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 2020

ANNUAL RESULTS HIGHLIGHTS

The Board has resolved to recommend the payment of a final dividend of HK$0.12 per share for the year ended 31 December 2020.

	Year ended 31 December			**Percentage**
	2020	2019	**Change**	**Change**
	RMB'000	*RMB'000*	*RMB'000*	*(%)*
Revenue	**867,251**	714,215	153,036	+21.4
Gross profit	**606,057**	481,791	124,266	+25.8
Profit for the year	**564,790**	456,274	108,516	+23.8
Adjusted EBITDA*	**693,659**	526,151	167,508	+31.8
Core net profit**	**608,054**	449,537	158,517	+35.3

* Adjusted EBITDA is defined as to earnings before interest, income tax expenses, depreciation and amortization after adjusting for the item which is not indicative of the Group's operating performance.

** 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.

	2020/2021 School Year***	2019/2020 School Year***	**Change**	**Percentage Change** *(%)*
Number of students enrolled	**92,624**	57,924	34,700	59.9

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

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 2020 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	**2020**	2019
		RMB'000	*RMB'000*
Revenue	*3*	**867,251**	714,215
Cost of sales		**(261,194)**	(232,424)
Gross profit		**606,057**	481,791
Other income and gains	*3*	**128,928**	81,026
Selling and distribution expenses		**(22,892)**	(24,344)
Administrative expenses		**(111,486)**	(77,297)
Other expenses		**(24,316)**	(789)
Finance costs	*4*	**(8,875)**	(1,894)
Share of profits and losses of:			
A joint venture		**(118)**	222
An associate		**(5,452)**	(505)
PROFIT BEFORE TAX	*8*	**561,846**	458,210
Income tax credit/(expense)	*5*	**2,944**	(1,936)
PROFIT FOR THE YEAR		**564,790**	456,274
Attributable to:			
Owners of the parent		**564,790**	456,274
Earnings per share attributable to ordinary equity holders of the parent			
Basic	*7*		
– For profit for the year		**RMB0.2823**	RMB0.2319
Diluted			
– For profit for the year		**RMB0.2821**	RMB0.2319

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**564,790**	456,274
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/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	**(16,783)**	28,767
Net other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods	**(16,783)**	28,767
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(16,783)**	28,767
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**548,007**	485,041
Attributable to:		
Owners of the parent	**548,007**	485,041

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,712,392**	1,422,592
Right-of-use assets		**201,483**	207,973
Investment in a joint venture		**2,052**	2,170
Investment in an associate		**136,243**	141,695
Equity investments designated at fair value through other comprehensive income		**45,870**	62,653
Financial assets at fair value through profit or loss		**–**	50,136
Prepayments for non-current assets		**454,885**	93,045
Deferred tax assets		**4,762**	–
Total non-current assets		**2,557,687**	1,980,264
CURRENT ASSETS			
Trade receivables	*9*	**34,128**	29,658
Prepayments, other receivables and other assets		**212,221**	29,481
Financial assets at fair value through profit or loss		**59,833**	271,966
Amounts due from an associate		**158,329**	–
Time deposits		**100,000**	–
Cash and cash equivalents		**1,294,204**	1,111,749
Total current assets		**1,858,715**	1,442,854
CURRENT LIABILITIES			
Contract liabilities	*3*	**524,366**	411,870
Other payables and accruals	*10*	**170,406**	105,931
Interest-bearing bank and other borrowings		**265,015**	–
Lease liabilities		**1,609**	1,526
Tax payable		**2,850**	870
Deferred income		**996**	808
Total current liabilities		**965,242**	521,005
NET CURRENT ASSETS		**893,473**	921,849
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,451,160**	2,902,113

	2020	2019
	RMB'000	*RMB'000*
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,451,160**	2,902,113
NON-CURRENT LIABILITIES		
Interest-bearing bank and other borrowings	**262,258**	100,000
Lease liabilities	**7,434**	9,039
Deferred income	**7,741**	3,161
Total non-current liabilities	**277,433**	112,200
Net assets	**3,173,727**	2,789,913
EQUITY		
Equity attributable to owners of the parent		
Share capital	**137**	136
Reserves	**3,173,590**	2,789,777
Total equity	**3,173,727**	2,789,913

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. The Company and its subsidiaries principally engages in providing private higher 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 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 *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

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** **2020** ***RMB'000***	2019 *RMB'000*
Revenue			
Revenue from contracts with customers			
Tuition fees*		**824,303**	655,566
Boarding fees*		**37,019**	52,412
Other education service fees**		**5,929**	6,237
		867,251	714,215
Other income and gains			
Management service income***		**91,079**	–
Bank interest income	*8*	**11,682**	21,700
Interest income on loans to an associate****		**8,086**	–
Interest expense on other borrowings****		**(8,086)**	–
Dividend income from an equity investments designated at fair value through other comprehensive income	*8*	**1,180**	–
Rental income		**8,757**	17,125
Government grants			
Related to assets		**733**	808
Related to income		**5,352**	4,395
Fair value gains, net			
Convertible redeemable bond	*8*	**–**	13,941
Financial assets at fair value through profit or loss	*8*	**10,091**	12,421
Exchange gain, net		**–**	10,636
Gain on disposal of items of property, plant and equipment		**54**	–
		128,928	81,026

* During the Reporting Period, tuition fees and boarding fees mainly represented income received from the provision of education and boarding services to the students, which was recognised over time, i.e. the academic year, of the services rendered.

** During the Reporting Period, 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 time, i.e. the training periods, of the services rendered.

*** Pursuant to the share management agreement in relation to the acquisition of Harbin Institute of Petroleum# (哈爾濱石油學院), the entire management of Harbin Institute of Petroleum shall be entrusted to a subsidiary of the Company with effect from the effective date of the entrustment until the completion of acquisition. In consideration for the management services provided by the subsidiaries of the Company, the Group shall be entitled to management service income during the term of the share management agreement.

**** During the Reporting Period, pursuant to an agreement entered into between the Group and Huaibei Kepei Education Investment Development Company Limited# (淮北科培教育投資開發有限公司) ("**Huaibei Kepei**"), Huaibei Kepei would reimburse the interest expenses incurred by the Group in respect of certain other borrowings.

<u>Contract liabilities</u>

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

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
At the beginning of the year	**411,870**	334,564
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	**(400,084)**	(334,564)
Increases due to cash received, excluding amounts recognised as revenue during the year	**524,366**	411,870
Transfer to refund liabilities	**(11,786)**	–
At the end of the year	**524,366**	411,870

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:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Tuition fees	**382,295**	306,795
Boarding fees	**17,789**	27,769
	400,084	334,564

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	
	2020	2019
	RMB'000	*RMB'000*
Expected to be recognised as revenue within one year:		
Tuition fees	**484,901**	382,295
Boarding fees	**39,465**	29,575
	524,366	411,870

The amounts of transaction prices associated with unsatisfied or partially unsatisfied performance obligations do not include variable consideration which is constrained.

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	
	2020	2019
	RMB'000	*RMB'000*
Interest on lease liabilities	**532**	478
Interest on bank and other borrowings	**13,823**	5,516
Interest on the convertible redeemable bond	**–**	1,365
Total interest expense on financial liabilities not at fair value through profit or loss	**14,355**	7,359
Less: Interest capitalised	**(5,480)**	(5,465)
	8,875	1,894

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%. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

According to the Implementation Rules for the Law for Promoting Private Education (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	
	2020	2019
	RMB'000	*RMB'000*
Current – Hong Kong	**–**	155
– Mainland China	**1,818**	1,781
Deferred	**(4,762)**	–
Total tax (credit)/charge for the year	**(2,944)**	1,936

6. DIVIDENDS

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
Final dividend declared – HK$0.10 per ordinary share (2019: HK$0.10 per share)	**183,205**	175,824

A final dividend of HK$0.12 per share in respect of the year ended 31 December 2020 has been proposed by the Board and is subject to approval by the shareholders at the forthcoming annual general meeting of the Company on 4 June 2021 (2019: HK$0.10 per share). The final dividend for the year ended 31 December 2019 was approved by the shareholders at the annual general meeting of the Company on 5 June 2020.

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, and the adjusted weighted average number of ordinary shares of 2,000,798,667 (2019: 1,967,808,222) in issued during the year, which reflects the ordinary shares held for the share award plan (the "**Restricted Shares**") of the Company (the "**Share Award Plan**") during the Reporting Period.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. 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 no 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:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculation	**564,790**	456,274

	Number of shares	
	2020	2019
Shares		
Number of issued shares on 1 January	**2,000,798,667**	1,000
Effect of share split	**–**	999,000
Effect of capitalisation issue	**–**	1,499,000,000
Effect of conversion of the convertible redeemable bond	**–**	137,022,831
Effect of the global offering (excluding shares issued under the over-allotment option)	**–**	330,101,079
Effect of the over-allotment	**–**	684,312
Weighted average number of shares issued	**5,053,552**	–
Weighted average number of ordinary shares held for the Share Award Plan	**(5,053,552)**	–
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**2,000,798,667**	1,967,808,222
Effect of dilution -weighted average number of ordinary shares: Restricted Shares under the Share Award Plan	**1,513,286**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculations	**2,002,311,953**	1,967,808,222

8. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December **2020** ***RMB'000***	2019 *RMB'000*
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**133,391**	105,415
Pension scheme contributions		**12,238**	13,891
Equity-settled share award expense		**11,007**	–
		156,636	119,306
Depreciation of property, plant and equipment		**73,269**	66,681
Depreciation of right-of-use assets		**6,405**	6,103
Impairment of trade receivables*	*9*	**2,523**	4,737
(Gain)/Loss on disposal of items of property, plant and equipment		**(54)**	38
Auditor's remuneration		**3,000**	2,600
Expenses related to the issuance of shares*		**–**	17,840
Exchange loss/(gain), net**		**24,216**	(10,636)
Fair value gain, net			
Convertible redeemable bond	*3*	**–**	(13,941)
Financial assets at fair value through profit or loss	*3*	**(10,091)**	(12,421)
Dividend income from an equity investment at fair value through other comprehensive income	*3*	**(1,180)**	–
Bank interest income	*3*	**(11,682)**	(21,700)

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

9. TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Tuition fees and boarding fees receivables	**41,346**	34,800
Impairment	**(7,218)**	(5,142)
	34,128	29,658

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 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	
	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**24,051**	20,249
1 to 2 years	**5,453**	6,089
2 to 3 years	**2,496**	2,305
Over 3 years	**2,128**	1,015
	34,128	29,658

The movements in the loss allowance for impairment of trade receivables are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	*RMB'000*
At beginning of year	**5,142**	1,307
Impairment losses *(note 8)*	**2,523**	4,737
Amount written off as uncollectible	**(447)**	(902)
At end of year	**7,218**	5,142

10. OTHER PAYABLES AND ACCRUALS

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Payables for salaries	**24,272**	18,382
Payables for social insurance and housing fund	**23,534**	25,582
Payables for scholarships	**7,381**	10,719
Payables for cooperative education fees	**88**	1,360
Payables for purchase of property, plant and equipment	**44,662**	5,050
Miscellaneous expenses received from students*	**34,577**	29,013
Other tax payable	**9,565**	5,550
Accrued interests	**1,000**	–
Others	**25,327**	10,275
	170,406	105,931

* 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Market Overview

The private higher education market experienced rapid growth, and the relevant authorities made great efforts in enhancing 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 from the PRC government's public expenditure on education.

The student enrollment rate of school-age population from age 18 to 21 in the PRC higher education industry, which is calculated by dividing the total student enrollment in higher education by the total school-age population from age 18 to 21, grew from 40.0% in 2015 to 54.4% in 2020, representing a compound annual growth rate ("**CAGR**") of 6.3%. According to the 14th Five-Year Plan for Economic and Social Development of the PRC, the student enrollment rate of higher education is expected to continue to rise and reach 60.0% in 2025. According to the recent market research, compared to the student enrollment rates of the United States, France, Japan and the United Kingdom of 88.2%, 65.6%, 63.6% and 60.0%, respectively, China's student enrollment rate was relatively low in 2020. Therefore, there is a tremendous potential for growth for higher education industry in China.

According to the recent market research report, China's private higher education industry has been developing rapidly due to increasing market demands and government support. The total revenue for the private higher education industry in China increased from RMB92.5 billion in 2015 to RMB135.6 billion in 2019, representing a CAGR of 10.0%. It is expected that it will further increase to RMB198.4 billion in 2024, representing a CAGR of 7.9% from 2019 to 2024. Besides, the number of students enrolled in China's private higher education market increased from 6.1 million to 7.1 million from 2015 to 2019, representing a CAGR of 3.8%. It is expected that it will further increase to 8.0 million in 2024, representing a CAGR of 2.5% from 2019 to 2024. The penetration rate of private higher education in China has increased from 23.3% in 2015 to 23.4% in 2019, and is expected to increased to 23.8% in 2024, mainly due to the cultivation of application-oriented talents in the PRC private higher education. The average annual tuition fee of private higher education in China increased from RMB11,346 in 2015 to RMB14,245 in 2019. With the increasing per capita disposable income of the PRC urban households and the gradual market deregulation of price for private higher education, the average annual tuition fees for private higher education in China is expected to increase to RMB18,535 in 2024, representing a CAGR of approximately 5.4% from 2019.

Business Overview

The Group is a leading provider of private higher education services in China focusing on profession–oriented education. As of the 2020/2021 school year, the Group had an aggregate of 81,950 students enrolled at the schools we operated and consolidated, 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**"), and a total of 10,674 students enrolled at Harbin Institute of Petroleum# (哈爾濱石油學院) ("**Harbin College**"), which is operated under the share management agreement with the Group.

Impact on the Group from the COVID-19 Pandemic

Since the outbreak of the COVID-19 pandemic, 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 resuming back to school during the outbreak period. In response to the COVID-19 pandemic, the Group has put in place a series of alternative action plans for students in the schools operated by the Group during the schools closure period, which include implementation of online modules and remote distance learning activities, so as to ensure students can keep track of the school curriculum and prepare for their exams and assessments. Save for the refund of boarding fees amounting to RMB25 million to the students in accordance with the relevant guideline on refund of boarding fees to the students due to the COVID-19 pandemic outbreak issued by local competent education authorities and the implementation of rent concession for shop and canteen tenants affected by the COVID-19 pandemic, there was no significant impact on the financial position of the Group since the outbreak of the COVID-19 pandemic.

As the COVID-19 outbreak gradually got under control, all of the Group's schools have resumed teaching on-site at the commencement of the 2020/2021 school year. Prior to the reopening of the schools, the Group has adopted a series of preventative measures to ensure the safety of teachers and students, including strengthening disinfection and cleaning of campuses and timely declaration of the health conditions of all teachers and students. The Group will continue to closely monitor the development of the COVID-19 and take corresponding timely measures in response to any potential risks as appropriate.

Market Position

With over 20 years' experience in operating higher education institutions in China, the Group is a leading provider of private higher education services in China. According to the recent market research, Guangdong Polytechnic College ranked the 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 the 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 to meet the growing and changing market demands. The Group is primarily focused on engineering majors 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, which fosters practical skills and market competitiveness of the students.

Acquisition Progress of Harbin College

On 13 January 2020, the Group entered into an agreement with an independent third party to acquire 100% sponsorship interest in Harbin College. Harbin College is a high-quality undergraduate college founded in 2003 with a leading provincial employment rate of 90.5% and student registration rate of 97.4% for the 2020/2021 school year. It is located in Harbin, Heilongjiang Province with a total of 10,674 students, including 9,736 undergraduate students and 938 adult college students. In March 2020, the Group changed the board of directors of Harbin College and entered into a share management agreement with Harbin College. Pursuant to the share management agreement, the entire management of Harbin College shall be entrusted to a subsidiary of the Company with effect from the effective date of the share management agreement until the completion of the acquisition. The transfer of sponsorship interest and the registration with the relevant government department have not been completed as of 31 December 2020. In consideration for the management services provided by the subsidiaries of the Company, the Group shall be entitled to management service income during the term of the share management agreement. The income of RMB91.1 million from management service of the Group, which was recognized as other income and gains during the year ended 31 December 2020. As at the date of this announcement, the Company has obtained all necessary government approvals as well as business registration and obtained the ownership of Harbin College. Upon completion of the acquisition, all financial results of the relevant entities including Harbin College will be consolidated to the Group's financial results including the revenue, and the current share management agreement will be terminated. The Group entered into structured contracts that are in compliance with the applicable PRC laws and regulations and the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), of which the terms and conditions therein are the same as the existing Structured Contracts (as defined in the prospectus of the Company dated 15 January 2019) in all material aspects, with Harbin College on 29 March 2021. For more details, please refer to the announcement of the Company dated 29 March 2021.

The Group believes that the acquisition marks the Group's first step to expand the school network in the PRC and increase its market share. The Group sees great growth potential in Harbin College and have implemented effective measures to integrate the Harbin College into our Group. During the year ended 31 December 2020, the enrollment of Harbin College increased by 14% and the net profit increased by 33%, demonstrating the Group's high execution capability to improve the performance of the newly acquired school. The Group will continue to leverage its leading industry experience to streamline the operation of Harbin College and enhance its operational and financial performance. The Group intends to implement the Group's centralized management system to improve operational efficiencies of Harbin College, increase its school's capacity, expand its course offerings, optimize its pricing strategies and as a result improve the profitability of the Group as a whole.

The Schools Operated by the Group

Guangdong Polytechnic College: A degree-granting undergraduate-level education institution established in 2005 which offers undergraduate, junior college and adult education programs. For the 2020/2021 school year, it has a total of 73,482 students enrolled, consisting of 29,262 undergraduate students, 6,325 junior college students and 37,895 adult college students. It offers 33 undergraduate majors and 26 junior college majors, in a wide range of subject areas. Its core majors include computer science and technology, electrical engineering and automation, electronic information engineering and mechanical design;

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 2020/2021 school year, it has a total of 8,468 students enrolled; and

Harbin College: A degree-granting undergraduate-level education institution established in 2003 and was entrusted to a subsidiary of the Company in March 2020. It offers undergraduate and adult education programs. For the 2020/2021 school year, it has a total of 10,674 students, including 9,736 undergraduate students and 938 adult college students. It offers 32 undergraduate majors in a wide range of subject areas. Its core majors include mechatronic engineering, computer science and technology, petroleum engineering, electronic information engineering.

Revenue

For the year ended 31 December 2020, the Group experienced revenue growth at its schools, which was in line with the expansion of its business and student enrollment. Revenue increased from RMB714.2 million for the year ended 31 December 2019 to RMB867.3 million for the year ended 31 December 2020. The Group typically charges students fees comprising tuition fees, boarding fees and other education service fees. Tuition fees remained as the major revenue, accounted for approximately 95.0% of the total revenue of the Group for the year ended 31 December 2020.

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 2020 *RMB'000*	Year ended 31 December 2019 *RMB'000*	**Change** *RMB'000*	**Percentage Change** *(%)*
Tuition fees				
Undergraduate program	**576,412**	448,978	127,434	+28.4
Junior college program	**109,102**	113,364	(4,262)	(3.8)
Adult college program	**62,672**	42,113	20,559	+48.8
Upgrade of junior college students to undergraduate students	**4,148**	4,242	(94)	(2.2)
Secondary vocational education	**71,969**	46,869	25,100	+53.6
Total tuition fees	**824,303**	655,566	168,737	+25.7
Boarding fees	**37,019**	52,412	(15,393)	(29.4)
Other education service fees	**5,929**	6,237	(308)	(4.9)
Total	**867,251**	714,215	153,036	+21.4

The increase of the total revenue of the Group for the year ended 31 December 2020 was mainly due to the increase of the Group's student enrollment and average tuition fee. The boarding fees decreased significantly mainly because the students did not return to the campus during the first half of 2020 due to the impact of COVID-19 pandemic and the PRC Schools refunded the boarding fees of RMB25 million to the students. Harbin College recorded refund of boarding fees of approximately RMB6 million for the year ended 31 December 2020.

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

	Tuition Fees(1)/ School Year		**Boarding Fees(1)/ School Year**	
	2020/2021	2019/2020	**2020/2021**	2019/2020
School	***RMB***	*RMB*	***RMB***	*RMB*
Consolidated schools				
Guangdong Polytechnic College				
– Undergraduate program(2)	**26,800**	23,800	**1,800-6,000**	1,800-2,000
– Junior college program(2)	**18,800**	17,800	**1,800-6,000**	1,800-2,000
– On-campus adult college program	**7,400-16,800**	5,900-13,300	**1,800-2,000**	1,600
– Off-campus adult college program	**680-980**	680-980	**N/A**	N/A
Zhaoqing School				
– Secondary vocational education	**8,000-12,400**	7,200-11,100	**1,380**	1,170-1,570
Non-consolidated school operated under the share management agreement				
Harbin College(3)				
– Undergraduate program	**19,800-21,800**	18,000-19,800	**1,500**	1,500
– Off-campus adult college program	**1,400-2,000**	N/A	**1,400-2,000**	N/A

Notes:

(1) Tuition fees and boarding fees shown above 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.

(3) The Group entered into the share management agreement with Harbin College in March 2020. The acquisition of Harbin College by the Group has not been approved by the relevant authorities as of 31 December 2020. Therefore, Harbin College was not a consolidated subsidiary of the Group as of 31 December 2020. As at the date of this announcement, the Company has obtained all necessary government approvals as well as business registration and obtained the ownership of Harbin College. Upon completion of the acquisition, Harbin College becomes an entity wholly owned by the Company and its financial results will be consolidated into the accounts of the Group.

Student enrollment

The following table sets out information relating to the student enrollment for the schools of the Group as at the date indicated:

	Numbers of Students Enrolled/ School Year		Change	Percentage Change
	2020/2021	2019/2020		*(%)*
Consolidated schools				
Guangdong Polytechnic College				
Undergraduate program	**29,262**	23,823	5,439	+22.8
Junior college program	**6,325**	6,833	(508)	(7.4)
On-campus adult college program	**7,309**	4,783	2,526	+52.8
Off-campus adult college program	**30,586**	14,876	15,710	+105.6
Subtotal	**73,482**	50,315	23,167	+46.0
Zhaoqing School				
Secondary vocational program	**8,468**	7,609	859	+11.3
Non-consolidated school operated under the share management agreement				
Harbin College[(1)]				
Undergraduate program	**9,736**	N/A	N/A	N/A
Off-campus adult college program	**938**	N/A	N/A	N/A
	10,674	N/A	N/A	N/A
Total	**92,624**	57,924	34,700	+59.9

Note:

(1) The Group entered into the share management agreement with Harbin College in March 2020. The acquisition of Harbin College by the Group has not been approved by the relevant authorities as of 31 December 2020. Therefore, Harbin College was not a consolidated subsidiary of the Group as of 31 December 2020. As at the date of this announcement, the Company has obtained all necessary government approvals as well as business registration and obtained the ownership of Harbin College. Upon completion of the acquisition, Harbin College becomes an entity wholly owned by the Company and its financial results will be consolidated into the accounts of the Group.

The student enrollment information was based on the records of the relevant school year as at 31 December 2020. For the school year of 2020/2021, the total number of enrolled students of the Group was 92,624, increased by 59.9% from the school year of 2019/2020.

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 school capacity is calculated by the number of beds available in student dormitories.

	School Capacity/ School Year		**School Utilisation Rate/ School Year**	
	2020/2021	2019/2020	**2020/2021**	2019/2020
Consolidated schools				
Guangdong Polytechnic College	**34,386**	29,148	**96.9%**	91.1%
Zhaoqing School	**8,116**	7,288	**94.7%**	92.7%
Non-consolidated school operated under the share management agreement				
Harbin College(1)	**9,800**	9,440	**99.4%**	94.7%
Total	**52,302**	45,876	**97.0%**	91.4%

In order to meet the increasing demands due to organic growth, the Group increased the capacity of Guangdong Polytechnic College by around 5,200 students and Zhaoqing School by around 800 students during the year ended 31 December 2020. The third phase of the construction of the new Dinghu (鼎湖) campus of Guangdong Polytechnic College was completed in the first half of 2020, which further expanded the capacity of Guangdong Polytechnic College by around 2,800 students. Besides the new Dinghu campus, the Group has expanded the capacity of Gaoyao (高要) campus of Guangdong Polytechnic College by around 2,400 students.

Note:

(1) The Group entered into the share management agreement with Harbin College in March 2020. The acquisition of Harbin College by the Group has not been approved by the relevant authorities as of 31 December 2020. Therefore, Harbin College was not a consolidated subsidiary of the Group as of 31 December 2020. As at the date of this announcement, the Company has obtained all necessary government approvals as well as business registration and obtained the ownership of Harbin College. Upon completion of the acquisition, Harbin College becomes an entity wholly owned by the Company and its financial results will be consolidated into the accounts of the Group.

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 higher 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 are of 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 and other borrowings with floating interest rates.

It is the Group's policy to keep certain bank and other 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 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 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.

Future Plans

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

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

The Group launched its first acquisition of Harbin College and extend its school network to other province. In the future, the Group will explore more acquisitions opportunities in both private regular undergraduate college and independent colleges with attractive growth potential. The Group expects more high quality colleges to join its school network in the future.

In terms of geographical coverage, the Group will explore expansion opportunities in South China and Southwest China, where there is a relative scarcity of higher education resources, as well as other areas in China with market potential.

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 tuition fees and achieve business growth. The Group aims to enhance education quality by implementing 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 schools*

Guangdong Province attracted migrant worker from across China and has been the province with largest net population inflow over the past five years. The lower gross enrolment rate of higher education and large population inflow in Guangdong Province will provide more room for the growth of new enrolments in higher education in the future. The Group plans to further expand the capacity in Gaoyao campus of Guangdong Polytechnic College. The construction of the dormitories in the Gaoyao campus with a capacity of around 3,000 students is expected to be completed in the second half of 2021. The Group plans to use proceeds from the listing of the Company (the "Listing") on the Main Board of the Stock Exchange, supplemented by the Group's working capital, to fund such expansion.

(iii) Further expand service offering and diversify revenue sources

a. Optimise tuition fees and boarding fees

The Group will raise tuition fees for the 2021/2022 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 the adult college program

The students enrolment of the Group's adult college program increased from 19,659 in 2019/2020 school year to 38,833 in 2020/2021 school year, with an increase of 97.5%. The Group believes that the market for adult college education in China is growing strongly. 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.

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).

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 2020) *RMB (million)*	Unutilised amount (at 31 December 2020) *RMB (million)*	Expected timeline for utilizing the unutilized net proceeds[(1)]
Acquire additional schools	44.9%	308.4	308.4	–	–
Expand the existing schools owned or operated by the Group	37.6%	258.2	230.8	27.4	2021
Repay loans from third-party financial institutions	7.5%	51.5	51.5	–	–
Fund the working capital and general corporate purposes	10.0%	68.7	68.7	–	–
Total	100.0%	686.8	659.4	27.4	

Note:

(1) The Group plans to use the unutilized proceeds to expand the capacity of Guangdong Polytechnic College in 2021. See the paragraph headed "Future Plans" for more details. 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 mainly derives revenue from tuition fees and boarding fees its schools collect from students.

Revenue increased by RMB153.1 million, or 21.4%, from RMB714.2 million for the year ended 31 December 2019 to RMB867.3 million for the year ended 31 December 2020. This increase was primarily the result of: (i) revenue from tuition fees increasing by RMB168.7 million, or 25.7%, from RMB655.6 million for the year ended 31 December 2019 to RMB824.3 million for the year ended 31 December 2020; and (ii) revenue from boarding fees decreased by RMB15.4 million, or 29.4%, from RMB52.4 million for the year ended 31 December 2019 to RMB37.0 million for the year ended 31 December 2020. 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 2020/2021 school year. The boarding fees decreased because the students did not return to the campus during the first half of 2020 due to the impact of COVID-19 pandemic and the PRC Schools refunded the boarding fees to the students.

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 RMB28.8 million, or 12.4%, from RMB232.4 million for the year ended 31 December 2019 to RMB261.2 million for the year ended 31 December 2020. This increase was primarily the result of an increase in staff costs, depreciation and amortisation. Staff costs increased by RMB22.0 million, or 21.3%, from RMB103.2 million for the year ended 31 December 2019 to RMB125.2 million for the year ended 31 December 2020, 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 RMB124.3 million, or 25.8% from RMB481.8 million for the year ended 31 December 2019 to RMB606.1 million for the year ended 31 December 2020, which was in line with the growth of the Group's business. Gross profit margin increased from 67.5% for the year ended 31 December 2019 to 69.9% for the year ended 31 December 2020 mainly due to the increase of student enrollments and average tuition fee.

Other Income and Gains

Other income and gains primarily consist of government grants, interest income from bank deposits, rental income from lease of campus properties and venues to independent third parties, management service income, dividend income and gains relating to change in fair value of financial asset. Other income and gains increased significantly by RMB47.9 million, or 59.1%, from RMB81.0 million for the year ended 31 December 2019 to RMB128.9 million for the year ended 31 December 2020. This increase was primarily due to: (i) an increase of RMB91.1 million in the management service income from Harbin College commencing from March 2020 to December 2020; (ii) a decrease of RMB13.9 million in the fair value gain in the convertible bond recognized in 2019; and (iii) a decrease of RMB10.6 million in exchange gain recognized for the year ended 31 December 2019 resulting from the depreciation of Renminbi against USD in relation to the Group's deposits denominated in USD.

Selling and Distribution Expenses

Selling and distribution expenses primarily consist of advertising expenses, student admission expenses and business entertainment expenses. Selling and distribution expenses for the year ended 31 December 2020 was RMB22.9 million, which remained stable as compared to that of the year ended 31 December 2019.

Administrative Expenses

Administrative expenses primarily consist of the administrative staff salaries, share-based payment expenses under share award scheme, office-related expenses, depreciation of office buildings and equipment, entertainment expenses, expenses related to the activities of merger and acquisition and other expenses. The administrative expenses increased significantly by RMB34.2 million, or 44.2%, from RMB77.3 million for the year ended 31 December 2019 to RMB111.5 million for the year ended 31 December 2020. This increase was primarily due to the increase of share-based payment expenses of RMB19.0 million due to the adoption of the share award scheme on August 2020 and the professional consulting expenses related to the merger and acquisition activities.

Other Expenses

Other expenses primarily consist of expenses relating to exchange loss and other costs. Other expenses increased significantly from RMB0.8 million for the year ended 31 December 2019 to RMB24.3 million for the year ended 31 December 2020. This increase was primarily due to the exchange loss of RMB24.2 million resulting from the appreciation of Renminbi against USD in relation to the Group's deposits denominated in USD.

Finance Costs

Finance costs primarily consist of the interest expenses for the interest-bearing bank and other borrowings and lease liabilities. Due to the increased average interest-bearing bank and other borrowings during the year ended 31 December 2020, the finance costs of the Group increased by RMB7.0 million compared to that of the year ended 31 December 2019.

Core Net Profit

Core net profit was derived from the profit for the year after adjusting the expenses related to the share-based payments, the issuance of Shares, change in fair value of the convertible bond and the foreign exchange gain or loss, 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	
	2020	2019
	RMB'000	*RMB'000*
Profit for the year	**564,790**	456,274
Add:		
Share-based payments under share award scheme	**19,048**	–
Foreign exchange loss	**24,216**	–
Expenses related to the issuance of shares	**–**	17,840
Less:		
Change in fair value of the convertible bond	**–**	13,941
Foreign exchange gain	**–**	10,636
Core net profit	**608,054**	449,537

Core net profit increased by RMB158.5 million, or 35.3%, from RMB449.5 million for the year ended 31 December 2019 to RMB608.1 million for the year ended 31 December 2020.

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. For the year ended 31 December 2020, the Group's capital expenditures were RMB230.8 million.

Gearing Ratio

The gearing ratio of the Group, which was calculated as total interest-bearing bank and other borrowings divided by total equity as at the end of the relevant financial year, increased from approximately 3.6% as at 31 December 2019 to 16.6% as at 31 December 2020, primarily due to the increase in the Group's total interest-bearing bank and other borrowings.

Foreign Exchange Risk Management

The functional currency of the Company is Renminbi. The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 2020, certain bank balances were denominated in HKD and USD. During the year ended 31 December 2020, 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 purposes.

Contingent Liabilities

As at 31 December 2020, 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 2019: nil).

Pledge of Assets

As at 31 December 2020, certain of the Group's furniture and fixtures, and electronic devices with a net carrying amount of approximately RMB156.2 million (as at 31 December 2019: nil) were pledged to secure certain interest-bearing other borrowings.

Human Resources

As at 31 December 2020, the Group had 2,751 employees (as at 31 December 2019: 2,289 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 2020 was RMB169.8 million (for the year ended 31 December 2019: RMB126.7 million).

EVENTS AFTER THE REPORTING PERIOD

(1) On 29 March 2021, after the Company has obtained all necessary government approvals as well as business registration and obtained the ownership of Harbin College, an indirect wholly-owned subsidiary of the Company, Tibet Kepei and Harbin College entered into the structured contracts and pursuant to which, Harbin College will become an entity wholly owned by the Company and its financial results will be consolidated into the accounts of the Group. For more details, please refer to the announcement of the Company dated 29 March 2021.

(2) On 29 March 2021, Zhaoqing Kepei entered into an equity transfer agreement with 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) ("**Xincheng Education**") and 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) ("**Deshang Education**") pursuant to which, Xincheng Education and Deshang Education will transfer their 55% equity interest in Huaibei Kepei Education Investment Development Company Limited# (淮北科培教育投資開發有限公司) ("**Huaibei Kepei**") to Zhaoqing Kepei at a total consideration of RMB197,340,000. Upon completion of the equity transfer, Huaibei Kepei will be an entity wholly owned by the Company. Subject to the approvals for conversion by the Ministry of Education of the PRC, Huaibei Kepei will be the sole sponsor of Huaibei Polytechnic College# (淮北理工學院), which is a private regular undergraduate institution to be converted from Huaibei Normal University Information College# (淮北師範大學信息學院) and is expected to commence operation in September 2021.

    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 through the operation of Huaibei Polytechnic College, 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. For more details, please refer to the announcement of the Company dated 29 March 2021.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.12 (2019: HK$0.10) per share for the year ended 31 December 2020. 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 4 June 2021 (the "**AGM**") and the proposed final dividend will be payable on or around Monday, 12 July 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 18 June 2021.

CLOSURE OF THE REGISTER OF MEMBERS

(a) For determining the entitlement to attend and vote at the AGM

The register of members of the Company will be closed from Tuesday, 1 June 2021 to Friday, 4 June 2021, 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 Monday, 31 May 2021.

(b) For determining the entitlement of the proposed dividend

The register of members of the Company will also be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021, 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 Friday, 11 June 2021.

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 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 a deviation from code provision A.2.1 of the CG Code, 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 year ended 31 December 2020.

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 year ended 31 December 2020, 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 2020.

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 2020, 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 2020 as set out in this 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 HKICPA and consequently no assurance has been expressed by Ernst & Young on this preliminary announcement.

PUBLICATION OF THE ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This annual result announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.chinakepeiedu.com), and the 2020 annual report of the Group for the year ended 31 December 2020 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, 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.

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