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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)

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE ENTERING INTO
THE SCHOOL CONSTRUCTION FRAMEWORK AGREEMENT**

THE SCHOOL CONSTRUCTION FRAMEWORK AGREEMENT

The Board announced that on 18 November 2021 (after trading hours), Hope Education, one of the Company's subsidiaries, entered into the School Construction Framework Agreement with Sichuan Wuyang in relation to the provision of Services by Sichuan Wuyang to Hope Education. The School Construction Framework Agreement will be effective from the Effective Date to 31 August 2024.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Mr. Wang Huiwu* (汪輝武) is the controlling shareholder, executive Director and chief executive officer of the Company, and Sichuan Wuyang is a company held indirectly by his brother Mr. Wang Huiming* (汪輝明) and his sister-in-law Ms. Liu Zhiquan* (劉治群) as to 55% and 45% respectively. As such, the transactions contemplated under the School Construction Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Annual Caps for the transactions contemplated under the School Construction Framework Agreement is expected to exceed 5% and the Annual Caps are more than HK\$10,000,000, such transactions are regarded as non-exempt continuing connected transactions of our Group which will be subject to the reporting, announcement, circular, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Company has established the Independent Board Committee to advise the Independent Shareholders in relation to the transactions contemplated under the School Construction Framework Agreement and the Annual Caps. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard under the Listing Rules.

A circular containing, among others, (i) further details of the School Construction Framework Agreement and the Annual Caps; (ii) the opinion and recommendation from the Independent Board Committee; (iii) the opinion and recommendation from the Independent Financial Adviser; and (iv) the notice of EGM and other information as required under the Listing Rules is expected to be issued by the Company and despatched to the Shareholders no later than 9 December 2021.

INTRODUCTION

The Board of Directors announced that on 18 November 2021 (after trading hours), Hope Education, one of the Company's subsidiaries, entered into the School Construction Framework Agreement with Sichuan Wuyang in relation to the provision of Services by Sichuan Wuyang to Hope Education.

THE SCHOOL CONSTRUCTION FRAMEWORK AGREEMENT

Date

18 November 2021

Parties

- (1) Hope Education
- (2) Sichuan Wuyang

Subject matter

Pursuant to the School Construction Framework Agreement, Sichuan Wuyang will, if engaged by Hope Education or any of its subsidiaries after the relevant tender process, provide the Services for schools owned and operated by the Group. If Hope Education or any of its subsidiaries, after the relevant tender process, selects and engages Sichuan Wuyang to provide the Services, a separate agreement will be entered into in respect of each school construction project between the relevant entities of both parties which will set out the scope of services for such project and the specific terms and conditions pursuant to the principles stipulated in the School Construction Framework Agreement.

Payment terms

The payment terms are not provided under the School Construction Framework Agreement and will be determined on a case-by-case basis and set out in the relevant agreements as contemplated under the School Construction Framework Agreement.

Term

The School Construction Framework Agreement will be effective from the Effective Date to 31 August 2024, unless otherwise terminated in accordance with the terms and conditions thereunder.

Conditions precedent

The School Construction Framework Agreement and its performance are conditional upon the fulfillment of the following conditions:

- (1) any Independent Shareholder's approval of the contemplated transactions under the School Construction Framework Agreement and the Annual Caps in accordance with the Listing Rules; and
- (2) other consents or approvals to be obtained in relation to the contemplated transactions under the School Construction Framework Agreement in accordance with any applicable laws and regulations.

Pricing basis

Sichuan Wuyang is required to go through the relevant tender process before being engaged by Hope Education or any of its subsidiaries to provide the Services to Hope Education. The Company will consider comprehensive elements in relation to construction technology, professional qualification, business reputation, project management, total expenses and other relevant elements, and make reference to the local market prices and the charging basis for the same services proposed by independent third parties in future tender process to evaluate a supplier including Sichuan Wuyang. Each separate agreement of future construction project will be determined based on normal and reasonable commercial terms.

REASONS FOR AND BENEFITS OF THE SCHOOL CONSTRUCTION FRAMEWORK AGREEMENT

Taking into account (i) Sichuan Wuyang's experience and reputation in property development and construction; (ii) Sichuan Wuyang's track record in providing quality construction services to the schools owned and operated by our Group before the Company's listing in August 2018, particularly its reliability in delivering completed properties in a timely manner and at a relatively lower price; (iii) Sichuan Wuyang's ability to select appropriate sub-contractors and manage them effectively; (iv) Sichuan Wuyang's in-depth understanding of school construction, which the Board considers to be relatively more customised than the construction of typically residential or commercial properties; and (v) our Group's needs as a school operator, the Board is of the view that it will be in the best interests of our Group and our Shareholders to enter into the School Construction Framework Agreement. The price and quality of deliverables of Sichuan Wuyang will be under constant review, and in the event that our Company is able to source a supplier who is able to deliver better quality Services at a lower price, we will consider replacing Sichuan Wuyang with such supplier.

HISTORICAL TRANSACTION AMOUNTS

Save for the transactions disclosed in the prospectus of the Company, the Group did not enter into any new transaction with Sichuan Wuyang after the Company's listing in August 2018. The transactions with Sichuan Wuyang as disclosed in the Company's annual reports are for implementing the agreements entered into before the Company's listing.

ANNUAL CAPS FOR THE THREE YEARS ENDING 31 AUGUST 2024

In light of the business needs of the Company and the benefits of continuing transactions with Sichuan Wuyang, the Board proposes the Annual Caps for the transactions contemplated under the School Construction Framework Agreement for the three years ending 31 August 2024 as follows:

| | From the Effective Date to 31 August 2022 (RMB'000) | For the year ending 31 August 2023 (RMB'000) | For the year ending 31 August 2024 (RMB'000) |
|-------------|--|---|---|
| Annual Caps | 1,060,500 | 1,071,000 | 1,180,725 |

Basis for the Annual Caps

As of the date of this announcement, the Group has adopted an expansion plan to construct, expand and/or improve schools owned and operated by the Group in various provinces in the PRC. Based on such plan, the Annual Caps were determined by reference to, among other things,

- (1) the Group's expected timetable of its construction projects and business development plan in the next few years;
- (2) the Group's estimated expenditure for the construction of new and existing projects in the next few years with reference to the price of historical construction for the services provided by existing contractors of the Group and local market prices of similar construction services; and
- (3) for transaction flexibility, Annual Caps included approximately 5% reasonable buffer to cater for inflation and currency fluctuations and on the principal assumptions that, during the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group and Sichuan Wuyang.

Shareholders and potential investors should note that the Annual Caps should not be construed as an assurance or forecast by the Company of the future revenues of the Group.

INTERNAL CONTROL

The Group will adopt measures to protect interests of the Independent Shareholders. Such measures include adoption of an independent mechanism to govern and monitor the selection process for the Company's potential bidders, of which an internal tender review committee comprising members appointed by the independent non-executive Directors, will be established for reviewing the terms and conditions of tenders, monitoring the relevant tenders' compliance with the relevant laws and regulations and screening out unsuitable tenders.

The Company's external auditors will review the transactions as contemplated under the School Construction Framework Agreement annually to check and confirm, among others, whether the pricing terms have been adhered to and whether the relevant Annual Caps have been exceeded. Internally, the Company's internal tender review committee will, on a yearly basis, assess the effectiveness of such established procedures and internal control mechanisms and make timely updates in relation to any areas of improvement.

The Directors consider that the proposed internal control system of the Group is adequate to ensure that the transactions as contemplated under the School Construction Framework Agreement will be on normal commercial terms and no less favourable to the Company than those offered by independent third parties.

LISTING RULES IMPLICATION

As at the date of this announcement, Mr. Wang Huiwu* (汪輝武) is the controlling shareholder, executive Director and chief executive officer of the Company, and Sichuan Wuyang is a company held indirectly by his brother Mr. Wang Huiming* (汪輝明) and his sister-in-law Ms. Liu Zhiqun* (劉治群) as to 55% and 45% respectively. As such, the transactions contemplated under the School Construction Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Annual Caps for the transactions contemplated under the School Construction Framework Agreement is expected to exceed 5% and the Annual Caps are more than HK\$10,000,000, such transactions are regarded as non-exempt continuing connected transactions of our Group which will be subject to the reporting, announcement, circular, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wang Huiwu is deemed to have material interests in the transactions contemplated under the School Construction Framework Agreement and therefore has abstained from voting on the relevant resolutions at the Board meeting. Save for the above Director, no other Directors have a material interest in such transactions.

INFORMATION OF THE RELEVANT PARTIES

Information about the Company, Hope Education and Sichuan Wuyang

The Company

The principal business of the Company is investment holding, and its subsidiaries are principally engaged in provision of private higher education services through the Group's owned and operated higher education schools, including independent colleges and junior colleges.

Hope Education

Hope Education is a subsidiary of the Company and principally engaged in education management and education industry investment.

Sichuan Wuyang

Sichuan Wuyang Construction Engineering Limited Company* (四川五陽建築工程有限公司) is a limited company established under the law of PRC on 5 February 2013 and held indirectly and ultimately by Mr. Wang Huiming and Ms. Liu Zhiqun as to 55% and 45% respectively. Its principal business activities include, among others, carrying out building construction, interior design and renovation.

CONFIRMATION BY THE BOARD

The Directors (other than the independent non-executive Directors who will form their view after considering the advice from the Independent Financial Adviser and Mr. Wang Huiwu who has abstained from voting due to his interest in the School Construction Framework Agreement), are of the view that, the terms of the School Construction Framework Agreement are fair and reasonable, on normal commercial terms and no less favourable to the Company than those offered by independent third parties; and the School Construction Framework Agreement is entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

The Directors (other than the independent non-executive Directors who will form their view after considering the advice from the Independent Financial Adviser and Mr. Wang Huiwu who has abstained from voting due to his interest in the School Construction Framework Agreement), also believe that the Annual Caps set out for the transactions contemplated under the School Construction Framework Agreement are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

The Company's controlling shareholder, chief executive officer and executive Director, Mr. Wang Huiwu, with his brother Mr. Wang Huiming and his sister-in-law Ms. Liu Zhiquan jointly and indirectly wholly owning Sichuan Wuyang, is deemed to have material interests in the continuing connected transactions contemplated under the School Construction Framework Agreement and has abstained from voting on the relevant resolution of the Board. Save for the Director mentioned above, none of the other Directors is or is deemed to have a material interest in the above transactions.

GENERAL

The Company has established the Independent Board Committee to advise the Independent Shareholders in relation to the transactions contemplated under the School Construction Framework Agreement and the Annual Caps. The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard under the Listing Rules.

A circular containing, among others, (i) further details of the School Construction Framework Agreement and the Annual Caps; (ii) the opinion and recommendation from the Independent Board Committee; (iii) the opinion and recommendation from the Independent Financial Adviser; and (iv) the notice of EGM and other information as required under the Listing Rules is expected to be issued by the Company and despatched to the Shareholders no later than 9 December 2021.

DEFINITIONS

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

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| “Annual Cap(s)” | the aggregate annual value(s) to be paid by the Group under the transactions contemplated under the School Construction Framework Agreement effective from the Effective Date to 31 August 2024; |
| “Board” | the Board of Directors; |
| “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; |
| “connected person” | shall have the same meaning ascribed to such term in the Listing Rules; |
| “controlling shareholder” | shall have the same meaning ascribed to such term in the Listing Rules; |
| “Director(s)” | the directors of the Company; |
| “Effective Date” | the effective date of the School Construction Framework Agreement, being the date which the conditions precedent of the School Construction Framework Agreement have been fulfilled; |
| “EGM” | an extraordinary general meeting to be convened by the Company for the Independent Shareholders to consider and, if thought fit, approve the School Construction Framework Agreement, the transactions contemplated thereunder and the Annual Caps; |
| “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 company established under the laws of the PRC with limited liability on 12 January 2005 and one of the Company’s subsidiaries; |

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| “Independent Board Committee” | an independent committee of the Board (which comprises Mr. Zhang Jin, Mr. Chen Yunhua and Dr. Gao Hao, all of them are independent non-executive Directors) established to advise the Independent Shareholders in respect of the continuing connected transactions contemplated under the School Construction Framework Agreement and the related Annual Caps; |
| “Independent Financial Adviser” | 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 School Construction Framework Agreement, the transactions contemplated thereunder and the Annual Caps; |
| “Independent Shareholder(s)” | Shareholders who are not interested in the School Construction Framework Agreement and are not required under the Listing Rules to abstain from voting on the resolutions to approve the School Construction Framework Agreement, the transactions contemplated thereunder and the Annual Caps at the EGM; |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange; |
| “PRC” | the People’s Republic of China; |
| “RMB” | Renminbi, the lawful currency of the PRC; |
| “School Construction Framework Agreement” | a school construction framework agreement dated 18 November 2021 entered into between Hope Education and Sichuan Wuyang; |
| “Services” | services covering construction, maintenance and project management related services including the provision of services as main contractor, project manager, consultant and sub-contractor for a variety of works including superstructure, foundation, civil engineering, maintenance, construction and interior decoration and other related services which may from time to time be provided by Sichuan Wuyang to Hope Education; |
| “Shareholder(s)” | shareholder(s) of the Company; |

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| “Sichuan Wuyang” | Sichuan Wuyang Construction Engineering Limited Company* (四川五陽建築工程有限公司), a limited company established under the law of PRC on 5 February 2013 and indirectly and ultimately owned as to 55% by Mr. Wang Huiming* (汪輝明) and 45% by Ms. Liu Zhiqun* (劉治群), being a connected person of the Company; |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited; and |
| “%” | per cent. |

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

Hong Kong, 18 November 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. Lu Zhichao and Mr. Tang Jianyuan; and the independent non-executive Directors are Dr. Gao Hao, Mr. Chen Yunhua and Mr. Zhang Jin.

* For identification purpose only.