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HOPE EDUCATION GROUP CO., LTD.

希望教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1765)

DISCLOSEABLE TRANSACTION ACQUISITION OF SPONSOR INTEREST IN THE TARGET SCHOOL AND ENTERING INTO THE SCHOOL INVESTMENT AGREEMENT

THE ACQUISITION OF SPONSOR INTEREST

The Board is pleased to announce that on 22 March 2021, Puruichen Company was approved by the Ministry of Education to become one of the two sponsors of the Target School while the other sponsor is Inner Mongolia University, and the Target School has recently been issued a renewed school operating licence. The Target School, Puruichen Company and Inner Mongolia University are proceeding the matters in relation to the conversion of the Target School.

ENTERING INTO THE SCHOOL INVESTMENT AGREEMENT

On 20 July 2021 (after trading hours), Sichuan Shurui, Puchen Farming and Puruichen Company entered into the School Investment Agreement, pursuant to which, Sichuan Shurui has agreed to make a total investment of RMB800 millions for (i) the conversion of the Target School into a private general undergraduate college independently established by Puruichen Company; and (ii) the acquisition of Puchen Farming's 49% equity interest in Puruichen Company to attain the purpose of making the Target Company the wholly-owned subsidiary of Hope Education. The relevant investment funding will be utilized for construction of the Target School's new campus (including, amongst the others, land acquisition, campus construction, purchase of facilities and equipment), repayment of the Target School's debts, the consideration for the transfer of interests of Puruichen Company and the Target School, the payment of the conversion, the funding required for future development of the Target School and others; thereby, the Company will indirectly acquire the sponsor interest of the Target School. The Target School will become an indirectly owned subsidiary of the Company and the financial results of the Target School will be consolidated into the Group's consolidated financial statements.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the School Investment Agreement exceeds 5% but all are less than 25%, the entering into of the School Investment Agreement constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 22 March 2021, Puruichen Company was approved by the Ministry of Education to become one of the two sponsors of the Target School while the other sponsor is Inner Mongolia University, and the Target School has recently been issued a renewed school operating licence. The Target School, Puruichen Company and Inner Mongolia University are proceeding the matters in relation to the conversion of the Target School. On 20 July 2021 (after trading hours), Sichuan Shurui, Puchen Farming and Puruichen Company entered into the School Investment Agreement, pursuant to which, Sichuan Shurui has agreed to make a total investment of RMB800 millions for (i) the conversion of the Target School into a private general undergraduate college independently established by Puruichen Company; and (ii) the acquisition of Puchen Farming's 49% equity interest in the Target Company to attain the purpose of making Puruichen Company the wholly-owned subsidiary of Hope Education. The relevant investment funding will be utilized for construction of the Target School's new campus (including, amongst the others, land acquisition, campus construction, purchase of facilities and equipment), repayment of the Target School's debts, the consideration for the transfer of interests of Puruichen Company and the Target School, the payment of the conversion, the funding required for future development of the Target School and others; thereby, the Company will indirectly acquire 100% sponsor interest of the Target School. The Target School will become an indirectly owned subsidiary of the Company and the financial results of the Target School will be consolidated into the Group's consolidated financial statements.

THE SCHOOL INVESTMENT AGREEMENT

Date: 20 July 2021 (after trading hours)

Parties: (1) Sichuan Shurui;
(2) Puchen Farming; and
(3) Puruichen Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of Puchen Farming, the Target School and their respective ultimate beneficial owners is a third party independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Nature of the transaction and consideration

Pursuant to the School Investment Agreement, Sichuan Shurui will make a total investment of RMB800 millions for the conversion of the Target School into a private general undergraduate college independently established by Puruichen Company and the acquisition of Puchen Farming's 49% equity interest in Puruichen Company, the relevant investment funding will be utilized for construction of the Target School's new campus (including, amongst the others, land acquisition, campus construction, purchase of facilities and equipment), repayment of the Target School's debts, the consideration for the transfer of interests of Puruichen Company and the Target School, the payment of the conversion, the funding required for future development of the Target School and others.

Payment arrangements

The payment for the conversion and development arrangements of Pioneer College* shall be made by Sichuan Shurui by cash.

Basis of consideration

The consideration was determined after arm's length negotiations among the contracting parties with reference to the historical performance and assets, its location and branding, the programs offered, the employment opportunities and the prospect of the graduates, the number of students and enrollments of the Target School, the observation by the Company regarding the recent market value of private higher education institutions of similar size, as well as other factors as set forth in the paragraph "Reasons for and Benefits of the School Investment Agreement" below. In particular, the Company have conducted an independent analysis on the Target Subjects, that primarily covers: (i) conducting site visit to inspect the location, environment and area size of the Target Subjects, (ii) understanding the reasons for sales of the interest in Target Subjects by the Vendors and their financial background and current financial status, (iii) understanding the local market practice and relevant government policies applicable for corporates where the Target Subjects are located, (iv) understanding the history and significant milestones since the establishment of the Target Subjects, (v) reviewing recent historical financial data and records of the Target Subjects, including business operation, revenue by segments and costs, (vi) reviewing the human resources of the Target Subjects, including number of academic and non-academic staff, (vii) evaluating the business prospects, covering number of current students and their expected enrollment level of the Target Subjects in future, (viii) making internal investment return analysis, as well as considering both merits and shortfalls for acquiring the Target Subjects. Moreover, the Company uses the asset replacement costs method to assist its determination on the consideration. The Directors primarily consider: (i) the essential replacement costs to acquire business similar to the size and setup of the Target Subjects at the same or equal value and considering applicable permit and licensing costs; and (ii) the useful life for the acquired Target Subjects as well as relevant depreciation costs, to form the basis for consideration.

The Directors have considered all the above information that is relevant to assessing the merits of the acquisition of the Target Subjects and to determining the consideration for such acquisition. Based on the abovementioned, the Directors believe that the consideration is fair and reasonable.

Source of funding

The investment will be funded by the proceeds raised in the listing, the Group's own fund and loans from commercial banks.

Completion

After Puruichen Company obtained the school operating licence and became the new sponsor of the Target School, the Target School will become the Company's consolidated affiliated entity and the financial results of the Target School will be consolidated into the Group's consolidated financial statements.

FINANCIAL INFORMATION OF THE TARGET SUBJECTS

(i) The Target School

For the years ended 31 December 2019 and 31 December 2020, the unaudited consolidated net profits of the Target School prepared in accordance with the Generally Accepted Accounting Principles of the PRC were as follows:

For the year ended 31 December 2019:

Unaudited net profit (before tax): approximately RMB32,941,790.61

Unaudited net profit (after tax): approximately RMB32,917,709.83

For the year ended 31 December 2020:

Unaudited net profit (before tax): approximately RMB44,806,857.34

Unaudited net profit (after tax): approximately RMB44,755,831.54

As at 30 June 2021, the total consolidated assets and the net consolidated assets of the Target School were RMB459,043,818 (unaudited) and RMB246,691,822 (unaudited), respectively.

(ii) The Target Company

For the years ended 31 December 2019 and 31 December 2020, the unaudited consolidated net profits of the Target Company prepared in accordance with the Generally Accepted Accounting Principles of the PRC were as follows:

For the year ended 31 December 2019:

Unaudited net profit (before tax): approximately RMB150,012.36

Unaudited net profit (after tax): approximately RMB112,509.27

For the year ended 31 December 2020:

Unaudited net profit (before tax): approximately RMB84,416.03

Unaudited net profit (after tax): approximately RMB63,312.02

As at 30 June 2021, the total consolidated assets and the net consolidated assets of the Target Company were RMB459,216,397 (unaudited) and RMB346,817,107 (unaudited), respectively.

REASONS FOR AND BENEFITS OF THE SCHOOL INVESTMENT AGREEMENT

The Target School is located in the core area of Hohhot, Inner Mongolia, adjacent to the Nanhu Wetland Park and the South campus of Inner Mongolia University with beautiful scenery, and enjoys a superior geographical location with easy accessibility. Also, the Target School is one of the only two private higher education institutions in Inner Mongolia, which has a very rare and uncommon brand value. Such Acquisition initiates an important layout of the Company in this new region of Inner Mongolia, which further expands the Company's school network and increases market penetration. Meanwhile, through the linkage among certain aspects such as student enrollment and teaching, as well as the synergy with other institutions of the Group, it improved the grades of running schools, enriched the professional settings, delivered more high-quality higher education resources to the local area and served industrial construction.

In view of the above reasons, the Directors (including the independent non-executive Directors) are of the view that the terms of the School Investment Agreement are on normal commercial terms, fair and reasonable. The School Investment Agreement is consistent with the Group's business strategy and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE COMPANY AND THE CONTRACTING PARTIES

The Company

The principal activity of the Company is investment holding and its subsidiaries, including its consolidated affiliated entities, are principally engaged in provision of private formal higher education through private higher education institutions, including independent colleges and junior colleges, owned and operated by the Company. The Purchaser is one of the Company's consolidated affiliated entities and is principally engaged in education management and education industry investment.

Sichuan Shurui

Sichuan Shurui is a wholly-owned subsidiary of Hope Education, principally engaged in education management service and education consultancy service.

Puchen Farming

Puchen Farming is a limited liability company established under the laws of PRC on 26 February 2016, which is held and beneficially owned as to 70% and 30% by Mr. Hao Yongzeng and Mr. Zhai Yong, both are the third parties independent of the Company, respectively. Its principal activities include research and development, nurturing, extending application of excellent breeds of livestock and development of agriculture, forestry, animal husbandry industries.

Puruichen Company

Puruichen Company is a limited liability company established under the laws of PRC on 10 May 2018, and is owned as to 51% and 49% by Sichuan Shurui and Puchen Farming, respectively. Its principal activities include education information consultancy (excluding trainings), cultural information consultancy, enterprise management (excluding investment and asset management).

The Target School

Pioneer College, Inner Mongolia University* (內蒙古大學創業學院) is a college sponsored by both Inner Mongolia University and Puruichen Company. It is located in Hohhot, Inner Mongolia of the PRC, and has commenced its undergraduate student enrollment since 2008. It is a higher education institution characterized with modern media and cultural creativity, with its development focusing on business studies and complementing by several disciplines such as liberal art, science, engineering, economics, management and art. As at the date of this announcement, the Target School offers 28 specialist majors and has approximately 8,554 students.

IMPLICATIONS UNDER THE LISTING RULES

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

DEFINITIONS

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Acquisition of Sponsor Interest”	the Company acquired the sponsor interest in the Target School indirectly by its indirect 51% equity interest in Puruichen Company;
“Board”	the board of directors of the Company;
“Company”	Hope Education Group Co., Ltd. (希望教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 March 2017;
“Director(s)”	the directors of the Company;
“Group”	the Company and its subsidiaries, including its consolidated affiliated entities;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hope Education”	Sichuan Hope Education Industry Group Limited (四川希望教育產業集團有限公司), a limited liability company established under the laws of PRC on 12 January 2005, and one of the Company’s consolidated affiliated entities;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“School Investment Agreement”	the school investment agreement dated 20 July 2021 entered into by Sichuan Shurui, Puchen Farming and Puruichen Company in relation to the Target School;
“Target Subjects”	Pioneer College, Inner Mongolia University* (內蒙古大學創業學院) and Inner Mongolia Pu Rui Chen Education Technology Co., Ltd.* (內蒙古普瑞晨教育科技有限公司);
“Target School”	Pioneer College, Inner Mongolia University* (內蒙古大學創業學院);
“Target Company”	Inner Mongolia Pu Rui Chen Education Technology Co., Ltd.* (內蒙古普瑞晨教育科技有限公司);
“Sichuan Shurui”	Sichuan Shurui Enterprise Management Service Co., Ltd.* (四川署瑞企業管理服務有限公司), a limited liability company established under the laws of PRC on 3 May 2018, and is wholly-owned by Hope Education;

“Puchen Farming”	Inner Mongolia Pu Chen Farming and Technology Co., Ltd.* (內蒙古普晨農牧科技有限公司), a limited liability company established under the laws of PRC on 26 February 2016;
“Puruichen Company”	Inner Mongolia Pu Rui Chen Education Technology Co., Ltd.* (內蒙古普瑞晨教育科技有限公司), a limited liability company established under the laws of PRC on 10 May 2018, and is owned as to 51% and 49% by Sichuan Shurui and Puchen Farming, respectively;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	holder(s) of the ordinary share(s) of a nominal value of US\$0.00001 each of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules; and
“%”	Per cent.

By order of the Board
Hope Education Group Co., Ltd.
Chairman
Xu Changjun

Hong Kong, 20 July 2021

As at the date of this announcement, the executive Directors are Mr. Xu Changjun, Mr. Wang Huiwu and Mr. Li Tao; the non-executive Directors are Mr. He Shengli, Mr. Tang Jianyuan and Mr. Lu Zhichao; and the independent non-executive Directors are Dr. Gao Hao, Mr. Chen Yunhua and Mr. Zhang Jin.

* for identification purpose only