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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**

#### **FURTHER ACQUISITION OF 55% EQUITY INTEREST IN HUAIBEI KEPEI**

##### **ACQUISITION OF 55% EQUITY INTEREST IN HUAIBEI KEPEI**

The Board is pleased to announce that on 29 March 2021, Zhaoqing Kepei, a consolidated affiliated entity of the Company, entered into the Equity Transfer Agreements with the Vendors, pursuant to which Zhaoqing Kepei has agreed to purchase, and the Vendors have agreed to sell, an aggregate of 55% equity interest in Huaibei Kepei at the Consideration in the aggregate amount of RMB197,340,000 (equivalent to approximately HK\$234,222,846).

As at the date of this announcement, Zhaoqing Kepei and the Vendors hold 45% and 55% equity interest (i.e. 30% equity interest by Deshang Education and 25% equity interest by Xincheng Education), respectively, in Huaibei Kepei. Zhaoqing Kepei will hold 100% equity interest in Huaibei Kepei upon completion of the Acquisition.

##### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in relation to the Acquisition, is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

##### **BACKGROUND**

The Board is pleased to announce that on 29 March 2021, Zhaoqing Kepei, a consolidated affiliated entity of the Company, entered into the Equity Transfer Agreements with the Vendors, pursuant to which Zhaoqing Kepei has agreed to purchase, and the Vendors have agreed to sell, an aggregate of 55% equity interest in Huaibei Kepei at the Consideration in the aggregate amount of RMB197,340,000 (equivalent to approximately HK\$234,222,846).

As at the date of this announcement, Zhaoqing Kepei and the Vendors hold 45% and 55% equity interest (i.e. 30% equity interest by Deshang Education and 25% equity interest by Xincheng Education), respectively, in Huaibei Kepei. Zhaoqing Kepei will hold 100% equity interest in Huaibei Kepei upon completion of the Acquisition.

## ACQUISITION OF 55% EQUITY INTEREST IN HUAIBEI KEPEI

The principal terms of the Equity Transfer Agreements are as follows:

Date: 29 March 2021

Parties: (i) Zhaoqing Kepei, being the purchaser  
(ii) The Vendors

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners is an Independent Third Party.

Subject Matter: Pursuant to the Equity Transfer Agreements, Zhaoqing Kepei has agreed to purchase, and the Vendors have agreed to sell, an aggregate of 55% equity interest (i.e. 30% equity interest by Deshang Education and 25% equity interest by Xincheng Education) in Huaibei Kepei. According to the announcement of the MOE, the sponsorship interest in HNU Information College will be jointly held by Huaibei Kepei and Huaibei Normal University upon obtaining the relevant approvals. Further, HNU Information College will be converted from an independent college (獨立學院) into an independently established private regular undergraduate institution (民辦普通本科院校), namely, Huaibei Polytechnic College, subject to, among others, the grant of the necessary approvals by the MOE.

Payment Terms: The Consideration is in the aggregate amount of RMB197,340,000 (equivalent to approximately HK\$234,222,846), which shall be paid by Zhaoqing Kepei to the Vendors in two instalments as follows:

- (i) the first instalment of RMB157,872,000, representing 80% of the Consideration, shall be paid before 10 October 2021; and
- (ii) the second instalment of RMB39,468,000, representing the remaining 20% of the Consideration, shall be paid before 20 November 2021.

As of the date of this announcement, the Company has paid to the Vendors the deposit in the aggregate amount of RMB120,000,000, which shall be applied to settle part of the Consideration from the first instalment as disclosed above.

Basis of Consideration: The Consideration was determined after arm's length negotiations between the parties with reference to the total net assets value of Huaibei Kepei as shown in its latest financial statements as well as, among others, the location, reputation, stage of development, type of school, and the observation by the Company regarding the recent market value of schools of similar size.

The Group intends to finance the payment of the Consideration from internal resources of the Group and/or bank loans.

Completion: Completion of the transfer of 55% equity interest in Huaibei Kepei to Zhaoqing Kepei shall take place within the 15 days after the signing of the Equity Transfer Agreements in accordance with the terms and conditions thereof. Upon such completion, Zhaoqing Kepei will hold 100% of the equity interest in Huaibei Kepei, which will become an indirect wholly-owned subsidiary of the Company.

Thereafter, HNU Information College will be converted from an independent college into an independently established private regular undergraduate institution, namely, Huaibei Polytechnic College, subject to, among others, the grant of the necessary approvals by the MOE.

## **ARRANGEMENT IN RELATION TO CONVERSION**

The application process of the Conversion has been commenced and the Education Department of Anhui Province has approved the Conversion, pending other regulatory approval including the MOE. Before the Conversion, all students and assets held by HNU Information College and all liabilities incurred arising from and in relation to the operation of HNU Information College prior to the completion of the Conversion shall continue to vest with and shall be borne by Huaibei Normal University. After the Conversion, all assets and liabilities incurred by Huaibei Polytechnic College (to be converted from HNU Information College) will be borne by Huaibei Kepei. Furthermore, construction of new school campus is completed by Huaibei Kepei for Huaibei Polytechnic College and, upon the Conversion, it is expected to commence operation in September 2021. Starting from 2021 school year, the new students enrolled will belong to Huaibei Polytechnic College upon the Conversion.

## **STRUCTURE OF HNU INFORMATION COLLEGE AND HUAIBEI POLYTECHNIC COLLEGE UPON COMPLETION OF CONVERSION**

Upon completion of the Conversion, the 100% sponsorship interest in Huaibei Polytechnic College (to be converted from HNU Information College) will be owned by Huaibei Kepei. Among others, Huaibei Kepei and Huaibei Polytechnic College will enter into the structured contracts with Zhaoqing Kepei and Tibet Kepei, the terms and conditions of which shall be the same as the existing Structured Contracts in all material aspects, upon which Huaibei Polytechnic College will be treated as a consolidated affiliated entity of the Company and its results of operations will be consolidated into the Group's results. The Company will publish further announcement(s) according to the Listing Rules and the Guidance Letter HKEx-GL77-14 issued by the Stock Exchange.

## **REASONS AND BENEFITS OF THE ACQUISITION**

The Directors believe that the Acquisition reflects the Group's ongoing strategy in expanding its school network and is consistent with the Group's business plan of acquisition or investment in undergraduate colleges to capture market opportunities. The Directors consider that with the Acquisition, the Group will be able to further promote its market position in the Yangtze River Delta in the PRC, thereby generating optimal synergy effect among the schools under the Group.

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

## **INFORMATION ON THE GROUP AND THE PARTIES TO THE EQUITY TRANSFER AGREEMENTS**

### **The Group**

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

### **The Company**

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

### **Zhaoqing Kepei**

Zhaoqing Kepei is a limited liability company incorporated under the laws of the PRC and principally engaged in the provision of private higher education in South China focusing on profession-oriented education. As at the date of this announcement, it wholly owns the sponsorship interest of Guangdong Polytechnic College, Zhaoqing School and Harbin Institute of Petroleum.

### **The Vendors**

As at the date of this announcement, Deshang Education and Xincheng Education are the holders of 30% and 25% equity interest in Huaibei Kepei, respectively. Each of Deshang Education and Xincheng Education is a limited liability company incorporated in the PRC and an investment holding company.

### **Huaibei Kepei and HNU Information College**

Huaibei Kepei is a limited liability company incorporated in the PRC and an investment holding company. As at the date of this announcement, Huaibei Kepei has completed the construction of new school campus with a total site area of approximately 337,986 sq.m., and gross floor area of 194,600 sq.m.. Subject to the approvals for the Conversion by MOE, Huaibei Kepei will be the sole sponsor of Huaibei Polytechnic College, which is expected to enroll its new students starting from 2021 school year.

HNU Information College is located in Huaibei, Anhui Province, the PRC and is an independent college approved by the MOE in 2003. According to the announcement of the MOE, the sponsorship interest in HNU Information College will be jointly held by Huaibei Kepei and Huaibei Normal University upon obtaining the relevant approvals. As at the date of this announcement, it has approximately 5,683 undergraduate students. HNU Information College has commenced the application process in relation to the Conversion. Subject to, among others, the necessary approvals by the MOE for the Conversion, HNU Information College will be converted from an independent college into an independently established private regular undergraduate institution, namely, Huaibei Polytechnic College.

Set out below is a summary of the financial information of Huaibei Kepei for the financial years ended 31 December 2019 and 31 December 2020 prepared in accordance with the Generally Accepted Accounting Principles of the PRC:

	<b>For the year ended 31 December</b>	
	2019 ( <i>Note</i> )	2020
	(unaudited)	(unaudited)
	(RMB)	(RMB)
Net (loss) before tax	(1,122,702.94)	<b>(3,947,338.66)</b>
Net (loss) after tax	(1,122,702.94)	<b>(3,947,338.66)</b>

As at 31 December 2020, the unaudited net asset value of Huaibei Kepei was RMB310,929,958.40.

*Note:* As Huaibei Kepei was set up in July 2019, this covers the period from the establishment date of Huaibei Kepei to 31 December 2019.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in relation to the Acquisition, is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“Acquisition”	the acquisition of an aggregate of 55% equity interest in Huaibei Kepei pursuant to the Equity Transfer Agreements
“Board”	the board of Directors
“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 to it under the Listing Rules
“Consideration”	the total consideration for the Acquisition in the aggregate amount of RMB197,340,000 (equivalent to approximately HK\$234,222,846)
“Conversion”	the conversion of HNU Information College to Huaibei Polytechnic College subject to, among others, the necessary approvals by the MOE
“Deshang Education”	Zhaoqing Gaoyao District Deshang Education Investment Development Company Limited* (肇慶高要區德尚教育投資開發有限公司), a limited liability company incorporated in the PRC and its ultimate beneficial owner is Zhao YuXian, an Independent Third Party.

“Director(s)”	the directors of the Company or any one of them
“Equity Transfer Agreements”	the equity transfer agreements dated 29 March 2021 entered into by Zhaoqing Kepei and the Vendors in relation to, among other things, the Acquisition
“Group”	the Company and its subsidiaries
“Guangdong Polytechnic College”	Guangdong Polytechnic College (廣東理工學院), a private institution of higher education established in the PRC on 8 December 2005, of which the school sponsor’s interest is wholly owned by Zhaoqing Kepei and is a consolidated affiliated entity of the Company
“Harbin Institute of Petroleum”	Harbin Institute of Petroleum* (哈爾濱石油學院), a private regular undergraduate institution in Harbin, the PRC in September 2003, of which the school sponsor’s interest is wholly owned by Harbin Huarui Enterprise Co., Ltd.* (哈爾濱華瑞實業有限公司) and is a consolidated affiliated entity of the Company
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HNU Information College”	HuaiBei Normal University Information College (淮北師範大學信息學院), an independent college in HuaiBei, Anhui Province, the PRC
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HuaiBei Kepei”	HuaiBei Kepei Education Investment Development Company Limited (淮北科培教育投資開發有限公司), a limited liability company incorporated in the PRC
“HuaiBei Polytechnic College”	HuaiBei Polytechnic College (淮北理工學院), a private regular undergraduate institution to be converted from HNU Information College, subject to, among others, the necessary approvals by the MOE
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are not connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOE”	the Ministry of Education of the PRC
“PRC”	the People’s Republic of China which for the purpose of this announcement, excludes Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholders of the Company
“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 to it 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 the Company
“Vendors”	Xincheng Education and Deshang Education
“Xincheng Education”	Zhaoqing Gaoyao District Xincheng Education Investment Development Company Limited* (肇慶高要區信誠教育投資開發有 限公司), a limited liability company incorporated in the PRC and its ultimate beneficial owner is Chen Shaofeng, an Independent Third Party
“Zhaoqing Kepei”	Zhaoqing Kepei Education Investment Development Co., Ltd.* (肇慶市 科培教育投資開發有限公司), a limited liability company established in the PRC on 8 March 2000
“Zhaoqing School”	Zhaoqing Science and Technology Secondary Vocational School* (肇 慶市科技中等職業學校), a private secondary vocational education institution established in the PRC on 19 May 2000, of which the school sponsor’s interest is wholly owned by Zhaoqing Kepei and is a consolidated affiliated entity of the Company

\* for identification purpose only

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 the purpose of this announcement, conversion of RMB into HK\$ is based on the exchange rate of RMB1.00 to HK\$1.1869. The exchange rate is used for illustration purposes only and should not be taken as a representation that the HK\$ amount could actually be converted into RMB at that rate, or at all.*