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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)

**SUPPLEMENTAL ANNOUNCEMENT
ON DISCLOSEABLE TRANSACTION IN RELATION TO ACQUISITION OF
SPONSOR INTEREST IN THE TARGET SCHOOL AND ENTERING INTO
OF THE SCHOOL INVESTMENT AGREEMENT**

Reference is made to the announcement of the Company dated 20 July 2021 in relation to, among other things, the Acquisition of Sponsor Interest and the School Investment Agreement (the “**Announcement**”). Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meaning as those defined in the Announcement.

The Board would like to provide the Shareholders and potential investors of the Company with further information in relation to the Acquisition of Sponsor Interest and the School Investment Agreement.

INFORMATION OF THE CONTRACTING PARTIES

To the best of the Directors’ knowledge, information and belief and having made all reasonable enquires, as at the Announcement, (i) Puchen Farming is held as to 70% and 30% by two independent third parties of the Company; and (ii) Puruichen Company (being the Target Company) is held as to 51% and 49% by Sichuan Shurui and Puchen Farming, respectively, and it is a subsidiary of the Company that the financial results and positions of which has been consolidated into the Group’s accounts.

IMPLICATIONS UNDER THE LISTING RULES

Puruichen Company is an insignificant subsidiary of our Company pursuant to Rule 14A.09(1)(a) of the Listing Rules. As such, notwithstanding that Puchen Farming is a substantial shareholder of Puruicheng Company, Puchen Farming is not regarded as a connected person of the Company and Sichuan Shurui's acquisition of the remaining 49% equity interest in Puruichen Company from Puchen Farming does not constitute a connected transaction pursuant to Rule 14A.09 of the Listing Rules.

PROPOSED USAGES AND BASIS OF DETERMINATION OF THE CONSIDERATION OF THE SCHOOL INVESTMENT AGREEMENT

Proposed Usages

The Board wishes to provide additional information on the intended uses of the total investment amount of RMB800 million, among which, RMB170 million is allocated for the purchase of land and construction of the Target School's new campus; RMB30 million is allocated for the repayment of the Target School's debts; RMB500 million is allocated for the consideration for the transfer of interests of the Target Company and the Target School; and RMB100 million is allocated for the payment of the conversion and others (i.e. for the Target Company to become the sole sponsor of the Target School (the "**Conversion**"). The commonly used term "sponsor interest" in private education institution is a concept analogous to the "shareholders' interest", in which the substance of "sponsorship" in respect of private schools in the PRC is similar to that of ownership with regard to legal, regulatory and tax matters).

In determining the aforesaid allocation, the Directors have considered (i) the Target School's development plan to construct school properties of up to 220,000 square meters floor area; (ii) the outstanding sum payable by the Target School under its construction projects; (iii) consideration of 49% equity interest in the Target Company and the entire sponsor interest in the Target School; and (iv) the anticipated costs and expenses needed to complete the Conversion procedures and obtain the Conversion approval from the Ministry of Education of the PRC.

Basis of Determination of the Consideration

In determining the total investment amount under the School Investment Agreement, the Directors have considered the followings:

- (i) in respect of the consideration of 49% equity interest in the Target Company and the entire sponsor interest in the Target School, save for the financial information of the Target School and the Target Company disclosed in the Announcement, the Company instructed Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Independent Valuer**"), an independent third party of the Company, to undertake a valuation exercise to express an independent opinion on the fair value of the identifiable tangible and intangible assets and liabilities belonging to the Target School as at 31 March 2021 (i.e. the valuation date). The Independent Valuer accordingly issued a report dated 26 November 2021, prepared for accounting reference purposes, opining that, on a fair value basis and in accordance with the International Financial Reporting Standard 3 and 13 and IAS 38, the net assets value of the Target School as at 31 March 2021 was valued at RMB431,139,000. Accordingly, goodwill of RMB68,846,000 was recognized, which is primarily attributed to the expected synergies and other benefits from combining the assets and activities of the Target School with those of the Group;

- (ii) to complete the Conversion, the Target School is required to hold the state-owned land use right certificate or state-owned land construction land planning permit in respect of at least 500 mu land. Since the Target School currently holds the state-owned land use right certificate or state-owned land construction land planning permit in respect of 247 mu land only, the Target School needs to purchase at least 253 mu land for the Conversion;
- (iii) the expected costs and expenses for the purchase of land of 220,000 square meters (equivalent to approximately 340 mu) and the construction of school properties that meet the floor area required for the Conversion; and
- (iv) having conducted an independent analysis for assessing the merits of the acquisition of the Target School as disclosed under the paragraph headed “Basis of Consideration” in the Announcement, the Directors are of the view that Target School is of quality that can create synergistic benefits for the Group as described under the paragraph headed “Reasons for and Benefits of the School Investment Agreement” in the Announcement.

Having considered the above, the Directors are of the view that the terms of the School Investment Agreement are on normal commercial terms and in the interest of the Company and of its shareholders.

REASONS FOR AND BENEFITS OF THE SCHOOL INVESTMENT AGREEMENT

Notably, the Ministry of Education on 15 May 2020 published the implementation plan for accelerating the conversion of independent colleges* (關於加快推進獨立學院轉設工作的實施方案) (the “**Implementation Plan**”), under which, (i) the PRC government encourages its independent colleges to proceed with conversion; and (ii) there are three conversion routes, namely an independent college shall (a) be converted to an independent private general undergraduate college; (b) be converted to an independent public general undergraduate college; or (c) cease to operate.

Upon completion of the School Investment Agreement and the Conversion, it is expected that the Target School shall be converted to a general undergraduate college sponsored by Target Company solely.

COMPLETION

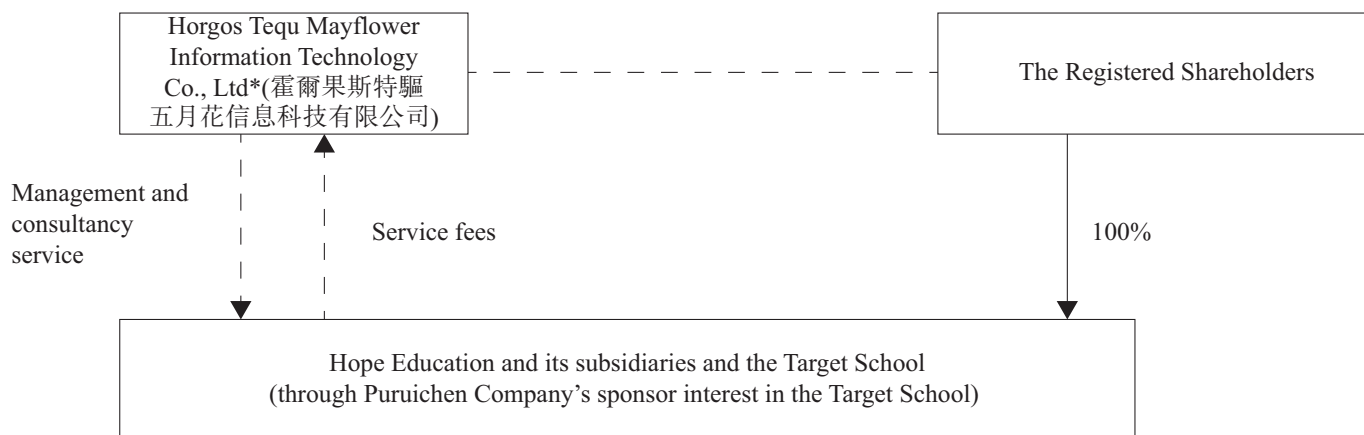
Upon the obtaining of the approval from the Ministry of Education on 22 March 2021, the Target Company became one of the two sponsors of the Target School. Through the Target Company, the Company obtained the majority of voting rights in the Target School, and has rights to variable returns from its involvement of the operations of the Target School. Accordingly, the financial results of the Target School was consolidated into that of the Target Company and in turn of the Company since then.

In December 2021, the Target School has submitted all Conversion-related materials to the Department of Education of Inner Mongolia Autonomous Region. It is expected that the Conversion will be completed in April 2022. After the Conversion is completed, Inner Mongolia University will no longer be registered as the joint sponsor of the Target School and Target Company shall be the sole sponsor of the Target School.

SHAREHOLDING STRUCTURE

As disclosed in the Company's prospectus dated 24 July 2018, the Group conducts its private education business through consolidated affiliated entities (as at the date hereof, entitles the Group controls through contractual arrangements comprise, among others, Hope Education) in the PRC, as PRC laws and regulations, or the implementation of those laws and regulations by relevant government authorities, generally prohibit or restrict foreign ownership in the private education industry in the PRC.

Following the completion of the School Investment Agreement and the Conversion, the Target School shall be indirectly and wholly held by Hope Education, through contractual arrangement and the relevant holding structure including contractual arrangement is set out below.



Notes:

- (1) “” denotes direct legal and beneficial ownership in the equity interest.
- (2) “” denotes contractual relationship.
- (3) “” denotes the control by Horgos Tequ Mayflower Information Technology Co., Ltd*(霍爾果斯特驅五月花信息科技有限公司) over the Registered Shareholders through (1) powers of attorney to exercise all shareholders' rights in Hope Education, (2) exclusive options to acquire all or part of the equity interests in Hope Education and (3) equity pledges over the equity interests in Hope Education.
- (4) Registered Shareholders refer to shareholders of Hope Education, namely, Sichuan Tequ Investment Group Limited* (四川特驅投資集團有限公司), Chengdu Mayflower Investment Management Limited* (成都五月花投資管理有限公司), China Everbright Limited (中國光大控股有限公司).

Unless otherwise stated herein, the additional information disclosed herein does not affect other information contained in the Announcement.

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

Hong Kong, 11 February 2022

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.