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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 TARGET COMPANY**

#### **THE ACQUISITION**

The Board is pleased to announce that on 28 April 2021 (after trading hours), the Purchaser and the Vendors entered into the Acquisition Agreement, pursuant to which, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 100% equity interest in The Target Companies and the 100% sponsor interest in the Target School held by The Target Companies with Consideration.

Upon completion of the Acquisition, (i) the Purchaser will own 100% equity interest in The Target Companies and the 100% sponsor interest in the Target School held by The Target Companies; (ii) The Target Companies will become indirect wholly-owned subsidiaries of the Company and the financial results of the Target Subjects 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 Acquisition exceeds 5% but all are less than 25%, the Acquisition 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 28 April 2021 (after trading hours), the Purchaser and the Vendors entered into the Acquisition Agreement, pursuant to which, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 100% equity interest in The Target Companies and the 100% sponsor interest in the Target School held by The Target Companies with Consideration of RMB25,000,000.

## **THE ACQUISITION AGREEMENT**

Date: 28 April 2021 (after trading hours)

Parties: (1) the Purchaser;  
(2) the Vendors;

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of this announcement, each of the Vendors, the Target Subjects and their respective ultimate beneficial owners is a third party independent of the Company and connected persons (if any) of the Company.

### **Nature of the transaction and assets to be acquired by the Purchaser**

Pursuant to the Acquisition Agreement, the Vendors have conditionally agreed to sell and the Purchaser has conditionally agreed to acquire 100% equity interest in The Target Companies and the 100% sponsor interest in the Target School held by The Target Companies. Upon completion of the Acquisition, (i) the Purchaser will own 100% equity interest in The Target Companies and the 100% sponsor interest in the Target School held by The Target Companies; (ii) The Target Companies will become indirect wholly-owned subsidiaries of the Company and the financial results of the Target Subjects will be consolidated into the Group's consolidated financial statements.

### **Consideration**

The Consideration will be RMB25,000,000. Upon completion of this transaction, the Group will hold 100% equity interest in The Target Companies and the 100% sponsor interest in the Target School held by The Target Companies.

### **Payment arrangements**

Upon the date on which all the following condition is satisfied, the Purchaser shall pay the entire transaction consideration of RMB25,000,000 to the Vendors:

1. The Vendors have transferred 100% equity interest in The Target Companies to the Purchaser and completed various registration procedures with government departments and changed the relevant key personnel to the designated personnel of the Purchaser;
2. The Vendors properly handed over all material information such as all the licenses, seals and financial information of The Target Companies and the Target School to the Purchaser;
3. The Vendors irrevocably granted the rights of the core functional bodies of the Target School to the Purchaser, and the Purchaser delegated the key personnel to the Target School for taking control the Target School.

## **Basis of Consideration**

The consideration was determined after arm's length negotiations between the Vendors and the Purchaser with reference to the historical earnings 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 entity, the observation by the Company regarding the recent market value of the entity of similar size, as well as other factors as set forth in the paragraph "Reasons and Benefits of the Acquisition" below. In particular, the Company has 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 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 corporate 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 determining the consideration for such acquisition. Based on the abovementioned, the Directors believe that the consideration is fair and reasonable.

## **Source of funding**

The Acquisition will be funded through the proceeds raised in the IPO of the Company, the Group's own fund and commercial bank loans.

## **Completion**

Upon completion of the Acquisition, (i) the Purchaser will own 100% equity interest in The Target Companies and the 100% sponsor interest in the Target School held by The Target Companies; (ii) The Target Companies will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Subjects will be consolidated into the Group's consolidated financial statements.

## **FINANCIAL INFORMATION OF THE TARGET SUBJECTS**

### **(i) 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 and after tax): approximately RMB-17,133,276.79

For the year ended 31 December 2020: Unaudited net profit (before tax and after tax): approximately RMB2,990,983.95

As at 31 March 2021, the total consolidated assets and the net consolidated assets of the Target School were RMB561,782,354.44 (unaudited) and RMB85,922,950.66 (unaudited), respectively.

### **(ii) Target companies**

For the years ended 31 December 2019 and 31 December 2020, the unaudited consolidated net profits of The Target Companies 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 and after tax): approximately RMB-22,291,774.20

For the year ended 31 December 2020:

Unaudited net profit (before tax and after tax): approximately RMB-1,902,845.75

As at 31 March 2021, the total consolidated assets and the net consolidated assets of The Target Companies were RMB813,428,953.36 (unaudited) and RMB94,832,861.17 (unaudited), respectively.

## **INFORMATION ON THE VENDORS**

The Vendors are five PRC natural persons. As at the date of this announcement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendors are independent third parties of the Company and its connected persons.

## **INFORMATION ON THE TARGET SUBJECTS**

### **(i) The Target School**

Being a cultivation and construction unit for model of higher vocational colleges in Jiangsu Province, the Target School started to enroll students over 20 years since 2000 and located in Jiangning District, Nanjing City, Jiangsu Province, the PRC. The Target School was awarded honorary title of “National Advanced Social Organization (全國先進社會組織)”, “5A Social Organization in Jiangsu Province (江蘇省 5A 級社會組織)”, “Jiangsu Province Safe Campus (江蘇省平安校園)” and “First Batch of National Defense Education Demonstration School in Jiangsu Province (江蘇省首批國防教育示範學校)”. As at the date of this announcement, the Target School currently establishes over 30 majors and has approximately 8,188 students.

### **(ii) The Target Companies**

The Target Companies are two companies established in the PRC with limited liability. Their business is to own 100% sponsor interest of the Target School, and to carry out relevant businesses such as logistics and leasing of the Target School.

## **INFORMATION OF THE COMPANY AND THE PURCHASER**

The Company is an investment holding company and its subsidiaries, including its consolidated affiliated entities are principally engaged in private formal higher education. The Purchaser is one of the Company’s consolidated affiliated entities and is principally engaged in education management and education industry investment.

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

The Target School is located in Nanjing, a famous ancient capital of six dynasties with historic culture in Yangtze Delta in the PRC, and is in proximity to Shanghai and Hangzhou, which is the political, transport and economic center of Jiangsu Province, enjoys distinct regional advantages and strong demand of talents. The Target School is adjacent to the economic hub of Nanjing Airport and in vicinity of Nanjing Lukou International Airport with Nanjing Metro Line S9 directly reaching “Tongshan Station (Jinken College Station). It has a good reputation for running schools in Jiangsu Province and excellent quality of running schools with over 30% of the students received national scholarship. Jinken National Occupational Skill Testing Authority of the Target School is the High Skill Talent Training Base in Nanjing City (南京市高技能人才培訓基地) and the National 1+N Compound Talent Occupation Training Base (全國 1+N 複合型人才職業培訓基地). This Acquisition is another important layout of the Company in this important strategic area of Jiangsu Province after the completion of the acquisition of Suzhou Top Institute of Information, which further expands our school network and increases market penetration. Meanwhile, through the linkage between student enrolment 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 independent non-executive directors) are of the view that the terms of the Acquisition Agreement are on normal commercial terms, fair and reasonable. The Acquisition will expand the Group’s influence in the eastern region and enhance its reputation. It is consistent with the Group’s business strategy and in the interests of the Company and its Shareholders as a whole.

## 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 exceeds 5% but all are less than 25%, the Acquisition 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”	proposed acquisition of 100% equity interest in The Target Companies and the 100% sponsor interest in the Target School;
“Acquisition Agreement”	the acquisition agreement dated 28 April 2021 amongst the Purchaser and the Vendors in relation to the Acquisition;
“Board”	the board of directors of the Company;
“connected persons”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	RMB25,000,000;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange;
“Purchaser”	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;
“Target School”	Jinken Vocational Institute of Technology (金肯職業技術學院);

“Target Companies”	Nanjing Jinken Construction and Installation Work Limited Company (南京金肯建築安裝工程有限公司) and Nanjing Dejie Property Management Limited Company (南京德潔物業管理有限公司);
“Target Subjects”	collectively, the Target School and the Target Companies;
“Vendors”	Mou Yurong (繆玉溶), Mou Kai (繆凱), Mou Yulan (繆玉嵐), Liu Honglin (劉紅林) and Pei Shan'an (裴善安);
“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, 28 April 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. 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.*