**	—
— Mainland China	**1,781**	—
Total tax charge for the year	**1,936**	—

6. DIVIDENDS

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
2018 final dividend declared — HK$0.10 per ordinary share	**175,824**	—

A final dividend of HK$0.10 per share in respect of the year ended 31 December 2019 has been proposed by the Board and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company (2018: HK$0.10 per share). The final dividend for the year ended 31 December 2018 was approved by the shareholders at the annual general meeting of the Company on 3 June 2019.

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent of RMB456,274,000 (2018: RMB341,956,000), and the weighted average number of 1,967,808,222 ordinary shares in issued during the year ended 31 December 2019, as adjusted to reflect the share split and capitalisation issue during the year (2018: 1,500,000,000 ordinary shares, as adjusted to reflect the share split and capitalisation which were deemed to have been issued throughout the year).

As of 1 January 2018, the Company had 1,000 ordinary shares in issue.

On 10 January 2019, the authorised share capital of the Company was subdivided from US$50,000 divided into 5,000,000 shares of US$0.01 each to US$50,000 divided into 5,000,000,000 shares of US$0.00001 each. Therefore, the number of ordinary shares in issue became 1,000,000 (the "**Share Split**").

On 25 January 2019, the Company was listed on the Stock Exchange by way of issuing 353,334,000 new ordinary shares and capitalisation issue of 1,499,000,000 ordinary shares (the "**Capitalisation Issue**"). Upon completion of the Initial Public Offering ("**IPO**"), the whole principal amount under the convertible redeemable bond was mandatorily and automatically converted into 146,666,667 ordinary shares of the Company.

On 15 February 2019, the over-allotment option was partially exercised and the Company allotted and issued 798,000 additional shares, which were initially available on 22 February 2019 (the "**Over-allotment**").

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the fair value change and interest on the convertible redeemable bond, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at nil consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation	**456,274**	341,956
Add: Interest on the convertible redeemable bond	**—**	3,300
Add: Fair value loss on the convertible redeemable bond	**—**	2,700
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation	**456,274**	347,956

	Number of shares	
	2019	2018
Shares		
Number of issued shares on 1 January	**1,000**	1,000
Effect of Share Split on 10 January 2019	**999,000**	999,000
Effect of Capitalisation Issue on 10 January 2019	**1,499,000,000**	1,499,000,000
Effect of conversion of the convertible redeemable bond on 25 January 2019	**137,022,831**	—
Effect of the IPO (excluding shares issued under the over-allotment option) on 25 January 2019	**330,101,079**	—
Effect of the Over-allotment on 22 February 2019	**684,312**	—
Weighted average number of ordinary shares in issue during the year for the purpose of the basic earnings per share calculation	**1,967,808,222**	1,500,000,000
Effect of dilution — weighted average number of ordinary shares		
The convertible redeemable bond	**—**	80,003,942
	1,967,808,222	1,580,003,942
Earnings per share attributable to ordinary equity holders of the parent		
Basic	**RMB0.23**	RMB0.23
Diluted	**RMB0.23**	RMB0.22

8. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December	
	Notes	**2019**	2018
		RMB'000	*RMB'000*
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**105,415**	84,902
Pension scheme contributions (defined contribution scheme)		**13,891**	10,912
		119,306	95,814
Depreciation of property, plant and equipment		**66,681**	57,316
Depreciation of right-of-use assets (2018: recognition of prepaid land lease payments)		**6,103**	4,257
Provision for expected credit losses on trade receivables*	9	**4,737**	1,287
Loss on disposal of items of property, plant and equipment		**38**	5
Donation expenses		**—**	1,585
Auditor's remuneration		**2,600**	1,200
Expenses related to the issuance of shares*		**17,840**	27,203
Exchange gain, net	3	**(10,636)**	(26,447)
Fair value (gain)/loss, net**			
Convertible redeemable bond		**(13,941)**	2,700
Financial assets at fair value through profit or loss	3	**(12,421)**	(1,389)
Bank interest income	3	**(21,700)**	(4,565)

* The provision for expected credit losses on trade receivables and expenses related to the issuance of shares are included in administrative expenses in the consolidated statement of profit or loss.

** The fair value gain is included in other income and gains and fair value loss is included in other expenses in the consolidated statement of profit or loss.

9. TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Tuition fees and boarding fees receivables	**34,800**	23,957
Provision for expected credit losses	**(5,142)**	(1,307)
	29,658	22,650

The Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts due from students who have applied for deferred payments of tuition fees and boarding fees. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by the senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of individual students, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the Reporting Period, based on the transaction date and net of loss allowance, is as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**20,249**	19,030
1 to 2 years	**6,089**	2,572
2 to 3 years	**2,305**	883
Over 3 years	**1,015**	165
	29,658	22,650

The movements in the allowance for expected credit losses on trade receivables are as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
At beginning of year	**1,307**	621
Provision for expected credit losses (note 8)	**4,737**	1,287
Amount written off as uncollectible	**(902)**	(601)
At end of year	**5,142**	1,307

10. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Payables for salaries	**18,382**	18,552
Payables for social insurance and housing fund	**25,582**	22,050
Payables for scholarships	**10,719**	6,534
Payables for cooperative education fees	**1,360**	1,650
Payables for purchase of property, plant and equipment	**5,050**	5,957
Miscellaneous expenses received from students*	**29,013**	27,027
Other tax payable	**5,550**	2,867
Accrued listing expenses	**—**	16,774
Accrued interests	**—**	3,300
Others	**10,275**	10,932
	105,931	115,643

* The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

Other payables and accruals are non-interest-bearing and expected to be settled within one year.

11. INTEREST-BEARING BANK LOANS

	31 December 2019			31 December 2018		
	Effective interest rate *(%)*	**Maturity**	***RMB'000***	Effective interest rate *(%)*	Maturity	*RMB'000*
Current						
Bank loans — secured			**—**	4.75	2019	10,000
Non-current						
Bank loans — secured	**5.39**	**2024~2028**	**100,000**	5.39	2024~2028	100,000
			100,000			110,000

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Analysed into:		
Bank loans repayable:		
Within one year	**—**	10,000
In the second to fifth years, inclusive	**9,376**	—
Beyond five years	**90,624**	100,000
	100,000	110,000

Note:

The bank loans are also guaranteed by certain related parties at no cost. The guarantee amounts provided by the related parties as at 31 December 2019 and 2018 are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Mr. Ye Nianqiao, Ms. Shu Liping, Mr. Ye Nianjiu, Ms. Chen Xinni, Jiangxi Hong Zhou Vocational College and Jiangxi Kepei Investment Company Limited	**—**	10,000
Mr. Ye Nianqiao, Ms. Shu Liping, Zhaoqing Qiaoli, Mr. Ye Nianjiu, Mr. Ye Xun and Zhaoqing Kepei	**100,000**	100,000
	100,000	110,000

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The private higher education market experienced rapid growth, and entered the phase of regulated development when relevant authorities made great efforts in completing the regulatory framework for private higher education. Private higher education institutions in China can be divided into three categories: (i) private regular undergraduate institutions (民辦普通本科院校); (ii) independent colleges (獨立學院); and (iii) private junior colleges (民辦普通專科院校). Private higher education institutions are distinct from public institutions of higher education mainly in that public institutions of higher education are generally operated by the PRC national or local governments and their major source of funding is PRC public expenditure on education.

According to the recent market research report, China's private high education industry has been developing rapidly due to increasing market demand and government support. The total revenue of private higher education industry in China increased from RMB82.9 billion to RMB118.0 billion from 2014 to 2018, representing a compound annual growth rate ("**CAGR**") of 9.2%. It is expected that it will further increase to RMB163.7 billion in 2023, representing a CAGR of 6.8% from 2018 to 2023. Besides, the number of students enrolled in China's private higher education market increased from 5.9 million to 6.5 million from 2014 to 2018, representing a CAGR of 2.6%. It is expected that it will further increase to 6.7 million in 2023, representing a CAGR of 0.5% from 2018 to 2023. The penetration rate of private higher education in China has increased from 21.1% in 2013 to 22.8% in 2017, which has indicated that more students have chosen to go to private higher education institutions instead of public ones, and this trend is likely to continue as the penetration rate is expected to reach 24.6% in 2022.

Business Overview

The Group is a leading provider of private higher education in South China focusing on profession-oriented education. As of the 2019/2020 school year, the Group had an aggregate of 57,924 students enrolled at the schools we operated, namely, Guangdong Polytechnic College and Zhaoqing Science and Technology Secondary Vocational School*** (肇慶市科技中等職業學校) ("**Zhaoqing School**") (collectively, the "**PRC Schools**").

Market Position

With over 19 years' experience in operating higher education institutions in China, the Group is a leading provider of private higher education services in South China in terms of student enrollment. According to recent market research, Guangdong Polytechnic College ranked first among the private higher education institutions (excluding independent colleges) in South China in terms of the number of newly admitted students and student enrollment. Zhaoqing School ranked first in terms of student enrollment among the private specialized secondary schools in Guangdong Province.

The Group is committed to providing students with high-quality profession-oriented education and helping them meet the growing and changing market demand. It focuses on engineering majors in order to better capture local employment demands, balanced with economics, management, education and art majors to offer well-rounded education services. It endeavors to provide students with various profession-oriented training and internship opportunities in collaboration with research institutions and enterprises, through which it fosters practical skills and market competitiveness of its students.

The PRC Schools

Guangdong Polytechnic College: A degree-granting undergraduate-level education institution established in 2005 which offers undergraduate, junior college and adult education programs. For the 2019/2020 school year, it has a total of 50,315 students enrolled, consisting of 23,823 undergraduate students, 6,833 junior college students and 19,659 adult college students. It offers 41 majors, consisting of 29 undergraduate majors and 20 junior college majors, in a wide range of subject areas. Its core majors include standardisation management, electrical engineering and automation, electronic information engineering and mechanical design; and

Zhaoqing School: A secondary vocational school established in 2000 which provides secondary vocational education in 12 majors, including automobile servicing, electronic commerce, and electromechanical technology application. For the 2019/2020 school year, it has a total of 7,609 students enrolled.

Revenue

For the year ended 31 December 2019, the Group experienced revenue growth at its schools, which was in line with the expansion of its business and student enrollment. Revenue increased from RMB575.5 million for the year ended 31 December 2018 to RMB714.2 million for the year ended 31 December 2019. The Group typically charges students fees comprising tuition fees, boarding fees and other education service fees and tuition fees remained the major revenue, accounted for approximately 91.8% of the total revenue of the Group for the year ended 31 December 2019.

The table below summarises the amount of revenue generated from tuition fees, boarding fees and other education service fees charged by the PRC Schools for the periods indicated:

	Year ended 31 December 2019 *RMB'000*	Year ended 31 December 2018 *RMB'000*	**Change** *RMB'000*	**Percentage Change** (%)
Tuition fees				
Undergraduate program	**448,978**	330,520	118,458	35.8
Junior college program	**113,364**	116,299	(2,935)	(2.5)
Adult college program	**42,113**	27,480	14,633	53.2
Upgrade of junior college students to undergraduate students	**4,242**	5,283	(1,041)	(19.7)
Secondary vocational education	**46,869**	41,532	5,337	12.9
Total tuition fees	**655,566**	521,114	134,452	25.8
Boarding fees	**52,412**	44,191	8,221	18.6
Other education service fees	**6,237**	10,146	(3,909)	(38.5)
Total	**714,215**	575,451	138,764	24.1

The increase of the total revenue of the Group for the year ended 31 December 2019 was mainly due to the increase of the Group's student enrollment and average tuition fee.

The following table sets out the tuition fee information for the PRC Schools for the school years indicated:

	Tuition Fees/ School Year		**Boarding Fees/ School Year**	
School	**2019/2020** *RMB*	2018/2019 *RMB*	**2019/2020** *RMB*	2018/2019 *RMB*
Guangdong Polytechnic College				
— Undergraduate program	**23,800**	21,800–22,800	**1,800–2,000**	1,600
— Junior college program	**17,800**	15,800–18,800	**1,800–2,000**	1,600
— On-campus adult college program	**5,900–13,300**	5,900–10,700	**1,600**	1,600
— Off-campus adult college program	**680–980**	680–980	**N/A**	N/A
Zhaoqing School				
— Secondary vocational education	**7,200–11,100**	6,100–9,300	**1,170–1,570**	1,170–1,570

Notes:

(1) Tuition fees and boarding fees shown above for both of the PRC Schools only apply to newly enrolled students in the relevant school years.

(2) The tuition fees range excluded the "2+2" undergraduate program and junior college program offered by Guangdong Polytechnic College, which was generally charged higher than the ordinary program.

Student enrollment

The following table sets out information relating to the student enrollment for the PRC Schools for the school years indicated:

	Numbers of Students Enrolled/ School Year		Change	Percentage Change
	2019/2020	2018/2019		(%)
School				
Guangdong Polytechnic College				
Undergraduate program	**23,823**	19,977	3,846	19.3
Junior college program	**6,833**	7,610	(777)	(10.2)
On-campus adult college program	**4,783**	1,951	2,832	145.2
Off-campus adult college program	**14,876**	7,322	7,554	103.2
Subtotal	**50,315**	36,860	13,455	36.5
Zhaoqing School				
Secondary vocational program	**7,609**	8,258	(649)	(7.9)
Total	**57,924**	45,118	12,806	28.4

The student enrollment information was based on the records of the relevant school year starting in September. For the school year of 2019/2020, the total number of enrolled students of the Group was 57,924, increased by 28.4% from the school year of 2018/2019.

School Utilisation

School utilisation rate is calculated by boarding student enrollment for a particular school year divided by school capacity for such school year. The capacity for student enrollment at the PRC Schools is calculated by the number of beds available in student dormitories.

	School Capacity/ School Year		School Utilisation Rate/ School Year	
	2019/2020	2018/2019	**2019/2020**	2018/2019
Guangdong Polytechnic College	**29,148**	29,148	**91.1%**	90.8%
Zhaoqing School	**7,288**	6,829	**92.7%**	86.0%
Total	**36,436**	35,977	**91.4%**	89.9%

Risk Management

The Group is exposed to various risks in the operations of its business and the Group believes that risk management is important to its success. Key operational risks faced by the Group include, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC education industry, the ability of the Group to offer quality education to students, the ability of the Group to increase student enrollment and/or raise tuition rates, the potential expansion of the Group into other regions in China, availability of financing to fund the Group's expansion and business operations and competition from other school operators that offer similar quality of education and have similar scale.

In addition, the Group also faces numerous market risks, such as interest rate and liquidity risks that arise in the normal course of the Group's business.

Interest Rate Risk

The Group's exposure to the risk of changes in market interest rates relates primarily to its bank loans with floating interest rates.

It is the Group's policy to keep certain borrowings at fixed rates of interest so as to minimise the interest rate risk. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the Board will consider hedging significant interest rate risk should the need arise.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flow from operation, bank loans and other borrowings. The Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

To properly manage these risks, the Group has established the following risk management structures and measures:

- the Board is responsible and has the general power to manage the Group's operations of the schools, and is in charge of managing the overall risks of the Group. It is responsible for considering, reviewing and approving any significant business decisions involving material risk exposures, such as the Group's decisions to expand its school network into new geographic areas, to raise the tuition fees of the PRC Schools, and to enter into cooperative business relationships with independent third parties to establish new schools;

- the Group maintains insurance coverage, which it believes is in line with customary practice in the PRC education industry, including school liability insurance; and

- the Group has made arrangements with its lenders to ensure that it will be able to obtain credit to support for its business operation and expansion.

Environment, Health and Safety

The Group is dedicated to protecting the health and safety of the students. The Group has on-site medical staff or healthcare personnel at each of the PRC Schools to handle routine medical situations involving students. In certain serious and emergency medical situations, the Group promptly sends the students to local hospitals for treatment. With respect to school safety, the Group engaged a qualified property management company to provide property security services at the Group's school premises.

As far as the Board and the management of the Company are aware, the Group has complied in all material respects with the relevant environmental, health and safety laws and regulations that have a significant impact on the business and operation of the Group. During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

Inclusion as a constituent stock of the index series by Hang Seng Indexes Company Limited

On 16 August 2019, the Company has been selected as a constituent stock of the index series by the Hang Seng Indexes Company Limited, which include Hang Seng Composite Index, Hang Seng Consumer Goods & Services Index, Hang Seng Stock Connect Hong Kong Index, Hang Seng Stock Connect Hong Kong MidCap & SmallCap Index, Hang Seng Stock Connect Hong Kong SmallCap Index, Hang Seng SCHK Mainland China Companies Index and Hang Seng SCHK ex-AH Companies Index, with effect from 9 September 2019. Please refer to the announcement of the Company dated 16 August 2019 for more details.

The Board is of the view that the Company's inclusion in the market benchmark index represents capital market's recognition of the Company, and is expected to expand its shareholder base and increase trading liquidity of the shares of the Company (the "**Shares**"), resulting in enhanced value of investment and reputation of the Company in the capital market.

Future Plans

In strengthening the Group's position as a leading provider of private higher education focusing on profession-oriented education, it plans to pursue the following business strategies:

(i) Expand the Group's school network through strategic mergers and acquisitions

The Group will target at the mergers and acquisitions of: (1) private regular undergraduate institutions; (2) independent colleges; and (3) high-quality private junior colleges which focus on applied science and target to cultivate applied talents. The Group will continue to look for potential target for mergers and acquisitions.

In terms of geographical coverage, the Group will explore expansion opportunities in South China and Southwest China, where there is also a relative scarcity of higher education resources, as well as other areas in China with market potential. The Group plans to use proceeds from the listing of the Company (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 25 January 2019 (the "**Listing Date**"), supplemented by the Group's working capital, to fund its potential mergers and acquisitions plans.

The management team of the Group will leverage its extensive experience to further increase competitiveness in student admission and graduate employment, and thus receive higher fees and achieve growth. The Group aims to enhance education quality by transplanting its profession-oriented teaching method and market-oriented major and curriculum offering to the acquired schools. With respect to graduate employment, the Group plans to share its employment information and resources as well as extensive school-enterprise relationships with newly acquired schools. The Group will also implement centralised management over its entire school network, optimise pricing strategy and lower the operating costs of newly acquired schools.

(ii) Increase the capacity of the PRC Schools

The third phase of the construction of the new Dinghu campus of Guangdong Polytechnic College is expected to be completed in the second half of 2020, and will further expand the capacity of Guangdong Polytechnic College by around 3,000 students. Besides the new Dinghu campus, the Group plans to further upgrade the Gaoyao campus of Guangdong Polytechnic College, with the focus on the expansion and upgrade of the dormitories and supporting facilities. The construction of the dormitories with a capacity of approximately 7,000 students is expected to be completed in the second half of 2021. The Group plans to use proceeds from the Listing, supplemented by the Group's working capital, to fund such expansion and upgrade.

(iii) Further expand service offering and diversify revenue sources

a. Optimise tuition fees and boarding fees

The Group will raise tuition fees and boarding fees for the 2020/2021 school year to reflect its increased operating costs and the adjustment of its major and curriculum offering. The Group believes its leading position and established reputation enable it to further increase its tuition fees while maintaining competitiveness in student admission.

b. Expand service offering

Guangdong Polytechnic College has provided top-up degree program (專升本項目) starting from 2019/2020 school year and the Group expects that it will enroll more students through this program in 2020/2021 school year due to the expansion plan formulated by the Ministry of Education. In addition, the Group plans to further expand the adult college program by cooperating with more partner education institutions to accommodate various needs of adult college students who might be in the workforce. Furthermore, the Group will expand the course offering of the Qualification Examination Center for Guangdong Polytechnic College to improve their students' market competitiveness. It encourages all of its students to obtain at least one occupational qualification upon graduation.

Use of Proceeds from the Listing

The Company issued 354,132,000 new Shares (after exercising the over-allotment option in February 2019) with par value of USD0.00001 at the issue price of HK$2.48 per Share in connection with the Listing. The net proceeds after deducting underwriting commission and issuing expenses incurred from the Listing were approximately HK$792.3 million (equivalent to approximately RMB686.8 million).

From the Listing Date to the date of this announcement, the Group has not utilized any of the net proceeds from the Listing. The following sets forth a summary of the utilisation of the net proceeds:

Purpose	Percentage to total amount	Net proceeds *RMB (million)*	Utilised amount (at 31 December 2019) *RMB (million)*	Unutilised amount (at 31 December 2019) *RMB (million)*	Expected timeline for utilizing the unutilized net proceeds(1)
Acquire additional schools	44.9%	308.4	—	308.4	2020
Expand the existing schools owned or operated by the Group	37.6%	258.2	—	258.2	2020
Repay loans from third-party financial institutions	7.5%	51.5	—	51.5	2020
Fund the working capital and general corporate purposes	10.0%	68.7	—	68.7	2020 to 2021
Total	100.0%	686.8	—	686.8	

Note:

(1) The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

Financial Review

Revenue

Revenue represents the value of services rendered during the Reporting Period. The Group derives revenue from tuition fees and boarding fees its schools collect from students.

Revenue increased by RMB138.7 million, or 24.1%, from RMB575.5 million for the year ended 31 December 2018 to RMB714.2 million for the year ended 31 December 2019. This increase was primarily the result of: (i) revenue from tuition fees increasing by RMB134.5 million, or 25.8%, from RMB521.1 million for the year ended 31 December 2018 to RMB655.6 million for the year ended 31 December 2019; and (ii) revenue from boarding fees increasing by RMB8.2 million, or 18.6%, from RMB44.2 million for the year ended 31 December 2018 to RMB52.4 million for the year ended 31 December 2019. The tuition fees increased mainly because: (i) the number of undergraduate students and adult college program of Guangdong Polytechnic College increased; and (ii) the Group raised tuition fees for programs of the PRC Schools for the 2019/2020 school year. The boarding fees increased as a result of the expansion of the student enrollment.

Cost of Sales

Cost of sales consists primarily of staff costs, depreciation and amortisation, utilities, teaching supplies, cost of cooperative education, student study and practice fees, office expenses, training expenses, student subsidies, travel and transportation expenses, cost of repairs, property management fees and others.

Cost of sales increased by RMB46.5 million, or 25.0%, from RMB185.9 million for the year ended 31 December 2018 to RMB232.4 million for the year ended 31 December 2019. This increase was primarily the result of an increase in staff costs, depreciation and amortisation. Staff costs increased by RMB24.2 million, or 30.6%, from RMB79.0 million for the year ended 31 December 2018 to RMB103.2 million for the year ended 31 December 2019, primarily as a result of the increase in the number of teachers and increased salaries and benefits payable to the Group's teachers.

Gross Profit and Gross Profit Margin

Gross profit increased by RMB92.3 million, or 23.7% from RMB389.5 million for the year ended 31 December 2018 to RMB481.8 million for the year ended 31 December 2019, which was in line with the growth of the Group's business. Gross profit margin remained relatively stable for the year ended 31 December 2019 compared to the year ended 31 December 2018.

Other Income and Gains

Other income and gains primarily consist of interest income from bank deposits, foreign exchange gain, rental income from lease of campus properties and venues to independent third parties, and gains relating to change in fair value of financial assets at fair value through profit or loss and the convertible bond which was issued in April 2018 (the "**Convertible Bond**"). Other income and gains increased significantly by RMB23.0 million, or 39.7%, from RMB58.0 million for the year ended 31 December 2018 to RMB81.0 million for the year ended 31 December 2019. This increase was primarily due to: (i) an increase of RMB25.0 million in the fair value gains in the Convertible Bond and financial assets at fair value through profit or loss for the year ended 31 December 2019; (ii) an increase in bank interest income of RMB17.1 million, from RMB4.6 million for the year ended 31 December 2018 to RMB21.7 million for the year ended 31 December 2019 as a result of the increase in bank balance from the IPO proceeds and issuance of the Convertible Bond; and (iii) a decrease in exchange gain of RMB15.8 million from RMB26.4 million for the year ended 31 December 2018 to RMB10.6 million for the year ended 31 December 2019 resulting from the decreased depreciation of Renminbi against U.S. dollar in relation to the Group's deposits denominated in U.S. dollars.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, student admission expenses and business entertainment expenses. Selling and distribution expenses increased by RMB9.8 million, or 67.6%, from RMB14.5 million for the year ended 31 December 2018 to RMB24.3 million for the year ended 31 December 2019, due to the increase in advertising and student recruitment expenses after the establishment of Guangdong Polytechnic College Dinghu campus as well as for the increase in new student enrollment of Zhaoqing School in the 2019/2020 school year.

Administrative Expenses

Administrative expenses primarily consist of the administrative staff salaries, office-related expenses, depreciation of office buildings and equipment, travel expenses, expenses related to the issuance of Shares and other expenses. The administrative expenses remain stable for the year ended 31 December 2019 compared to that of the year ended 31 December 2018.

Other Expenses

Other expenses primarily consist of expenses relating to disposal of fixed assets and other costs. Other expenses decreased significantly from RMB4.6 million for the year ended 31 December 2018 to RMB0.8 million for the year ended 31 December 2019. This decrease was primarily due to a loss in fair value of the Convertible Bond of RMB2.7 million recognized during the year ended 31 December 2018.

Finance Costs

Finance costs primarily consist of the interest expenses for the bank loans, lease liabilities and the Convertible Bond. Due to the decreased average bank loans during the year ended 31 December 2019 and conversion of the Convertible Bond on the Listing date, the total interest of the Group decreased by RMB7.1 million compared to that of the year ended 31 December 2018.

Core Net Profit

Core net profit was derived from the profit for the year after adjusting the expenses related to the issuance of Shares, change in fair value of the Convertible Bond and the foreign exchange gain, which are not indicatives of the Group's operating performance. This is not an HKFRSs measure. The Group presents this item because the Group considers it an important supplemental measure of the Group's operational performance used by the Group's management as well as analysts or investors. The following table reconciles from profit for the year to core net profit for both financial years:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit for the year	**456,274**	341,956
Add:		
Expenses related to the issuance of shares	**17,840**	27,203
Change in fair value of the Convertible Bond	**—**	2,700
Less:		
Change in fair value of the Convertible Bond	**13,941**	—
Foreign exchange gain	**10,636**	26,447
Core net profit	**449,537**	345,412

Core net profit increased by RMB104.1 million, or 30.1%, from RMB345.4 million for the year ended 31 December 2018 to RMB449.5 million for the year ended 31 December 2019.

Capital Expenditure

Capital expenditures during the Reporting Period primarily related to the establishment of new school premises, maintaining and upgrading existing school premises and purchasing additional educational facilities and equipment for the PRC Schools and prepaid land lease payments. For the year ended 31 December 2019, the Group's capital expenditures were RMB215.0 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated as total interest-bearing bank loans divided by total equity as at the end of the relevant financial year, decreased from approximately 7.7% as at 31 December 2018 to 3.6% as at 31 December 2019, primarily due to the increase in the Group's total equity resulting from the Listing.

Foreign Exchange Risk Management

The functional currency of the Company is Renminbi ("**RMB**"). The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 2019, certain bank balances were denominated in HKD and USD. During the year ended 31 December 2019, the Group did not experience any significant difficulties in or impacts on its operations or liquidity due to fluctuations in currency exchange rates. The Directors believe that the Group has sufficient foreign exchange to meet its own foreign exchange requirements and will adopt practical and effective measures to prevent exposure to exchange rate risk. As a result, the Group did not enter into any financial instrument for hedging purpose.

Contingent Liabilities

As at 31 December 2019, the Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened (as at 31 December 2018: nil).

Pledge of Assets

As at 31 December 2019, the Group did not pledge any of its assets to secure general banking facilities or other source of funding.

Human Resources

As at 31 December 2019, the Group had 2,289 employees (as at 31 December 2018: 2,089 employees).

The remuneration policy and package of the Group's employees are periodically reviewed in accordance with industry practice and result performance of the Group. The Group provides external and internal training programs to its employees. The Group participates in various employee social security plans for its employees that are administered by local governments, including housing, pension, medical insurance, occupational injury insurance, maternity insurance and unemployment insurance.

The total remuneration cost incurred by the Group for the year ended 31 December 2019 was RMB126.7 million (as at 31 December 2018: RMB101.6 million).

EVENTS AFTER THE REPORTING PERIOD

(a) On 10 January 2020, the Company entered into a strategic cooperation agreement with Shanghai Pudong Development Bank Co, Ltd. (Guangzhou Branch) (上海浦東發展銀行股份有限公司(廣州分行)), pursuant to which Shanghai Pudong Development Bank Co, Ltd. (Guangzhou Branch) will provide various financial services, including but not limited to the granting of credit facility of RMB2,300,000,000, cash management services, clearing and settlement services, grant of syndicate credits, etc, to the Group.

(b) On 13 January 2020, the Company, Zhaoqing Kepei Education Investment Development Co., Ltd. *** (肇慶市科培教育投資開發有限公司), Harbin Huarui Enterprise Co., Ltd. *** (哈爾濱華瑞實業有限公司), Mr. Wang Fu, Mr. Xie Yongli and Harbin Institute of Petroleum *** (哈爾濱石油學院) (the "**Target School**") entered into an equity transfer agreement, pursuant to which the Company will acquire the 100% sponsorship interest in the Target School and 100% equity interest in the new companies to be incorporated for the purpose of restructuring upon completion. For more details, please refer to the announcement of the Company dated 13 January 2020.

(c) Since the outbreak of novel coronavirus (COVID-19), the PRC government has implemented various emergency precaution measures to contain the spread of the coronavirus, including but not limited to closure of schools and delays in classroom commencement during the outbreak period. As a result, certain new school campus construction projects in the PRC schools have been put on hold and delayed, other aspects of the operations of the Group such as staff recruitment, school open days and student internships etc. have also been interrupted.

In response to the outbreak, the Group has put in place a series of alternative action plans for students in both of the PRC Schools during the schools closure period, which include implementation of on-line modules and website distance learning activities, so as to ensure students can keep track of the school curriculum and prepare for the upcoming exams and assessments.

In view of the implementation of the above mentioned action plans, the management has conducted internal assessment and concluded that at this stage, there was no material adverse impact on the business operations and financial position of the Group subsequent to the year ended 31 December 2019 and up to the date of this announcement. The Group will continue to closely monitor the Group's exposure to the risks and uncertainties in connection with the COVID-19 and is committed to take imminent action to mitigate its negative impact on Group, if any. In the event that there is any material adverse impact to the Group, the Company will publish further announcement to inform the Shareholders as and when appropriate.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.10 per share for the year ended 31 December 2019. The final dividend is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company to be held on 5 June 2020 (the "**AGM**") and the final dividend will be payable on or around 7 July 2020 to the Shareholders whose names appear on the register of members of the Company on 17 June 2020.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 2 June 2020 to 5 June 2020, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 1 June 2020.

The register of members of the Company will also be closed from 12 June 2020 to 17 June 2020, both days inclusive, in order to determine the entitlement of the Shareholders to receive the final dividend, during which period no share transfers will be registered. To qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 11 June 2020.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code since the Listing Date, except for code provision A.2.1, which requires that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Ye Nianqiao ("**Mr. Ye**") currently serves as the chairman of the Board, executive Director, chief executive officer and general manager of the Company. Throughout the Group's business history, Mr. Ye has been the key leadership figure of the Group who has been primarily involved in the strategic development, overall operational management and major decision-making of the Group. Taking into account the continuation of the implementation of the Group's business plans, the Directors consider Mr. Ye is the best candidate for both positions and the present arrangements are beneficial and in the interests of the Company and the Shareholders as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to the date of this announcement.

At the same time, since the Listing Date, the Company has also adopted its own code of conduct regarding employees' securities transactions on terms no less exacting than the standard set out in the Model Code for the compliance by its relevant employees who are likely to be in possession of unpublished inside information of the Company in respect of their dealings in the Company's securities.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the period from the Listing Date to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to auditing, internal control and financial reporting. The audit committee of the Company, together with the Board has reviewed the Group's consolidated financial statements for the year ended 31 December 2019.

The financial information of the Group disclosed in this announcement is based on the Group's consolidated financial statements for the year ended 31 December 2019, which has been agreed with the auditor of the Company.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2019 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinakepeiedu.com), and the 2019 annual report containing all the information required by the Listing Rules will be dispatched to the Shareholders and published on the respective websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 March 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 Dr. XU Ming, Dr. DENG Feiqi and Dr. LI Xiaolu as independent non-executive Directors.

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