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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS

The Board of the Company is pleased to announce the annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017.

SUMMARY

	For the year ended 31 December 2018 *(in millions of RMB)*	**For the year ended 31 December 2017** *(in millions of RMB)*	**Change** *(in millions of RMB)*	**Change** *(percentage)*
Revenue	1,029.52	752.43	277.09	+37%
Gross profit	467.24	360.03	107.21	+30%
Profit for the year#	167.34	209.66	-42.32	-20%
Core net profit#	314.80	219.50	95.30	+43%

	2018/2019 school year*	**2017/2018 school year***	**Change**	**Change** *(percentage)*
New students enrolled	31,025	21,698	9,327	+43%
Student enrollment*	86,033	75,694	10,339	+14%

Core net profit is calculated based on profit for the year and adjustment of listing expenses and equity-settled share option expense which do not reflect the operating business of the Group. Please refer to the section headed "Management Discussion and Analysis-Financial Review-Core Net Profit" of this announcement for details of profit for the year and the accounting of core net profit of the Group.

* An academic year generally starts from 1 September of each calendar year to 31 August of the following calendar year.

* Including number of students receiving technical education.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
Revenue	4	1,029,523	752,434
Cost of sales		(562,286)	(392,405)
Gross profit		467,237	360,029
Other income and gains	4	211,510	136,384
Selling expenses		(20,804)	(29,140)
Administrative expenses		(267,452)	(88,929)
Other expenses		(27,965)	(2,656)
Finance costs	5	(201,172)	(144,511)
Share of losses of a joint venture		(1,858)	(1,752)
Profit before tax	6	159,496	229,425
Income tax credit/(expense)	7	7,841	(19,769)
Profit for the year		167,337	209,656
Other comprehensive income for the year		–	–
Total comprehensive income for the year		167,337	209,656
Profit and total comprehensive income attributable to:			
Owners of the Company		167,916	211,712
Non-controlling interests		(579)	(2,056)
		167,337	209,656
Earnings per share attributable to ordinary equity holders of the Company:	9		
Basic		RMB0.030	RMB0.043
Diluted		RMB0.028	RMB0.042

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Notes	2018 *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		3,448,267	3,195,358
Prepaid land lease payments		590,015	594,873
Goodwill		481,143	481,143
Other intangible assets		133,596	118,700
Prepayments, deposits and other receivables	11	466,225	18,019
Investment in a joint venture		–	142,790
Total non-current assets		5,119,246	4,550,883
CURRENT ASSETS			
Prepayments, deposits and other receivables	11	128,729	121,492
Amounts due from related parties		4,314	732,824
Financial assets at fair value through profit or loss		–	8,241
Cash and cash equivalents		3,038,905	181,332
Total current assets		3,171,948	1,043,889
CURRENT LIABILITIES			
Contract liabilities	4	590,785	535,268
Other payables and accruals	12	637,459	731,682
Deferred income	10	9,407	8,456
Interest-bearing bank and other borrowings		526,680	613,986
Amounts due to related parties		52,953	154,999
Taxes payable		34,053	53,670
Total current liabilities		1,851,337	2,098,061
NET CURRENT ASSETS/(LIABILITIES)		1,320,611	(1,054,172)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,439,857	3,496,711

	Notes	2018	2017
		RMB'000	*RMB'000*
NON-CURRENT LIABILITIES			
Deferred income	10	658,083	629,457
Interest-bearing bank and other borrowings		1,605,052	1,265,461
Deferred tax liabilities		10,154	10,677
Composite instrument		–	628,990
Liability of a put option granted to a shareholder		–	276,153
Other payable	12	6,416	6,585
Total non-current liabilities		2,279,705	2,817,323
NET ASSETS		4,160,152	679,388
EQUITY			
Equity attributable to owners of the Company			
Issued capital		454	–
Reserves		4,156,816	649,464
		4,157,270	649,464
Non-controlling interests		2,882	29,924
Total equity		4,160,152	679,388

NOTES TO FINANCIAL STATEMENTS

As at 31 December 2018

1. CORPORATE AND GROUP INFORMATION

Hope Education Group Co., Ltd. (the "Company") was incorporated in the Cayman Islands on 13 March 2017 as an exempted company with limited liability under the laws of the Cayman Islands. The registered office address of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The Company's principal place of business in Hong Kong is located at 40th Floor, Sunlight Tower, No. 248 Queen's Road East, Wanchai, Hong Kong.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the provision of higher education services in the People's Republic of China (the "PRC").

The shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 3 August 2018 (the "Listing Date").

In the opinion of the directors of the Company (the "Directors"), the parent and the ultimate holding company of the Company is Hope Education Investment Limited (the "Hope Education Investment"), which is incorporated in the British Virgin Islands.

Pursuant to the group reorganization (the "Reorganization") as set out in paragraph headed "Reorganization" in the section headed "History and Corporate Structure – Corporate Reorganization" in the Prospectus dated 24 July 2018 for the public listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 14 March 2018.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") which comprise all standards and interpretations approved by the International Accounting Standards Board (the "IASB"), and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. All IFRSs effective for the accounting period commencing from 1 January 2018, including IFRS 15 and IFRS 9, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements throughout the financial years ended 31 December 2017 and 2018.

These financial statements have been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss and conversion right of convertible bond which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of higher education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the Directors, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain discrete operating segment financial information and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented other than the entity-wide disclosure.

Entity-wide disclosure

Geographical information

During the year, the Group operated within one geographical location because all of its revenue was generated in the PRC and all of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical information is presented.

Information about major customers

No service provided to a single customer contributed to 10% or more of the total revenue of the Group during the year.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the values of services rendered after deducting scholarships and refunds during the year, all of which represented the revenue from customers.

An analysis of revenue from contracts with customers is as follows:

(a) Disaggregated revenue information

	Note	**2018** *RMB'000*	**2017** *RMB'000*
Type of services			
Tuition fees		854,281	620,694
Boarding fees		85,403	63,412
Others	(i)	89,839	68,328
		1,029,523	752,434

	2018 *RMB'000*	**2017** *RMB'000*
Timing of revenue recognition		
Services transferred over time	1,029,523	752,434

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

The performance obligations of the services are satisfied over time as the services are rendered in each academic year or training period and advances are required before rendering the services.

Changes in contract liabilities during the year are as follows:

	2018	**2017**
	RMB'000	*RMB'000*
Carrying amount at 1 January	535,268	388,981
Revenue recognised that was included in the contract liabilities at 1 January	(534,154)	(388,981)
Increase due to cash received, excluding amounts recognised as revenue during the year	589,671	535,268
Carrying amount at 31 December	590,785	535,268

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied or partially unsatisfied performance obligation as at the year end:

	2018	**2017**
	RMB'000	*RMB'000*
Within one year	589,814	534,154
More than one year	971	1,114
Total contract liabilities	590,785	535,268

The performance obligations expected to be recognised in more than one year relate to the provision of formal education services that are paid in advance will be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year.

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable program. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered.

The increase in contract liabilities at 31 December 2018 was mainly due to the increase of student enrolled in 2018.

There were no contract assets recognized at the end of the year.

An analysis of other income and gains is as follows:

	Notes	2018 *RMB'000*	2017 *RMB'000*
Other income			
Government grants			
– related to assets	10	8,662	7,759
– related to expenses	(ii)	17,856	8,914
Interest income from bank balances		27,795	2,389
Interest income from loans to related parties		27,577	16,969
Interest income from loans to an independent third party		23,552	—
Rental income		17,561	16,458
Service income	(iii)	45,349	30,132
Donation income		391	431
Gain on exchange differences, net		8,569	—
Guarantee income	(iv)	2,267	1,057
Others		6,743	3,647
		186,322	87,756
Gains			
Gains on disposal of items of property, plant and equipment		1,487	32,373
Fair value gains of a conversion right of the convertible bond		13,271	6,253
Fair value gains on financial assets at fair value through profit or loss		—	188
Gains on disposal of financial assets at fair value through profit or loss		2,174	9,814
Gain on disposal of a subsidiary		8,256	–
		25,188	48,628
Total other income and gains		211,510	136,384

Notes:

(i) During the year, others mainly represent income received from the provision of other education service, including self-study examination education services, adult education services and training services to the students, which was amortised within the training periods of the service rendered.

(ii) Government grants related to expenses represent the subsidies compensated for the incurred operating expenses arising from teaching activities, which are recognised as other income in profit or loss when received. There were no unfulfilled conditions or contingencies relating to these grants.

(iii) During the year, service income mainly represents income derived from granting the rights of canteen and convenient store operations to independent third party operators; and income from services provided to students related to purchase of text books, dormitory bedding and exam material.

(iv) During the year, guarantee income represents a fee received by the Group in respect of the provisions of bank loan guarantees to related parties. The guaranteed bank loans had been repaid during the year and the guarantee was released accordingly.

5. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2018	**2017**
	RMB'000	*RMB'000*
Interest on bank and other borrowings	162,988	122,775
Increase in the discounted amount of payables arising from the passage of time	46,306	25,105
Total interest expense for financial liabilities that are not at fair value through profit or loss	209,294	147,880
Less: interest capitalised	(8,122)	(3,369)
	201,172	144,511
Interest rate/capitalisation rate of borrowing costs capitalised	4.75% to 6.3%	4.0%

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Note	2018 *RMB'000*	2017 *RMB'000*
Employee benefit expense:			
Wages and salaries		262,733	169,624
Equity-settled share option expense		40,464	—
Pension scheme contributions (defined contribution scheme)		53,223	36,802
		356,420	206,426
Management fees	(i)	112,059	92,688
Depreciation		136,537	100,684
Recognition of prepaid land lease payments		15,082	10,333
Amortisation of other intangible assets		9,051	10,450
Marketing and advertising costs		8,393	18,214
Listing expenses		33,679	9,843
Minimum lease payments under operating leases		27,599	21,041
Auditors' remuneration		4,827	—
Equity-settled share option expense		81,881	—
Losses on disposal of items of property, plant and equipment		23,401	20

Note:

(i) During the year, management fees represented the annual fees payable to the universities where the Group had entered into cooperation agreements to operate independent colleges. Management fees are charged based on certain percentage of tuition fees received or receivable by the Group.

7. INCOME TAX

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatments as public schools. The preferential tax treatment policies applicable to private schools requiring reasonable returns are to be separately formulated by the relevant authorities under the State Council. During the year, no separate policies, regulations or rules have been promulgated by such authorities in this regard. No corporate income tax was provided on the income from the provision of formal education services, which have elected to be private schools require reasonable returns. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, the PRC Private Schools did not pay corporate income tax for the income from formal educational services and has enjoyed the preferential tax treatment since their establishment. As a result, no income tax expense was recognised for the income from the provision of formal educational services during the year.

The non-academic education services provided by the schools are subject to corporate income tax at a rate of 25%.

All of the Group's non-school subsidiaries established in the PRC are subject to the PRC corporate income tax rate of 25% during the year, except WOFE as disclosed below.

Corporate income tax of the Group has been provided at the applicable tax rates on the estimated taxable profits arising in Mainland China during the year. The major components of income tax expense of the Group are as follows:

	2018	**2017**
	RMB'000	*RMB'000*
Current – Mainland China		
PRC corporate income tax for the year	1,010	8,929
PRC land appreciation tax ("LAT") for the year	—	10,840
Overprovision of PRC LAT in prior year	(8,328)	—
Deferred	(523)	—
Total tax charged/(credited) for the year	(7,841)	19,769

Tax payable/(prepaid or refundable PRC LAT) in the consolidated statement of financial position represents:

	2018	**2017**
	RMB'000	*RMB'000*
Payable for PRC corporate income tax	34,053	42,830
Payable for PRC land appreciation tax	–	10,840
	34,053	53,670
Prepaid or refundable PRC land appreciation tax	(8,328)	(1,416)
	25,725	52,254

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries (or jurisdictions) in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Notes	**2018** *RMB'000*	**2017** *RMB'000*
Profit before tax		159,496	229,425
Add: Loss incurred by the Company	(a)	108,296	–
Profit before tax by the Group other than the Company		267,792	229,425
Tax benefit at the respective statutory tax rates:			
– PRC subsidiaries, at 25%		66,986	57,356
– Hong Kong subsidiary, at 16.5%		(24)	–
Lower tax rate for specific province or enacted by local authority	(b)	(1,467)	–
Profits arising from schools not subject to tax		(59,322)	(30,981)
Tax losses utilised from previous years		(8,074)	(21,016)
Tax losses and deductible temporary differences not recognised		306	6,280
Provision for land appreciation tax		–	10,840
Overprovision of PRC LAT in prior year		(8,328)	–
Tax effect on LAT		2,082	(2,710)
Tax charged/(credited) at the Group's effective rate		(7,841)	19,769

Notes:

(a) Loss incurred by the Company mainly consist of share option expenses incurred by the Company. These expenses are not expected to be deductible for tax.

(b) WFOE was established in Horgos, Xinjiang, the PRC and is exempted from income tax for the first five years since 2018 in accordance with the preferential tax rules.

8. DIVIDENDS

	2018	2017
	RMB'000	*RMB'000*
Proposed final – HK$1.8 cents (2017: nil) per ordinary share	100,000	—

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit attributable to ordinary equity holders of the Company for the year and the weighted average number of 5,672,990,228 ordinary shares in issue during the year ended 31 December 2018, as adjusted to reflect the capitalisation issue as set out in note 26 (2017: 4,947,499,947 ordinary shares, which were deemed to have been issued by way of capitalisation throughout the year ended 31 December 2017).

The calculation of the diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company as used in the basic earnings per share calculation, adjusted to reflect the interest on the composite instrument and fair value changes on the conversion right of the convertible bond. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	167,916	211,712
Interest on convertible bonds	7,632	3,334
Less: Fair value gains of the conversion right of the convertible bond	(13,271)	(6,253)
Profit attributable to ordinary equity holders of the Company before interest on the composite instrument and fair value gains on the conversion right of the convertible bond used in the diluted earnings per share calculation	162,277	208,793

	Number of shares	
	2018	**2017**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	5,672,990,228	4,947,499,947
Effect of dilution – weighted average number of ordinary shares:		
Share options	63,428,417	–
Composite instrument	1,256,895	899,744
	5,737,675,540	4,948,399,691

10. DEFERRED INCOME

	2018	**2017**
	RMB'000	*RMB'000*
At 1 January	637,913	590,963
Grants received	38,239	54,709
Charged to profit and loss	(8,662)	(7,759)
At 31 December	667,490	637,913
Current	9,407	8,456
Non-current	658,083	629,457
	667,490	637,913

Deferred income represents the government grants received for subsidies relating to the construction of certain buildings. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2018 *RMB'000*	2017 *RMB'000*
Current portion:			
Prepayments for management fees	6(i)	18,626	38,163
Prepaid expenses		12,301	11,534
Deposits		10,278	7,868
Refundable deposit related to proposed equity acquisition		30,000	—
Rental receivables		2,500	—
Other receivables		5,660	2,800
Other receivables from the previous shareholder of TOP Education		—	40,962
Staffs advances		4,537	4,515
Prepaid land lease payments to be amortised within one year		13,883	12,993
Deferred listing expenses		—	2,657
Interest receivable from time deposits		5,980	—
Interest receivables from a third party	(a)	24,964	—
		128,729	121,492
Non-current portion:			
Loans to a third party	(a)	447,670	—
Prepayments for property, plant and equipment		8,555	8,019
Prepayments for land lease payments		10,000	10,000
		466,225	18,019
		594,954	139,511

Note:

(a) Loans to a third party represent the loans to Chengdu Wuhou Guixi Property Development Company limited ("Guixi Property"), a company controlled by the previous ultimate shareholder of Sichuan TOP IT Vocational Institute, and bear interest at a fixed rate of 7.5% per annum and will become mature within two years from the date when the loans were granted. The interest is paid half-yearly, and the principal of the loans will be repaid in a lump sum as the loans become mature. The loans are secured by the properties belonging to Guixi Property.

As at 31 December 2018, interest receivables with the amount of RMB17,929,000 arising from the loans have been partially past due. The Group does not recognise any ECLs as the fair value of the collateral held by the Group over the principal loans and the interest receivables of approximately RMB836,158,000 is higher than the aggregate amounts of the loans and the interest receivables. The fair value of the collateral i.e., buildings belonged Guixi Property is determined by an independent qualified valuer. The Group and Guixi Property has reached an agreement to repay the matured interest receivables before 15 April 2019 and has obtained a written repayment schedule from Guixi Property.

The remaining receivables are interest-free and are not secured with collateral.

None of the financial assets included in the above balances related to receivables is past due except the interest receivables from a third party mentioned in note (a) above.

The above financial assets related to receivables have no recent history of default.

12. OTHER PAYABLES AND ACCRUALS

	Notes	2018 *RMB'000*	2017 *RMB'000*
Current portion:			
Payables for purchase of property, plant and equipment		144,797	253,953
Payable for acquisition of equity interest in Jiexing Huilv		—	15,000
Miscellaneous advances received from students	(i)	97,535	94,517
Accrued bonuses and other employee benefits		55,244	48,568
Rental payable		43,628	31,628
Government scholarship		13,976	9,987
Payables for purchase of teaching materials and operating expenditure		22,240	16,684
Payables for management fees	6(i)	20,419	1,435
Construction deposits		30,538	30,597
Notes payable		—	48,728
Other taxes payable		26,246	20,017
Other payables and accrued expenses		107,004	84,736
Construction loan from Mianzhu Education Bureau	(ii)	75,832	75,832
		637,459	731,682
Non-current portion:			
Other payable	(iii)	6,416	6,585
		643,875	738,267

Notes:

(i) The advances represented expenses relating to textbooks, military training, medical examination, insurance and etc. collected from students which will be paid out on behalf of students.

(ii) Sichuan Tianyi College obtained an interest-free and non-repayable construction loan from Mianzhu Educational Bureau in 2015.

(iii) The non-current other payable represents the liabilities to Nanchong No. 19 Middle School for the purchase of fixed assets and is measured at amortised cost.

Other payables and accruals are unsecured and non-interest-bearing.

13. EVENT AFTER THE REPORTING PERIOD

On 8 March 2019, Hope Education (as purchaser) and Tequ Education (as vendor) entered into an acquisition agreement (the "Agreement"), pursuant to which Hope Education agreed to acquire the entire interests in Chengdu Maysunshine Education Management Co., Ltd. from Tequ Education at a consideration of RMB70,000,000. Further information can be found in the Company's announcement dated 8 March 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group focuses on higher education. As of 31 December 2018, the number of institutions of higher education owned by the Group ranks first among peer listed companies. The Group owns and operates eight higher education schools, including schools founded by the Group, namely, Southwest Jiaotong University Hope College, Sichuan Hope Automotive Vocational College and Guizhou Vocational Institute of Technology, and schools acquired by the Group, namely, Sichuan Tianyi College, Sichuan Vocational College of Culture & Communication, Business College of Guizhou University of Finance and Economics, Jinci College of Shanxi Medical University and Sichuan TOP IT Vocational Institute. We also provide self-study examination services and adult education services. In addition to the above-mentioned eight schools, the Group operates Sichuan Hope Automotive Technical College to provide technical education services.

Increase in Number of Student Enrollment

In 2018, the total student enrollment of our schools is 31,025, representing a year-on-year increase of 42.99% (Sichuan TOP IT Vocational Institute is the school acquired by the Group in December 2017. The total student enrollment in 2018 includes the student enrollment of Sichuan TOP IT Vocational Institute in 2018, the number of which was 4,513).

In 2018, registration rate of new students in our schools reached 88.57%, representing a year-on-year increase of 4.63%; among which the undergraduate registration rate reached above 97.52%, and the registration rate of Jinci College of Shanxi Medical University reached 99.04%.

As of 31 December 2018, the number of students enrolled in our schools are 86,033 with a year-on-year increase of 14%.

Teaching Staff Construction

Our schools attach importance to the continuous optimization of the teacher structure, as well as the ability improvement and career development of teachers. In 2018, a total of nine doctors and 391 masters were recruited. Our five schools in Sichuan jointly conducted the evaluation of teachers' middle and senior titles. There were a total of 297 teachers applying for medium title or above with a final result of two seniors, 27 advanced and 227 medium level. In addition, our teachers won numerous awards in 2018. For example, Dean Chen Yemei of Southwest Jiaotong University Hope College won the title of Top Ten Excellent Education Workers in Sichuan Province, and Liu Xu, a teacher of Sichuan Hope Automotive Vocational College, was awarded the title of Excellent Teacher of Sichuan Province.

Enhancement of Scientific Research Capability

In 2018, the scientific research capabilities of our schools have been steadily increased, mainly reflected in the following aspects:(i) 274 projects were approved with a year-on-year increase of 104%, of which 33 projects were categorized as provincial and ministerial projects; (ii) published 512 papers, 50 education materials or monographs; and (iii) obtained 11 patent licensings, 47 patent certificates with a year-on-year increase of more than six times.

Major Construction

Our schools attach importance to profession construction, actively apply for provincial and national control majors with high social needs and good employment, and strengthen the construction of teachers and training rooms for new majors. In 2018, provincial and national control majors such as undergraduate major of stomatology in Jinci College of Shanxi Medical University, majors of rehabilitative technology and Chinese pharmacy in Sichuan Tianyi College, majors of mold design and manufacturing, nursing, preschool education and child development and health management in Sichuan Hope Automotive Vocational College, and major of e-sports and management in Sichuan Vocational College of Culture & Communication have been successively approved.

Awards

Teachers and students of our schools participated in various competitions at or above the provincial level, and won about 600 awards, representing a year-on-year increase of 70%. Among them, the students of Sichuan Vocational College of Culture & Communication won the special prize in the Innovation, Benefit and Venture Competition in National Vocational Schools (全國職業學校創新創效創業大賽), and the students of Southwest Jiaotong University Hope College won the second prize in the National University Students Mathematic Modeling Contest. The Teaching Reform Project "Theoretical and Practical Exploration of "Applied" Talent Cultivation in Business College" of Business College of Guizhou University of Finance and Economics won the 9th Higher Education Provincial Teaching Achievement Award of Guizhou Province (貴州省第九屆高等教育省級教學成果獎). A total of 155 students from five institutions in Sichuan Province were awarded the honorary title of "2018 Excellent University Graduates in Sichuan Province (2018屆四川省優秀大學畢業生)" by the Education Department of Sichuan Province; 38 students were selected as "2018 Excellent University Graduates" by the Group.

Application-oriented Education

In line with our commitment to students, we endeavor to enable students to become professional talent possessing knowledge and skills desired in employment market. We establish majors and curricula with a focus on applied technologies based on employment market demand and make job-oriented training a key part of our courses. We have close cooperation with corporations and institutions in various areas, for example, Southwest Jiaotong University Hope College has signed a school-enterprise cooperation agreement with China Railway Group, Chengdu Metro Group, JD.com and other enterprises; Jinci College of Shanxi Medical University has established good cooperation relationship with hospitals in Shanxi Province, such as Affiliated Hospital of Shanxi Medical University and Shanxi Province People's Hospital; Sichuan TOP IT Vocational Institute has established long-term cooperative relationship with Baidu Group, BOE Group and Lenovo Group; Sichuan Tianyi College has signed a school-enterprise cooperation agreement with Shanghai Baoye Group; Sichuan Hope Automotive Vocational College has carried out school-enterprise cooperation and order class training with large and medium-sized enterprises such as Mercedes-Benz, BMW, Hyundai and BYD Auto, which has enhanced our application-oriented teaching level, increased the opportunities for students' internship training and improved our graduates' competitiveness in the employment market.

Employment Services

In 2018, the Group held the 5th "Hope Career Cup" Career Planning Competition ("第五屆希望生涯杯"職業規劃大賽) with more than 2,000 students from various institutions participated in the school competition and group finals; the Group organized students to participate in the double-innovation competition, winning one special prize and ten third prizes; and the Group organized about 500 "double choose" and special job fairs, offering about 30,000 job positions for students. Our schools have cooperated with eight universities in seven countries to carry out talent training cooperation, and introduced a number of overseas employment projects such as "Japanese nurses" and "German dual-track nurse training". In 2018, the employment rate reached 92.19%.

Our Schools

As of 31 December 2018, we held three independent colleges, five junior colleges and one technical college. The table below sets out some details of our schools.

	School	Establishment/ acquisition	Year of establishment/ acquisition	Description
	Independent Colleges			
1	Southwest Jiaotong University Hope College	Establishment	April 2009	The first university established by the Group, with a leading position in rail transit among private universities nationwide
2	Business College of Guizhou University of Finance and Economics	Acquisition	April 2014	The largest private independent college in Guizhou Province
3	Jinci College of Shanxi Medical University	Acquisition	April 2014	One of the twelve private undergraduate medical schools in China

	School	Establishment/ acquisition	Year of establishment/ acquisition	Description
	Junior Colleges			
4	Sichuan Tianyi College	Acquisition	September 2011	One of the first batch of private schools in China and the first private school in Southwest China approved by the MOE
5	Sichuan Hope Automotive Vocational College	Establishment	June 2013	The first private automotive college in Sichuan Province
6	Sichuan Vocational College of Culture & Communication	Acquisition	March 2014	Private institution with the largest professional scale of preschool education in Sichuan Province
7	Guizhou Vocational Institute of Technology	Establishment	June 2016	The university using the shortest time from construction, application to enrollment in the Group
8	Sichuan TOP IT Vocational Institute	Acquisition	December 2017	One of the first batch of national demonstration software vocational and technical colleges; the national urgently-needed skilled talent training base, the national high-skilled personnel training base for electronic information industry, and the youth technician cultivation base for electronic information industry in Sichuan Province
	Technical College			
9	Sichuan Hope Automotive Technical College	Establishment	July 2016	The first automotive technical college of Sichuan Province

New Schools under Planning

Guizhou College

On 8 March 2019, Hope Education (as purchaser) and Tequ Education (as vendor) entered into an acquisition agreement (the "Agreement"), pursuant to which Hope Education agreed to acquire the entire interests in Chengdu Maysunshine Education Management Co., Ltd. from Tequ Education at a consideration of RMB70,000,000. Further information can be found in the Group's announcement on 8 March 2019.

Gansu College

In November 2018, Sichuan Hope Education, People's Government of Baiyin District, Baiyin City and Baiyin Municipal Economic Cooperation Bureau entered into the Project Investment Agreement in relation to Gansu College, pursuant to which the Group intends to establish Gansu College in Gansu Province, the PRC. Gansu College will be a higher education institution committed to cultivate talents with professional skills. As of 31 December 2018, the Group is working closely with the local government to actively carry out preliminary work on project construction.

Guangdong and Chongqing Colleges

In May and December 2018, the Group and the People's Government of Xinfeng County in Guangdaong Province and the People's Government of Zhong County in Chongqing entered into the project investment agreements in relation to the new colleges successively. As of 31 December 2018, the Group is negotiating with the local governments for project promotion.

Student Enrollment

In order to be admitted for higher education, a student must pass and attain certain scores in China's National Higher Education Entrance Examination or the particular entrance exams organized by the provincial education authorities. Being institutions providing higher education services, the respective education authorities will specify a quota for the number of new students that each of the Group's school may admit each year.

The Group believes the educational philosophies of its schools and its well-developed curriculums, as well as its high graduate employment rate help the Group to attract high-quality students who are seeking a pathway to satisfactory employment. Moreover, the quality faculty team is also a major factor that has played in the past, and will continue to play in the future, an important role in the success of our schools. As of 31 December 2018, the Group's student enrollment increased by 10,339 as compared with that as of 31 December 2017, representing an increase of 14%, taking a leading position in terms of endogenous growth among peer listed companies.

Graduate Employment Rate

As a private higher education provider focusing on applied sciences, the Group uses graduate employment rate as an important criterion to measure the teaching results. The Group believes that its industry-leading graduate employment rate helps to enhance its reputation and attract talented high school graduates, while at the same time facilitate the Group's acquisitions of other schools in the PRC. As of 31 December 2018, the average employment rate of all schools was 92.19%, increasing nearly 2% as compared with the average employment rate of 90.98% as of 31 December 2017.

Employees

The Group believes that the quality of education is closely related to the quality of teachers. The Group mainly seeks to employ (i) highly qualified teachers with experience and knowledge in theory and practice; (ii) teachers with work experience in relevant industries, such as senior accountants, engineers and highly skilled personnel; and (iii) teachers with relevant professional qualifications. During the recruitment, the Group also placed special emphasis on strong communication skills and enthusiasm for teaching. As of 31 December 2018, the Group had a total of 5,357 faculty members.

PROSPECTS

Positioning

As the leading private higher education group in China focusing on application-oriented education, the Group will continue to expand our school networks and strengthen our leading market position, aiming at providing more students with access to higher education. Meanwhile, the Group will further optimize our centralized management model as well as continue to improve our schools' teaching quality and competitiveness. The schools of the Group will further strengthen the application-oriented skill education, deepen the school-enterprise collaboration and improve student employment rate.

Our Business Strategies

1. Continue to expand the Group's school network and strengthen the Group's leading market position

   We will continue the successful M&A experience in the past 10 years to select high-quality targets. The Group will seize the major opportunities in the development of vocational education supported by the state, give full play to our experience in the establishment of higher education institutions, and build higher vocational colleges with innovative models in areas with low enrollment in higher education and strong demand for talents. Moreover, we will increase the market share of the Group in the Chinese private higher education industry. We will steadily explore overseas education and acquire high-quality targets mainly in the One Belt And One Road region to achieve interactive and collaborative development between universities held by the Group home and abroad.

2. Continue to increase the number of students enrolled at our schools and increase the utilization rate, capacity and education scale

   We will keep the year-by-year increase trend of enrollment in three independent colleges of the Group, expand the scale of undergraduate students; seize the increased enrollment opportunities of higher vocational, apply for teaching majors with high social demand and good employment prospects and expand the student enrollment in five higher vocational colleges and one technical college.

3. Further enhance our centralized management model, continue to improve our schools' teaching quality and competitiveness

   The Group plans to further enhance our centralized management, accomplish complementary and balanced major establishment among its schools and share teaching resources and student recruiting experience and job placement resources to achieve synergy among its schools. The Group's education management committee will further guide its schools in creating characteristic specialty, setting quality courses to attract more students and organizing teaching skill training and competition to increase teachers' quality and the overall teaching level. In addition, the Group will make further investment in the promotion of the "Intelligent Campus" project in order to further enhance the management efficiency of the Group.

   The Group hopes that the graduates would not only master specialized knowledge, but also be equipped with necessary practical skills. In order to achieve this goal, we actively promote the talent training mode of "academic qualifications plus skill certificates", aiming at increasing the training of various practical skills to increase the operating income while meeting the diversified development needs of students. The Group also plans to further expand its school-enterprise collaboration network and establish more simulation training bases or facilities to provide students with extensive training courses and training opportunities.

4. Continue to attract, encourage and retain high-quality teachers, and enhance the support for the career development of teachers

   The quality of the Group's education services is highly dependent on the level of teachers. The Group plans to continue to attract, encourage and retain high-quality teachers to maintain an excellent team of teachers. The Group also plans to employ well-known technical experts, experienced business managers and other highly-skilled persons as full-time or part-time teaching staff at its schools. The Group will strengthen the training of teachers and management teams of its schools and continue to carry out the evaluation of profession title, providing a new space for teacher's professional growth. The Group plans to continue to provide the Group's teachers with competitive compensation and benefits to attract and retain qualified teachers. Under the Group's 2018 Pre-IPO Share Option Scheme, the Group grants share options to teachers who have made significant contributions to its education services as a reward to attract and retain outstanding teachers to serve at our Group. We will continue to implement incentive programs for outstanding teachers in the future.

Conclusion

Looking forward, the Group will abide by our fundamental educational philosophy "happy learning, happy living and happy working". The Group will adhere to its core values of gratefulness, optimism, rigor and responsibility and focus on providing high-quality higher education to foster talent with competitive capabilities and practical skills to contribute to the social and economic development.

FINANCIAL REVIEW

Revenue

Our revenue increased by 37% from RMB752.43 million for the year ended 31 December 2017 to RMB1,029.52 million for the year ended 31 December 2018. The increase was primarily due to the increase in tuition fees from RMB620.69 million for the year ended 31 December 2017 to RMB854.28 million for the year ended 31 December 2018 with a year-on-year increase of 38%, primarily because: (i) the increase in the number of students of the Group's original schools; and (ii) the revenue from the acquisition of Sichuan TOP IT Vocational Institute by the Group in December 2017.

Cost of Sales

Cost of sales increased by 43% from RMB392.41 million for the year ended 31 December 2017 to RMB562.29 million for the year ended 31 December 2018. The increase was primarily due to an increase in the number of full-time teachers, the adjustment of remuneration system, and an increase in depreciation and amortization expenses and management expenses for cooperative education, which was in line with the increase in the number of students due to the expansion of school scale.

Gross Profit and Gross Profit Margin

Our gross profit increased by 30% from RMB360.03 million for the year ended 31 December 2017 to RMB467.24 million for the year ended 31 December 2018, which was in line with the growth of the Group's business.

Our gross profit margin decreased from 48% for the year ended 31 December 2017 to 45% for the year ended 31 December 2018, primarily due to the following: (i) the preparation for the upgrade of Sichuan Tianyi College to undergraduate institution and the enhancement of teacher quality and fixed assets, resulting in the increase in labor costs and depreciation expenses greater than the increase in revenue, and (ii) the adjustment of remuneration system.

Other Income and Gains

Other income and gains increased by 55% from RMB136.38 million for the year ended 31 December 2017 to RMB211.51 million for the year ended 31 December 2018, which was mainly due to the increase in: (i) interest income, (ii) gain from disposal of a subsidiary, (iii) service income, (iv) gain from the fair value of the conversion right of the convertible bonds, (v) gain on exchange difference, net; and (vi) income-related government grants. The increase was partially offset by a significant decrease in gains from disposal of items of property, plant and equipment of RMB32.37 million for the year ended 31 December 2017 to RMB1.49 million for the year ended 31 December 2018, which was mainly due to the disposal of certain commercial properties of Business College of Guizhou University of Finance and Economics in 2017.

Selling and Distribution Expenses

Selling and distribution expenses decreased by 29% from RMB29.14 million for the year ended 31 December 2017 to RMB20.80 million for the year ended 31 December 2018, which was primarily due to marketing and advertising expenses decreasing by 52% from RMB18.21 million for the year ended 31 December 2017 to RMB8.70 million for the year ended 31 December 2018, which was primarily attributable to the increase in our education reputation resulting in a decrease in our advertising and marketing expenses.

Administrative Expenses

Administrative expenses increased by 201% from RMB88.93 million for the year ended 31 December 2017 to RMB267.45 million for the year ended 31 December 2018. The increase in administrative expenses for the year ended 31 December 2018 was primarily related to the listing expenses of RMB33.68 million and equity-settled share option expense of RMB122.35 million.

Other Expenses

Other expenses increased by 953% from RMB2.66 million for the year ended 31 December 2017 to RMB27.97 million for the Period. Such increase was mainly due to the increase of RMB23.12 million in land costs as a result of the liquidation of the Xuefu Street project of Business College of Guizhou University of Finance and Economics.

Finance Costs

Finance costs increased by 39% from RMB144.51 million for the year ended 31 December 2017 to RMB201.17 million for the Period, primarily due to interest expenses on bank and other borrowings.

Profit before Tax

As a result of the foregoing, the Group's profit before income tax for the year ended 31 December 2018 amounting to RMB159.50 million, while the profit before income tax for the year ended 31 December 2017 amounting to RMB229.43 million, representing a year-on-year decrease of 30%.

Income Tax Credit/(Expense)

The Group's income tax expenses decreased from RMB19.77 million for the year ended 31 December 2017 to minus RMB7.84 million for the year ended 31 December 2018, which was mainly due to the fact that over provision of PRC LAT and income tax of RMB12.03 million was provided before the settlement of certain commercial properties disposed by Business College of Guizhou University of Finance and Economics in 2017.

Profit from Continuing Operations

As a result of the combined effects of the abovementioned revenues and costs, the Group recorded net profit from continuing operations of RMB167.34 million for the year ended 31 December 2018, representing a decrease of 20% from RMB209.66 million for the year ended 31 December 2017.

Core Net Profit

Core net profit (excluding listing expenses, equity-settled share option expenses gain on exchange differences net) for the Period increased by 43% to RMB314.80 million from RMB219.50 million for the year ended 31 December 2017.

	Year ended 31 December	
	2018	**2017**
	(in millions of RMB)	*(in millions of RMB)*
Profit from continuing operations for the Period	167.34	209.66
Add:		
Listing expenses	33.68	9.84
Equity-settled share option expenses	122.35	—
Less: Gain on exchange differances, net	(8.57)	—
Core net profit	314.80	219.50

Loans to Related Parties

As at 31 December 2017, Tequ Education was granted a loan of RMB545.69 million, bearing an interest rate of 8.5% per annum. All the loans have been repaid in full by Tequ Education on 27 July 2018.

CAPITAL EXPENDITURE

The capital expenditure of the Group consists of purchase or construction costs relating to property, equipment, prepaid land lease payments and other intangible assets. During the Period, the capital expenditure of the Group amounting to RMB434.67 million, which was mainly related to the expansion of the construction of Tianyi College. The Group financed such capital expenditure primarily with cash generated from operations and bank loans.

Capital Commitments

The Group's capital commitments were primarily related to the acquisition of property and equipment. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of 31 December 2018 *(in millions of RMB)*	**As of 31 December 2017** *(in millions of RMB)*
Contracted, but not provided for:		
Property, equipment and other intangible assets	83.50	173.44
	83.50	173.44

As of 31 December 2018, the Group did not have any significant capital commitments authorised but not contracted for.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2018, the Group had cash and cash equivalents of RMB3,038.91 million (31 December 2017: RMB181.33 million) and interest-bearing bank and other loans of approximately RMB2,131.73 million (31 December 2017: RMB1,879.45 million).

INDEBTEDNESS

Contingent Liabilities

As of 31 December 2018, the Group did not have any material contingent liabilities, guarantees or any significant litigations or claims pending or threatened against any member of the Group.

Net Debt to Equity Ratio

Net debt to equity ratio equals to total interest-bearing bank loans and other borrowings net of cash and cash equivalents at the end of the year divided by total equity at the end of the year. The Group's net debt to equity ratio decreased from 249.95% as at 31 December 2017 to -21.81% as at 31 December 2018, primarily due to the cash received from the issuance of shares in connection with the Listing.

Gearing Ratio

Gearing ratio equals to total debt divided by total assets as of 31 December 2018. Total debt includes all interest-bearing bank loans and other borrowings. Our gearing ratio decreased from 87.86% as at 31 December 2017 to 49.82% as at 31 December 2018, primarily due to the significant fund raised from the Listing, the repayment of part of interest-bearing bank borrowings and other borrowings, and the waiver of rights of put option by CEL Maiming and Guangwei Qinghe and the repayment of the pure loans in convertible bonds of Zhuhai Maiwen.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and this announcement, the Group did not have other plans for material investments and capital assets.

FOREIGN EXCHANGE RISK MANAGEMENT

The functional currency of the Group is Renminbi. The majority of the Group's revenue and expenditures are denominated in RMB. As at 31 December 2018, certain bank balances were denominated in U.S. dollar and Hong Kong dollar. The Group has not entered into any financial instruments for hedging purpose as it is expected that foreign exchange exposure will not be material.

PLEDGE OF ASSETS

Pledge of equity interests in the following subsidiaries of the Group:

(1) As at 31 December 2018, 100% equity interests of Sichuan Yonghe Education Investment Limited were pledged to secure bank loans of RMB300,000,000 (31 December 2017: RMB550,000,000);

(2) As at 31 December 2018, 100% equity interests of Sichuan TOP Education Co., Ltd. were pledged to secure bank loans of RMB574,000,000 (31 December 2017: nil).

(3) 100% of the equity interests in Sichuan Guojian Investment Limited, the guarantee granted by Hope Education and the rights over tuition fees of Southwest Jiaotong University Hope College have been provided or pledged to China National Investment and Guaranty Corporation to counter guarantee the corporate guarantee provided by China National Investment and Guaranty Corporation in relation to the Group's asset-back-securities borrowings of RMB336,223,000 as at 31 December 2018 (31 December 2017: RMB432,447,000).

EVENTS AFTER THE REPORTING PERIOD

Guizhou College

For details of the Group's acquisition of 100% interests in Chengdu Maysunshine Education Management Co., Ltd , please refer to "New Schools under Planning - Guizhou College" of this announcement.

The foreign investment law and its impact on the Group and its business operations

On March 15, 2019, the National People's Congress promulgated the Foreign Investment Law (外商投資法) (the "FIL"), which will take effect on January 1, 2020. The FIL will replace the existing laws regulating foreign investment in PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law. The FIL embodies an expected regulatory trend in PRC to rationalize its foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

The FIL does not explicitly stipulate the contractual arrangements as a form of foreign investment. The FIL does not mention concepts including "de facto control" and "controlling through contractual arrangements" nor did it specify the regulation on controlling through contractual arrangements. Furthermore, the FIL does not specifically stipulate rules on the Relevant Businesses. Instead, the FIL stipulates that "foreign investors invest in PRC through any other methods under laws, administrative regulations, or provisions prescribed by the State Council". Therefore, as advised by the PRC legal Advisor, the Contractual Arrangements of the Group will not be affected under the FIL.

Nevertheless, there are possibilities that the implementing rules of the FIL (if any), future laws, administrative regulations or provisions of the State Council may stipulate contractual arrangements as a way of foreign investment, and then whether the Contractual Arrangements of the Group will be recognized as foreign investment, whether the Contractual Arrangements of the Group will be deemed to be in violation of the foreign investment access requirements and how the Contractual Arrangements of the Group will be handled are uncertain.

In addition, the FIL does not specify what actions shall be taken with respect to the existing companies with a VIE structure, whether or not these companies are controlled by PRC entities and/or citizens.

HUMAN RESOURCES

As of 31 December 2018, the Group had approximately 5,357 faculty members. As required by the PRC laws and regulations, the Group participates in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. The Group believe we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the year ended 31 December 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Date of This Announcement, the Group has not entered into any off-balance sheet transactions.

PAYMENT OF FINAL DIVIDEND

The Board has resolved to proposed payment of a final dividend of RMB0.015 per share for the year ended 31 December 2018. The final dividend will be declared in Renminbi and paid in Hong Kong dollars. The exchange rate adopted for such translation is the average middle exchange rate published by the People's Bank of China of the five business days prior to the declaration of final dividend (i.e. from 15 March 2019 to 21 March 2019) (HK$1.0 to RMB0.8542). Accordingly, the amount of the final dividend payable in Hong Kong dollars will be HK$0.018 per share.

The final dividend will be paid on or about Monday, 17 June 2019 to the shareholders whose names appear on the register of members of the Company on Wednesday, 5 June 2019.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the annual general meeting to be held on Tuesday, 28 May 2019, the register of members of the Company will be closed from Thursday, 23 May 2019 to Tuesday, 28 May 2019 (both days inclusive), during which period no transfer of shares will be registered. In order to be qualified to attend and vote at the annual general meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor services Limited at shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 May 2019.

In order to be qualified for the final dividend, the register of members of the Company will be closed from Monday, 3 June 2019 to Wednesday, 5 June 2019 (both days inclusive), during which period no transfer of shares will be registered. All share transfer documents accompanied by the relevant share certificates must be lodged with the Group's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor services Limited, at shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 31 May 2019.

CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view to being a transparent and responsible organization which is open and accountable to the Shareholders. The Board strives for adhering to the principles of corporate governance and has adopted sound corporate governance practices to meet the legal and commercial standards, focusing on areas such as internal control, fair disclosure and accountability to all Shareholders to ensure the transparency and accountability of all operations of the Company. The Company believes that effective corporate governance is the foundation to create more value for the Shareholders. The Board will continue to review and improve the corporate governance practices of the Group from time to time to ensure that the Group is led by an effective Board in order to optimize return for Shareholders.

The Company was listed on 3 August 2018. Since the Listing Date and up to the Date of This Announcement, the Company has complied with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has also adopted the Model Code set out in Appendix 10 of the Listing Rules as its code of conduct regarding securities transactions by the Directors from the Listing Date up to 31 December 2018.

Having made specific enquiry with all Directors of the Company, all Directors confirmed that they have complied with the required standard set out in the Model Code regarding securities transactions by the Directors since the Listing Date and up to the Date of This Announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

USE OF PROCEEDS

The net proceeds from the Listing (after deducting the underwriting fees and related expenses) amounted to approximately RMB2,704.86 million. As at 31 December 2018, the Group has utilized a total of RMB331.88 million of the net proceeds in accordance with the allocation set out in the Prospectus.

The following sets forth a summary of the utilization of the net proceeds:

Use	% of total	Net proceeds RMB (million)	Amount utilised (as at 31 December 2018) RMB (million)	Amount unutilised (as at 31 December 2018) RMB (million)
Used to acquire of higher education schools and establish new campus for the acquired schools	40%	1,081.94	—	1,081.94
Used to construct new buildings for education purposes	30%	811.46	—	811.46
Used to repay part bank loans and other borrowings	20%	540.97	275.80	265.17
Used for working capital and general corporate purposes	10%	270.49	56.08	214.41
Total	100%	2,704.86	331.88	2,372.98

AUDIT COMMITTEE

The audit committee of the Company has reviewed the accounting principles and practices adopted by the Group and discussed matters in relation to auditing, internal control and financial reporting. The audit committee of the Company, together with the Board has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2018.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITORS

The financial information set out in this announcement does not constitute the Group's audited accounts for the year ended 31 December 2018, but represents an extract from the consolidated financial statements for the year ended 31 December 2018 which have been audited by the auditor of the Company, Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. The financial information has been reviewed by the Audit Committee and approved by the Board.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hopeedu.com). The annual report for the year ended 31 December 2018, containing all the information required under the Listing Rules, will be dispatched to the shareholders of the Company in due course and available on the above websites.

DEFINITIONS

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

"Board"	the Board of Directors of our Company
"Business College of Guizhou Universityof Finance and Economics"	Business College of Guizhou University of Finance and Economics (貴州財經大學商務學院), a college established under the laws of PRC in 2004, acquired by our Group in April 2014 and approved by the MOE to be operated under the cooperation between Guizhou University and our Group in September 2014
"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CEL Maiming"	Shanghai CEL Maiming Investment Centre (Limited Partnership) (上海光控麥鳴投資中心(有限合夥)), a limited partnership established under the laws of PRC on 27 February 2015
"China" or "PRC"	the People's Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region and Taiwan
"CG Code" or "Corporate Governance Code"	the code on corporate governance practices set out in Appendix 14 to the Listing Rules
"Chongqing School"	Chongqing Digital Industry Vocational and Technical College (重慶數字產業職業技術學院), a private institution of higher education college to be established under the laws of the PRC
"Company" or "our 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
"Date of This Announcement"	22 March 2019
"Director(s)"	the directors of our Company
"Gansu School"	Gansu Vocational Technical College (甘肅職業技術學院), a private institution of higher education college to be established under the laws of the PRC

"Guangwei Qinghe"	Shanghai Guangwei Qinghe Investment Centre (Limited Partnership) (上海光微青合投資中心(有限合夥)), a limited partnership established under the laws of PRC on 12 January 2016
"Group," "our Group," "we" or "us"	our Company, its subsidiaries and the consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time
"Guizhou Vocational Institute of Technology"	Guizhou Vocational Institute of Technology* (貴州應用技術職業學院), a college established by our Group under the laws of PRC in March 2016
"HK$" or "Hong Kong dollar(s)"	the lawful currency of Hong Kong, Hong Kong dollars
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Exchanges and Clearing Limited"	Hong Kong Exchanges and Clearing Limited
"Hope Education"	Sichuan Hope Education Industry Group Limited* (四川希望教育產業集團有限公司) (formerly known as Sichuan Mayflower Investment Company Limited (四川五月花投資有限公司), Sichuan Hope Mayflower Investment Limited (四川希望五月花投資有限公司), Sichuan Hope Education Industry Company Limited (四川希望教育產業有限公司)), a limited liability company established under the laws of PRC on 12 January 2005
"IFRS"	the International Financial Reporting Standard(s)
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are independent of and not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
"Jiexing Huilv"	Guizhou Jiexing Huilv Air Service Consultant Services Limited (貴州捷星慧旅航空空乘諮詢服務有限公司), a limited liability company established under the laws of PRC on 9 September 2010

"Jinci College of Shanxi Medical University"	Jinci College of Shanxi Medical University* (山西醫科大學晉祠學院), a college established under the laws of PRC in June 2002, acquired by our Group in April 2014, and approved by the MOE to be operated under the cooperation between Shanxi Medical University and our Group in August 2014
"Listing"	the listing of the Company's Shares on the Main Board of the Stock Exchange of Hong Kong Limited
"Listing Date"	3 August 2018, the date on which the Company's Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange of Hong Kong Limited
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"M&A"	mergers and acquisitions
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange is independent of and operated in parallel with the GEM of the Stock Exchange
"Model Code"	The Model Code for securities transactions by Directors of listed issuers set out in Appendix 10 to the Listing Rules
"MOE"	Ministry of Education of the PRC
"Prospectus"	The prospectus published by the Company on 24 July 2018
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"SFO" or "Securities and Futures Ordinance"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of a nominal value of US$0.00001 each in the share capital of our Company
"Shareholder(s)"	holder(s) of the Share(s)
"Sichuan Department of Education"	Sichuan Department of Education
"Sichuan Hope Automotive Technical College"	Sichuan Hope Automotive Technical College* (四川希望汽車技師學院), a college established by our Group under the laws of PRC in July 2016

"Sichuan Hope Automotive Vocational College"	Sichuan Hope Automotive Vocational College* (四川希望汽車職業學院), a college established by our Group under the laws of PRC in March 2013
"Sichuan Tianyi College"	Sichuan Tianyi College* (民辦四川天一學院), a college established and named as Sichuan Tianyi Open College (四川天一開放函授進修學院) in 1991, approved by the State Education Commission (currently, the MOE) to be a formal junior-college-level higher education institution in 1994 and acquired by our Group in September 2011
"Sichuan TOP IT Vocational Institute"	Sichuan TOP IT Vocational Institute* (四川托普信息技術職業學院), a college established by Sichuan TOP Education Co., Ltd. (四川托普教育股份有限公司) in June 2000 and acquired by our Group in December 2017
"Sichuan Vocational College of Culture & Communication"	Sichuan Vocational College of Culture & Communication* (四川文化傳媒職業學院), a college established as a higher vocational college in 2005 and acquired by our Group in March 2014
"Southwest Jiaotong University Hope College"	Southwest Jiaotong University Hope College* (西南交通大學希望學院), a college approved by the MOE to be established under the cooperation between Southwest Jiaotong University, Chengdu West Hope Group Limited and our Group in April 2009
"State"	the central government of the PRC, including all governmental sub-divisions (such as provincial, municipal and other regional or local government entities)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subsidiary(ies)"	has the meaning ascribed to it in the Listing Rules
"Tequ Education"	Sichuan Tequ Education Management Limited* (四川特驅教育管理有限公司), a limited liability company established under the laws of PRC on 30 November 2017 following the division under reorganization, the shareholding of which largely mirrors that of Hope Education and is indirectly controlled by Mr. Wang Huiwu

"The College of Science and Technology of Guizhou University"	The College of Science and Technology of Guizhou University* (貴州大學科技學院), a college established under the laws of PRC in May 2001, approved by the MOE to be operated under the cooperation between Guizhou University and a third party in December 2014 and acquired by our Group in September 2016. Our Group disposed The College of Science and Technology of Guizhou University on 19 March 2018. For further details of the disposal, see "History, Reorganization and Corporate Structure" in the Prospectus
"the Period"	for the year ended 31 December 2018
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"Zhuhai Maiwen"	Zhuhai Maiwen Investment Centre (Limited Partnership) (珠海麥玟投資中心(有限合夥)), a limited partnership established under the laws of PRC on 19 May 2017
"2018 Pre-IPO Share Option Scheme"	the 2018 pre-IPO share option scheme conditionally approved and adopted by our Shareholders on 18 March 2018 for the benefit of, amongst others, our Group's directors, senior management, employees, advisors, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners and service providers, a summary of the principal terms of which is set out in "Appendix V — Statutory and General Information" of the Prospectus
"%"	percent

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

Hong Kong, 22 March 2019

As at the date of this announcement, the Board of Directors of the Company comprises Mr. Xu Changjun, Mr. Wang Huiwu and Mr. Li Tao as executive Directors; Mr. Tang Jianyuan, Mr. Lu Zhichao and Mr. Wang Degen as non-executive Directors; and Mr. Zhang Jin, Mr. Chen Yunhua and Dr. Gao Hao as independent non-executive Directors.