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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)**

## **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

**Sole Placing Agent**



### **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

On 6 August 2020 (before trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to issue, and the Placing Agent has conditionally agreed, as agent of the Company, to procure, on a best efforts basis, not less than six Placees to subscribe for a total of 465,000,000 Placing Shares at a Placing Price of HK\$2.55 per Placing Share.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion date, the maximum number of 465,000,000 Placing Shares represent (i) approximately 6.9% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.4% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares upon Completion.

The Placing Price of HK\$2.55 per Placing Share represents: (i) a discount of approximately 8.3% to the closing price of HK\$2.78 per Share as quoted on the Stock Exchange on 5 August 2020, being the last trading day immediately prior to the date of the Placing Agreement and the publication of this announcement; and (ii) a discount of approximately 4.1% to the average closing price of approximately HK\$2.66 per Share as quoted on the Stock Exchange for the last five consecutive trading days to and including 5 August 2020, being the date immediately prior to the date of the Placing Agreement.

Upon Completion, the Placing Shares will be allotted and issued pursuant to the General Mandate. An application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Assuming all the Placing Shares are fully placed, the gross proceeds from the Placing will be approximately HK\$1,185.75 million. The net issue price will be approximately HK\$2.53 per Placing Share. The Company intends to apply the net proceeds from the Placing primarily for acquisitions of schools in the PRC, construction and development of the Company's schools in the PRC and general corporate purpose.

**Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.**

## **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

On 6 August 2020 (before trading hours), the Company entered into the Placing Agreement with the Placing Agent, pursuant to which the Company has conditionally agreed to issue, and the Placing Agent has conditionally agreed, as agent of the Company, to procure, on a best efforts basis, not less than six Placees to subscribe for a total of 465,000,000 Placing Shares at a Placing Price of HK\$2.55 per Placing Share. Details of the Placing Agreement are set out below:

### **The Placing Agreement**

Date: 6 August 2020 (before trading hours of the Stock Exchange)

Parties: (i) the Company (as issuer); and

(ii) Citigroup Global Markets Limited (as the Placing Agent).

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, the Placing Agent and its ultimate beneficial owner(s) are Independent Third Parties.

## **Placees**

The Placing Shares will be placed to not less than six Placees who shall be individuals, corporate, institutional or other investors who and whose ultimate beneficial owners are Independent Third Parties. Upon Completion, it is expected that none of the Placees will become a substantial Shareholder (within the meaning of the Listing Rules).

## **Placing Shares**

As at the date of this announcement, the Company has 6,764,137,918 Shares in issue. Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the Completion date, the maximum number of 465,000,000 Placing Shares represent (i) approximately 6.9% of the existing issued share capital of the Company as at the date of this announcement; and (ii) approximately 6.4% of the issued share capital of the Company as enlarged by the allotment and issue of all the Placing Shares.

The aggregate nominal value of the maximum of 465,000,000 Placing Shares is US\$4,650.

## **Ranking of the Placing Shares**

The Placing Shares, when fully paid, will rank *pari passu* in all respects with other Shares in issue or to be issued by the Company on or prior to the Completion date including the rights to all dividends and other distributions declared, made or paid on or after the date of allotment.

## **Placing Price**

The Placing Price of HK\$2.55 per Placing Share represents:

- (i) a discount of approximately 8.3% to the closing price of HK\$2.78 per Share as quoted on the Stock Exchange on 5 August 2020, being the last trading day immediately prior to the date of the Placing Agreement and the publication of this announcement; and
- (ii) a discount of approximately 4.1% to the average closing price of approximately HK\$2.66 per Share as quoted on the Stock Exchange for the last five consecutive trading days to and including 5 August 2020, being the date immediately prior to the date of the Placing Agreement.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market price and the recent trading performance of the Shares. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## **Conditions precedent of the Placing**

The Placing is conditional upon the fulfilment of, among others, the following conditions:

- (i) the Listing Committee of the Stock Exchange granting the approval for the listing of, and the permission to deal in, the Placing Shares on or before the Closing date; or
- (ii) the Placing Agreement not having been terminated in accordance with its terms;
- (iii) the representations and warranties made by the Company pursuant to the Placing Agreement being true and accurate and not misleading as of the date of the Placing Agreement and the Closing date; and
- (iv) the Company having complied with all of the agreements and undertakings and satisfied all of the conditions on its part to be complied with or satisfied under the Placing Agreement on or before the Closing date.

The Company shall use its reasonable endeavours to procure the fulfilment of the conditions in the Placing Agreement on or before the Closing date. The Placing Agent in its sole discretion may waive any of the conditions in the Placing Agreement, in whole or in part and with or without conditions, by notice to the Company.

## **Closing and Completion of the Placing**

Completion of the Placing shall take place on a date falling within five (5) Business Days after the day on which all the conditions set out in the Placing Agreement have been fulfilled (or such later date as may be agreed between the parties to the Placing Agreement in writing and in compliance with the Listing Rules).

## **Lock-up undertaking by the Company**

The Company shall not, without the prior written consent of the Placing Agent, (i) effect or arrange or procure placement of, allot or issue or offer to allot or issue or grant any option, right or warrant to subscribe for, or enter into any transaction which is designed to, or might reasonably be expected to, result in any of the aforesaid (whether by actual disposition or effective economic disposition due to cash settlement or otherwise), directly or indirectly, any equity securities of the Company or any securities convertible into, or exercisable, or exchangeable for, equity securities of the Company, or (ii) enter into any swap or similar agreement that transfers, in whole or in part, the economic risk of ownership of such Shares, whether any such transaction described in (i) or (ii) above is to be settled by delivery of Shares or such other securities, in cash or otherwise, or (iii) publicly announce an intention to effect any such transaction, for a period beginning on the date of the Placing Agreement and ending on the date which is 90 days after the Closing Date. Such undertaking shall not apply to the issue of the Placing Shares under the Placing Agreement.

## **Application for listing**

An application will be made by the Company to the Stock Exchange for the grant of listing of, and permission to deal in, the Placing Shares.

## **General Mandate to issue the Placing Shares**

The Placing Shares will be allotted and issued pursuant to the General Mandate. The maximum number of Shares that can be issued under the General Mandate is 1,346,229,274 Shares. As at the date of this announcement, no Shares have been allotted and issued under the General Mandate. The General Mandate is sufficient for the allotment and issue of all the Placing Shares upon Completion. As such, the issue of the Placing Shares is not subject to further Shareholders' approval. The General Mandate will be utilised as to approximately 35% upon the allotment and issue of all the Placing Shares.

## **Termination and force majeure**

The Placing Agent may elect, in its sole discretion, to terminate the Placing Agreement forthwith if:

- (i) there is any material adverse change, or any development reasonably likely to involve a material adverse change, in the condition, financial or otherwise, or in the earnings, assets, business, operations or prospects of the Company, or the Company and its subsidiaries taken as a whole that occurs at any time between the date of the Placing Agreement and the Closing date; or
- (ii) any suspension or limitation of trading (a) in any of the Company's securities by the Stock Exchange or any other exchange or over the counter market on which the Company's securities are admitted or listed for trading, or (b) generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange, the Singapore Stock Exchange, the London Stock Exchange, the New York Stock Exchange or the Nasdaq National Market that occurs at any time between the date of the Placing Agreement and the Closing date; or
- (iii) an outbreak or escalation of hostilities, act of terrorism, the declaration by Hong Kong, the People's Republic of China, Japan, Singapore, the United States, the United Kingdom, any other member of the European Economic Area ("EEA") or the Cayman Islands of a national emergency or war or other calamity or crisis that occurs at any time between the date of the Placing Agreement and the Closing date; or
- (iv) any material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the PRC, Japan, Singapore, the United States, the United Kingdom, any other member of the EEA or the Cayman Islands and/or a general moratorium on commercial banking activities having been declared by the relevant authorities in Hong Kong, the PRC, Japan, Singapore, the United States, the United Kingdom, any member of the EEA or the Cayman Islands that occurs at any time between the date of the Placing Agreement and the Closing date; or

- (v) there is any material adverse change or development involving a prospective material adverse change in or affecting the financial markets in Hong Kong, the PRC, Japan, Singapore, the United States, the United Kingdom, any member of the EEA or the Cayman Islands or in international financial, political or economic conditions, currency exchange rates, exchange controls or taxation that, in the sole judgment of the Placing Agent, would make the Placing impractical or inadvisable, or would materially prejudice trading of the Placing Shares in the secondary market that occurs at any time between the date of the Placing Agreement and the Closing date; or
- (vi) the Company does not deliver the Placing Shares on the Closing date; or
- (vii) any of the conditions set out in the Placing Agreement have not been satisfied or waived in writing.

Where the Company has delivered some but not all of the Placing Shares on the Closing date, the Placing Agent shall have the option to effect the Placing with respect to such Placing Shares as have been delivered, but such partial Placing shall not relieve the Company from liability for its default with respect to the Placing Shares not delivered.

## **REASONS FOR THE PLACING AND THE USE OF PROCEEDS**

China's private higher education industry has stepped into a rapidly growing new era. In 2019, the gross enrollment rate of China's higher education initially exceeded 50%, which achieved the goal that the gross enrollment rate should reach 50% proposed by the "13th Five-Year Plan" in 2016. But there is still a big gap, compared to the common level which is more than 60%-95% among developed countries. At present, China's higher education cultivates research-oriented talents excessively while application-oriented talents with practice skills are in short supply. The transformation period from elite education to mass education has arisen. Therefore, the Report on the Work of the Government in 2019 initially proposed "one million in growing enrollment in vocational colleges" which would finally drive an increasing number of 1.15 million enrollment in junior colleges; as the 2020 novel coronavirus epidemic aggravated the social employment stress, Ministry of Education proposed an increasing number of 0.18 million enrollment of graduate students and an increasing number of 0.32 million enrollment of junior college-undergraduate students on 28 February 2020, and the Report on the Work of the Government in 2020 proposed an increasing number of 2 million the enrollment of vocational colleges, in response to the employment stress that may arise. Recently, Ministry of Education has issued a document in May 2020 to further implement the setting-up process of independent colleges.

As an education group focusing on higher education for decades of years, the Company deeply understand the opportunity and strategy direction of the industry development. Based on insight and optimism on the industry prospects, the Company will actively lay out the current development opportunities, to fully invest resources to strengthen the improvement of operating the existing colleges and universities, extend education network of the Company and seize more and better development platforms. The Group decided to proceed with the Placing which the Directors consider is an opportunity for the Group to expand its shareholders and capital bases while raising funds. The Directors believed that the Placing under the current market conditions is in the interest of the Group and Shareholders as a whole, and will actively promote the Group to strengthen its financial position, support its ongoing growth and seize strategic opportunities in the higher education industry.

The Group has operated and invested in twelve higher education schools and two technical colleges in China, including (i) five undergraduate colleges; (ii) seven junior colleges and (iii) two technical colleges.

Assuming all the Placing Shares are fully placed, the gross proceeds from the Placing will be approximately HK\$1,185.75 million. The net issue price will be approximately HK\$2.53 per Placing Share. The Company intends to apply the net proceeds from the Placing primarily for acquisitions of schools in the PRC, construction and development of the Company's schools in the PRC and general corporate purpose as to:

- (a) approximately 70% to 80% of the net proceeds will be utilised to further extend the education network of the Company and to seek more opportunities for expansion; and
- (b) approximately 20% to 30% of the net proceeds will be utilised to further enhance the level of operating the existing colleges and universities, improve the conditions of hardware and increase the investment of practical equipment.

After considering the development and opportunities of the market, the net proceeds will be utilised to promote the implementation of the plans above in due course, in order to optimise the growth opportunities of the Group and its synergy in the industry where it operates.

The Directors consider that the Placing Agreement is entered into upon normal commercial terms following arm's length negotiations between the Company and the Placing Agent and the terms of the Placing Agreement (including the Placing Price and the placing commission) are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

## CHANGES IN SHAREHOLDING STRUCTURE

The following table illustrates the shareholding structure of the Company as at the date of this announcement and immediately upon issue of the Placing Shares (assuming that there is no change in the issued share capital of the Company from the date of this announcement and up to the Completion date (other than as a result of the allotment and issue of the Placing Shares)):

	As at the date of this announcement		Immediately upon issue of Placing Shares	
	Shares	%	Shares	%
Hope Education Investment Limited ( <i>note</i> )	4,140,948,240	61.22%	4,140,948,240	57.28%
Placees			465,000,000	6.43%
Other Shareholders	2,623,189,678	38.78%	2,623,189,678	36.29%
Total	<u>6,764,137,918</u>	<u>100.00%</u>	<u>7,229,137,918</u>	<u>100.00%</u>

*Note:* Hope Education Investment Limited, a BVI company, is owned as to 49.00% by Maysunshine Limited, 34.385% by Tequ Group A Limited and 16.615% by Tequ Group Limited. Maysunshine Limited is owned as to 96.00% by Wang Huiwu (汪輝武), 2.00% by Fu Wenge (付文革) and 2.00% by Wang Degen (王德根).

Tequ Group A Limited is a wholly-owned subsidiary of Tequ Group (Hong Kong) Company Limited. Tequ Group (Hong Kong) Company Limited is wholly owned by Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司). Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司) is wholly owned by Sichuan Tequ Investment, which is in turn owned as to 55% by West Hope and 45% by Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司). West Hope is owned as to 60% by Chen Yuxin (陳育新) and 40% by Zhao Guiqin (趙桂琴). Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are spouses. Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司) is owed as to 52.20% by Zhang Qiang (張強).

Thus, Maysunshine Limited, Wang Huiwu (汪輝武), Tequ Group A Limited, Tequ Group (Hong Kong) Company Limited, Shanghai Yi Zeng Enterprise Management Co., Ltd. (上海乙增企業管理有限公司), Sichuan Tequ Investment, West Hope, Sichuan Puhua Agricultural Technology Development Limited (四川普華農業科技發展有限公司), Zhang Qiang (張強), Chen Yuxin (陳育新) and Zhao Guiqin (趙桂琴) are deemed to be interested in 4,140,948,240 Shares

## FUND RAISING ACTIVITIES INVOLVING ISSUE OF SECURITIES IN THE PAST 12 MONTHS

The Company has not conducted any equity fund raising activities in the past twelve months immediately before the date of this announcement.

**Shareholders and potential investors of the Company should note that Completion is subject to the fulfilment of the conditions set out in the Placing Agreement. The Placing may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.**

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following respective meanings.

“Board”	the board of Directors
“Business Days”	a day (not being a Saturday, Sunday and public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are open for business throughout their normal business hours
“Closing” or “Completion”	the completion of the Placing
“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 and the Shares are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning as ascribed to it in the Listing Rules
“Director(s)”	the directors of the Company
“Main Board”	the Main Board operated by the Stock Exchange
“General Mandate”	the general mandate granted to the Directors pursuant to an ordinary resolution of the Company passed at the annual general meeting of the Company held on 29 June 2020 to allot, issue and deal with new Shares not exceeding 20% of the aggregate number of issued Shares as at the date of passing of such resolution, pursuant to which a maximum of 1,346,229,274 new Shares may fall to be allotted and issued as at the date of this announcement
“Group”	the Company and its subsidiaries, including its Consolidated Affiliated Entities
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person or company and their respective ultimate beneficial owner(s) (if applicable) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of and not connected with nor acting in concert with, the Company or any of its connected persons or any of their respective associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placing Agent”	Citigroup Global Markets Limited
“Placee(s)”	any person or entity procured by the Placing Agent or its agent(s) to subscribe for any Placing Shares pursuant to the Placing Agreement
“Placing”	the placing, on a best efforts basis, of up to 465,000,000 Placing Shares on and subject to the terms and condition set out in the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 6 August 2020 and entered into between the Company and the Placing Agent in relation to the Placing
“Placing Price”	HK\$2.55 per Placing Share (exclusive of any brokerage (if any), SFC transaction levy and Stock Exchange trading fee as may be payable)
“Placing Share(s)”	a total of up to 465,000,000 new Shares to be placed pursuant to the Placing Agreement and to be issued under the General Mandate, each a “Placing Share”
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“SFC”	The Securities and Futures Commission of Hong Kong
“Shareholders”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of a nominal value of US\$0.00001 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Hong Kong, 6 August 2020

*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. Wang Degen, Mr. Tang Jianyuan and Mr. Lu Zhichao; and the independent non-executive Directors are Dr. Gao Hao, Mr. Chen Yunhua and Mr. Zhang Jin.*