

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 AND CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF THE ENTIRE EQUITY INTEREST IN THE TARGET COMPANY

Independent Financial Adviser to the Company



THE DISPOSAL

On 31 August 2021 (after trading hours), Hope Education HK and the Purchaser entered into the Sale and Purchase Agreement in relation to the Disposal, pursuant to which Hope Education HK has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares at the Consideration of approximately RMB527 million.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but all are less than 25%, the Disposal constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirement pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being a wholly-owned subsidiary of connected persons of the Company, Chengdu Mayflower and Sichuan Tequ, each a substantial shareholder of the Company. As one or more of the applicable percentage ratios in respect of the Disposal exceed 5%, accordingly, the Disposal constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Euto Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Chengdu Mayflower and Sichuan Tequ (being controlling shareholders of the Target Company) and their respective associates are required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) details of the Disposal; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (iii) the letter of advice from Euto Capital to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (iv) the notice of EGM and the proxy forms will be dispatched to the Shareholders on or before 21 September 2021.

Shareholders and potential investors of the Company should note that the Completion is subject to the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement and may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the shares of the Company.

SALE AND PURCHASE AGREEMENT

Date

31 August 2021 (after trading hours)

Parties

- (a) Hope Education HK as the vendor; and
- (b) Pengyang as the Purchaser

Assets to be disposed of

Hope Education HK has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares. The Sale Shares, will be sold free from encumbrances and together with all rights attaching thereto upon Completion. The Target Company is an investment company which holds 50,000,000 shares of Dingli, representing approximately 8.93% equity interest in Dingli, details of which are set out in the section headed “INFORMATION ON THE GROUP AND THE TARGET COMPANY” below.

Consideration

The Consideration, being approximately RMB527 million, was determined after arm's length negotiation between Hope Education HK and the Purchaser, with reference to the audited combined net asset value of the Target Company of RMB515 million attributable to the Company as at 31 July 2021.

As at the date of this announcement, Target Company holds 50,000,000 shares of Dingli with a carrying amount of RMB392,500,000 as at 31 July 2021 (the "**Share Cost**"). Based on this, the Directors noticed that the Share Cost represents a short-term premium to Dingli's public quoted market price. Having said that the value of other assets and liabilities of the Target Company are valued at its costs and without any adjustment (due to the nature of such other assets and liabilities are not subject to market change and depreciation), we consider that the basis of the Consideration, which made reference to the net asset value of the Target Company, is fair and reasonable and in the interest of the Company and the Shareholders as a whole.

The Consideration shall be settled in full by cash on the Completion Date.

Conditions precedent

The Completion shall be conditional upon the fulfilment or (as appropriate) waiver of each of the following conditions:

- (a) the Company having obtained all necessary consents, approvals and authorisations from relevant government authorities or other third parties in Hong Kong or other jurisdictions in respect of the execution and performance of the Sale and Purchase Agreement (including but not limited to the obtaining of Independent Shareholders' approval at the EGM by the Company pursuant to the Listing Rules); and
- (b) the Company, the Purchaser and the Target Company having obtained all their respective necessary approvals, authorisations, consents, filings and registrations from the government authorities, regulatory bodies, exchanges, courts, other judiciaries or any other institutions with supervisory functions in respect of the Sale and Purchase Agreement and the transactions contemplated thereunder and having completed all necessary notification and filing procedures (where applicable).

Completion

Completion shall take place upon all the conditions above have been fulfilled or waived (as the case may be) or such other date as the Company and the Purchaser may agree.

INFORMATION ON THE GROUP AND THE TARGET COMPANY

The Company is an investment holding company incorporated in the Cayman Islands, through its subsidiaries including its consolidated affiliated entities, owns and operate higher education schools in the PRC.

The Target Company is an investment holding company incorporated in the PRC and holds 50,000,000 shares of Dingli representing approximately the 8.93% equity interest in Dingli. Dingli is a company incorporated under the law of the PRC and the shares of which are listed on the growth enterprise market of The Shenzhen Stock Exchange, the principal business activities of which are providing secondary college and providing communication network optimization and Internet of Things products and services.

Set out below are the combined financial information of the Target Company as extracted from its unaudited combined financial statement for the year ended 31 December 2020 and audited combined financial statement for the year ended 31 December 2019:

	For the year ended 31 December 2020 (Unaudited) RMB	For the year ended 31 December 2019 (Audited) RMB
Net profits before taxation	-11,214,629.6	43,649,233.3
Net profits after taxation	-11,214,629.6	32,971,860.5

The audited combined net asset value of the Target Company as of 31 July 2021 is RMB514,911,842.42.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated under the laws of the PRC and is owned by Chengdu Mayflower as to 66% and Sichuan Xieli as to 34%, whereby Sichuan Xieli is wholly-owned by Sichuan Tequ. As at the date hereof, Chengdu Mayflower is held by Mr. Wang Huiwu, Mr. Wang Degen and Mr. Fu Wenge as to 96%, 2% and 2%, respectively, and Sichuan Tequ is indirectly held by Mr. Chen Yuxin, Ms. Zhao Guiqin, Mr. Zhang Qiang, Mr. Tang Jianyuan and Mr. Wang Degen as to 33%, 22%, 23.49%, 11.21% and 4.05%, respectively. The principal business activity of the Purchaser is corporate management and corporate management consulting.

REASONS FOR AND BENEFITS OF THE DISPOSAL

In October 2020, the Company acquired 50,000,000 shares of the entire equity interest of Dingli at the consideration of RMB392,500,000. To stabilize controlling rights, Ye Bin, the shareholder of Dingli, entrusted the voting rights representing 8% of the entire share capital of Dingli he held to the Target Company which is directly wholly-owned by the Company.

The PRC government intensively published a series of regulatory policies on the private compulsory education and the after-school tutoring. The introduction of these policies has had a significant impact on investors in the related subdivided education industry, and has also had a chain effect on investors in the entire education sector.

The Board and the management of the Company are of the view that although there is no material impact on higher education from the recent policies, but the potential impact of further change of policies on related businesses could be greater than predicted, considering that:

1. The Company, a Hong Kong listed company, and Dingli, an A-share company, have a large base of medium and minority shareholders;
2. The Company and Dingli belong to different education sub-sectors. The Company, through its subsidiaries including its consolidated affiliated entities, owns and operates higher education schools in the PRC and Dingli is principally engaged in secondary college education and the provision of communication network optimization and Internet of Things products and services.

In the event that the PRC government launches related policies with impacts to either sectors the Company or Dingli belong to in the future, given the shareholding relationship between our Company and Dingli, it would impact both listed companies, which would further impact interest of their respective medium and minority shareholders.

In light of the above, the Board and management consider that it would be beneficial for the company to sell the Sales Shares to the Purchaser to avoid the ripple effect from potential change of policy by the PRC government. The Purchaser is ultimately controlled by the controlling shareholder of the Company, Mr Chen Yuxin and Mr Wang Huiwu who are also the beneficial owner of Dingli. The Directors consider that the Disposal was entered into on normal commercial terms after arm's length negotiations and that the terms of the Sales and Purchase Agreement are fair and reasonable and in the interest of the Company and the shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL

Immediately after the Completion, the Target Company will cease to be the subsidiary of the Company and the financial results of the Target Company will no longer be consolidated into the Company's financial statements.

Upon completion of the Disposal, the Group expects to record an unaudited gain before taxation of RMB12,180,375 and an unaudited gain after taxation of approximately RMB10,170,613 from the Disposal. The actual gain or loss is subject to review and audits by the Company's auditor.

The Group intends to use the net proceeds from the Disposal to strengthen the Group's cash flow, including providing working capital for its core business.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Disposal exceed 5% but all are less than 25%, the Disposal constitutes a discloseable transaction for the Company, and is subject to the reporting and announcement requirements pursuant to Chapter 14 of the Listing Rules.

As at the date of this announcement, the Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules by virtue of being wholly-owned subsidiary of connected persons of the Company, Chengdu Mayflower and Sichuan Tequ, each a substantial shareholder of the Company. As one or more of the applicable percentage ratios in respect of the Disposal exceed 5%, accordingly, the Disposal constitutes a connected transaction for the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders on the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder. Euto Capital has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Sale and Purchase Agreement and the transactions contemplated thereunder. Chengdu Mayflower and Sichuan Tequ and their respective associates are required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM. Save for the aforementioned and to the best knowledge, information and belief of the Directors, no other Shareholder has a material interest in the Disposal and is required to abstain from voting on the resolution(s) approving the Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM.

A circular containing, among other things, (i) details of the Disposal; (ii) the recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Disposal; (iii) the letter of advice from Euto Capital to the Independent Board Committee and the Independent Shareholders in respect of the Disposal; and (iv) the notice and proxy forms of the EGM will be dispatched to the Shareholders on or before 21 September 2021.

Shareholders and potential investors of the Company should note that the Completion is subject to the satisfaction of the conditions precedent set out in the Sale and Purchase Agreement and may or may not proceed. Shareholders and potential investors of the Company are therefore advised to exercise caution when dealing in the shares of the Company.

GENERAL INFORMATION

Since the Company's executive Director, Mr. Wang Huiwu, indirectly and beneficially owns 24.4% equity interest in the Target Company, he has abstained from voting on the Board resolutions approving the Disposal and the transactions contemplated under the Sale and Purchase Agreement. The Company's non-executive Director, Mr. Tang Jianyuan, indirectly and beneficially owns 0.57% interest in the Target Company and thereby he has also abstained from voting on the Board resolutions approving the Disposal and the transactions contemplated under the Sales and Purchase Agreement.

DEFINITION

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“associates”	has the meaning ascribed thereto under the Listing Rules;
“Board”	the board of Directors;
“Chengdu Mayflower”	Chengdu Mayflower Investment Management Co., Ltd.* (成都五月花投資管理有限公司), a substantial shareholder of the Company and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules;
“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;
“Completion”	the completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement;
“Completion Date”	the date on which Completion takes place;
“Condition(s)”	the condition(s) precedent of the Sale and Purchase Agreement as set out in the section titled “Conditions Precedent” in this announcement;

“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration of the Disposal, being RMB527,000,000;
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules;
“Directors”	the directors of the Company;
“Dingli”	Dingli Corp., Ltd. (珠海世紀鼎利科技股份有限公司), a company incorporated under the law of the PRC, which is principally engaged in the secondary college and providing communication network optimization and Internet of Things products and services as well as Internet of Things services;
“Disposal”	the disposal of the Sale Shares by the Company pursuant to the terms and conditions of the Sale and Purchase Agreement;
“EGM”	the extraordinary general meeting of the Company to be held to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereunder;
“Euto Capital”	Euto Capital Partners Limited, a corporation licensed under the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) to carry out Type 6 (advising on corporate finance) regulated activities, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal;
“Group”	the Company and its subsidiaries, including its consolidated affiliated entities;
“Hope Education HK”	Hope Education Group (Hong Kong) Co., Ltd. (希望教育集團(香港)有限公司), a company incorporated under the law of Hong Kong, a wholly-owned subsidiary of the Company;
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely, Dr. Gao Hao, Mr. Chen Yunhua and Mr. Zhang Jun;
“Independent Shareholders”	Shareholders other than Sichuan Tequ and Chendu Mayflower and their respective associates;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“PRC”	the People’s Republic of China;

“Purchaser”	Chengdu Pengyang Enterprise Management Consulting Limited* (成都鵬陽企業管理諮詢有限公司) (“ Pengyang ”), a company incorporated with limited liability under the laws of PRC and directly held by Chengdu Mayflower as to 66% and Sichuan Xieli as to 34%;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale and Purchase Agreement”	the agreement for the sale and purchase of the Sale Shares dated 31 August 2021 and entered into between Hope Education HK and the Purchaser;
“Sale Shares”	the entire issued share capital of the Target Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Sichuan Xieli”	Sichuan Xieli Investment Co., Ltd.* (四川協力投資有限公司), a company incorporated under the laws of the PRC and directly wholly-owned by a connected person of the Group, Sichuan Tequ;
“Sichuan Tequ”	Sichuan Tequ Investment Group Co., Ltd.* (四川特驅投資集團有限公司), a substantial shareholder of the Company, and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“Target Company”	Sichuan Tequ Mayflower Education Management Co., Ltd.* (四川特驅五月花教育管理有限公司), a company incorporated under the law of the PRC and directly wholly-owned by Hope Education HK, which holds 50,000,000 shares of Dingli, representing approximately 8.93% equity interest in Dingli.

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

Hong Kong, 31 August 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 Jun.

* for identification purpose only