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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)

Interim Results Announcement
For the six months ended 30 June 2019

The Board of the Company is pleased to announce the interim results and the unaudited condensed consolidated financial statements of our Group for the six months ended 30 June 2019, together with the comparative figures for the same period in 2018:

SUMMARY

	For the six months ended 30 June 2019 ***(in millions of RMB)***	For the six months ended 30 June 2018 *(in millions of RMB)*	Change *(in millions of RMB)*	Change *(percentage)*
Revenue	**594.73**	528.00	66.73	13%
Gross profit	**315.59**	260.22	55.37	21%
Profit for the period	**243.48**	132.91	110.57	83%
Core net profit (i)	**256.55**	191.63	64.92	34%
	2018/2019 school year (ii)	2017/2018 school year (ii)	Change	Change (percentage)
Total Student enrollment (iii)	**85,998.00**	75,633.00	10,365.00	14%

(i) Core net profit is calculated based on profit for the year and adjustment of listing expenses, equity-settled share option expense and gains on foreign exchange difference which do not reflect the operating business of our Group. Please refer to the section headed "Financial Review" of this announcement for details of profit for the Reporting Period and the accounting of core net profit of our Group.

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

(iii) Including number of students receiving technical education.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*2*	**594,730**	527,997
Cost of sales		**(279,139)**	(267,778)
Gross profit		**315,591**	260,219
Other income and gains	*2*	**100,913**	106,035
Selling expenses		**(11,918)**	(9,176)
Administrative expenses		**(68,934)**	(112,335)
Other expenses		**(3,194)**	(601)
Finance costs	*3*	**(74,216)**	(107,325)
Share of losses of a joint venture		**–**	(1,858)
Profit before tax	*4*	**258,242**	134,959
Income tax expense	*5*	**(14,763)**	(2,054)
Profit for the period		**243,479**	132,905
Other comprehensive income for the period		**–**	–
Total comprehensive income for the period		**243,479**	132,905
Profit and total comprehensive income attributable to:			
Owners of the Company		**243,306**	133,518
Non-controlling interests		**173**	(613)
		243,479	132,905
Earnings per share attributable to ordinary equity holders of the Company:	*6*		
Basic		**RMB0.036**	RMB0.027
Diluted		**RMB0.036**	RMB0.025

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	Notes	30 June 2019 RMB'000 (Unaudited)	31 December 2018 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,467,479**	3,448,267
Prepaid land lease payments		**–**	590,015
Right-of-use assets		**712,322**	–
Goodwill		**481,143**	481,143
Other intangible assets		**129,178**	133,596
Prepayments, deposits and other receivables	*7*	**57,658**	466,225
Total non-current assets		**4,847,780**	5,119,246
CURRENT ASSETS			
Inventories		**1,425**	–
Prepayments, deposits and other receivables	*7*	**605,058**	128,729
Amounts due from related parties		**7,927**	4,314
Cash and cash equivalents		**2,613,284**	3,038,905
Total current assets		**3,227,694**	3,171,948
CURRENT LIABILITIES			
Contract liabilities		**119,723**	590,785
Other payables and accruals	*8*	**595,419**	637,459
Lease liabilities		**25,792**	–
Deferred income		**10,292**	9,407
Interest-bearing bank and other borrowings	*9*	**576,133**	526,680
Amounts due to related parties		**16,072**	52,953
Taxes payable		**33,746**	34,053
Total current liabilities		**1,377,177**	1,851,337
NET CURRENT ASSETS		**1,850,517**	1,320,611
TOTAL ASSETS LESS CURRENT LIABILITIES		**6,698,297**	6,439,857

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)
As at 30 June 2019

	Notes	**30 June 2019** *RMB'000* **(Unaudited)**	31 December 2018 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Deferred income		**684,338**	658,083
Interest-bearing bank and other borrowings	*9*	**1,555,610**	1,605,052
Deferred tax liabilities		**9,971**	10,154
Lease liabilities		**127,771**	–
Other payables	*8*	**6,416**	6,416
Total non-current liabilities		**2,384,106**	2,279,705
NET ASSETS		**4,314,191**	4,160,152
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**454**	454
Reserves		**4,310,682**	4,156,816
		4,311,136	4,157,270
Non-controlling interests		**3,055**	2,882
Total equity		**4,314,191**	4,160,152

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

	Attributable to owners of the Company								
	Issued capital	**Share premium***	**Capital reserve***	**Surplus reserve***	**Share option reserve***	**Retained profits***	**Total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
As at 1 January 2019	**454**	**2,701,755**	**598,426**	**234,221**	**122,345**	**500,069**	**4,157,270**	**2,882**	**4,160,152**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**243,306**	**243,306**	**173**	**243,479**
Transfer from retained profits	**–**	**–**	**–**	**45,874**	**–**	**(45,874)**	**–**	**–**	**–**
2018 Final dividend declared	**–**	**(105,495)**	**–**	**–**	**–**	**–**	**(105,495)**	**–**	**(105,495)**
Equity-settled share option arrangement	**–**	**–**	**–**	**–**	**16,055**	**–**	**16,055**	**–**	**16,055**
As at 30 June 2019	**454**	**2,596,260**	**598,426**	**280,095**	**138,400**	**697,501**	**4,311,136**	**3,055**	**4,314,191**
As at 1 January 2018	–	–	83,090	174,900	–	391,474	649,464	29,924	679,388
Issue of shares	3	–	–	–	–	–	3	–	3
Profit for the period	–	–	–	–	–	133,518	133,518	(613)	132,905
Transfer from retained profits	–	–	–	52,821	–	(52,821)	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	(26,463)	(26,463)
Equity-settled share option arrangement	–	–	–	–	47,194	–	47,194	–	47,194
Transfer from the liability of a put option granted to a shareholder	–	–	281,908	–	–	–	281,908	–	281,908
Conversion of the convertible bonds	–	–	233,428	–	–	–	233,428	–	233,428
As at 30 June 2018	3	–	598,426	227,721	47,194	472,171	1,345,515	2,848	1,348,363

* These reserve accounts comprise the consolidated reserves of RMB4,310,682,000 (31 December 2018: RMB4,156,816,000) in the consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**258,242**	134,959
Adjustments for:		
Depreciation of items of property, plant and equipment	**73,717**	64,896
Depreciation of right-of-use assets	**15,996**	–
Recognition of prepaid land lease payments	**–**	7,048
Amortisation of other intangible assets	**4,590**	4,418
Government grants released	**(4,896)**	(4,228)
Bank interest income	**(23,100)**	(582)
Interest income from loans to an independent third party	**(15,929)**	(7,498)
Finance costs	**74,216**	107,325
Losses/(gains) on disposal of items of property, plant and equipment, net	**869**	(1,279)
Gain on disposal of a subsidiary	**–**	(8,256)
Fair value gains on conversion right of the convertible bonds	**–**	(13,271)
Equity-settled share option expense	**16,055**	47,194
Interest income from related parties	**–**	(25,615)
Share of losses of a joint venture	**–**	1,858
Fair value losses on financial assets at fair value through profit or loss	**–**	191
Gains on disposal of financial assets at fair value through profit or loss	**(757)**	(962)
Interest income from time deposits	**(17,313)**	–
Unrealised foreign exchange gain, net	**(3,181)**	–
Increase in inventories	**(1,425)**	–
Decrease/(increase) in prepayments, deposits and other receivables	**(16,144)**	76,253
Increase in amounts due from related parties	**(3,098)**	(13,798)
Decrease in contract liabilities	**(471,062)**	(452,521)
Increase/(decrease) in amounts due to related parties	**(2,067)**	22,461
Increase/(decrease) in other payables and accruals	**(26,178)**	16,345
Cash used in operations	**(141,465)**	(45,062)
Interest received	**23,100**	8,080
Income tax and land appreciation tax paid	**(15,155)**	(20,660)
Net cash flows used in operating activities	**(133,520)**	(57,642)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(91,736)**	(520,383)
Additions to other intangible assets	**(1,736)**	(39,426)
Additions to right-of-use assets	**(19,807)**	–
Prepayment for acquisition of equity interests	**(20,000)**	–
Payment of other payables relating to disposal of items of property, plant and equipment in prior year	**(19,887)**	–
Proceeds from disposal of items of property, plant and equipment	**3,282**	28,157
Decrease/(increase) in amounts due from related parties	**(515)**	202,851
Receipt of government grants for property, plant and equipment	**32,036**	–
Increase in financial assets at fair value through profit or loss	**–**	(41,951)
Investment income from financial assets at fair value through profit or loss	**757**	962
Disposal of a subsidiary	**–**	69,608
Interest received from time deposits	**3,702**	–
Increase in time deposits with original maturity over three months	**(597,971)**	–
Loans to an independent third party	**–**	(451,617)
Net cash flows used in investing activities	**(711,875)**	(751,799)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)
For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	**114,950**	1,701,723
Repayment of bank and other borrowings	**(114,939)**	(708,000)
Interest paid	**(61,845)**	(74,860)
Dividends paid	**(105,495)**	–
Principal portion of lease payments	**(9,032)**	–
Interest portion of the lease liability	**(5,017)**	–
Loans from related parties	**–**	100,000
Repayment of loans from related parties	**–**	(100,000)
Net cash flows from/(used in) financing activities	**(181,378)**	918,863
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,026,773)**	109,422
Cash and cash equivalents at beginning of the period	**2,588,905**	181,332
Effect of foreign exchange rate changes, net	**3,181**	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	**1,565,313**	290,754
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents as stated in the consolidated statement of financial position	**2,613,284**	290,754
Time deposits with original maturity over three months	**(1,047,971)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,565,313**	290,754

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

Revenue

Our revenue increased by approximately RMB66.73 million (or 13%) from RMB528.00 million for the six months ended 30 June 2018 to RMB594.73 million for the Reporting Period. The increase was primarily due to the increase of students admitted to the colleges and universities under our Group. Tuition fees increased by approximately RMB52.15 million from RMB452.15 million for the six months ended 30 June 2018 to RMB504.30 million for the Reporting Period with a year-on-year increase of 12%.

Cost of sales

Cost of sales increased by approximately RMB11.36 million (or 4%) from RMB267.78 million for the six months ended 30 June 2018 to RMB279.14 million for the Reporting Period. The increase was primarily due to an increase in depreciation and amortization expenses and management expenses for cooperative education, which was in line with the expansion of school scale.

Gross profit and gross margin

Our gross profit increased approximately RMB55.37 million (or 21%) from RMB260.22 million for the six months ended 30 June 2018 to RMB315.59 million for the Reporting Period, which was in line with the growth of our Group's business. Our gross margin increased from 49% for the six months ended 30 June 2018 to 53% for the Reporting Period, primarily due to (i) the number of students increased by 14% over the same period last year leading to the increase in revenue; and (ii) the various costs remained stable during the Reporting Period.

Other income and gains

Other income and gains decreased by approximately RMB5.13 million (or 5%) from RMB106.04 million for the six months ended 30 June 2018 to RMB100.91 million for the Reporting Period, which was mainly due to the decrease in: (i) gain from the fair value of the conversion right of the convertible bonds; (ii) gain from disposal of a subsidiary; and (iii) rental income. The decrease was partially offset by an increase in interest income and foreign exchange gains.

Selling expenses

Our selling expenses increased by approximately RMB2.74 million (or 30%) from RMB9.18 million for the six months ended 30 June 2018 to RMB11.92 million for the Reporting Period. The increase is mainly due to the salary increase of the employees by approximately RMB1.64 million (or 65%) from RMB2.51 million for the six months ended 30 June 2018 to RMB4.15 million for the Reporting Period, which is caused by our Group's additional recruitment of admission staff in response to the significant increase in admission quota of students in the autumn of 2019 as compared with that of last year.

Administrative expenses

Administrative expenses decreased by approximately RMB43.41 million (or 39%) from RMB112.34 million for the six months ended 30 June 2018 to RMB68.93 million for the Reporting Period, which was mainly due to (i) no listing expense incurred; and (ii) the decrease in the equity-settled share option expense.

Finance costs

Our finance costs decreased by approximately RMB33.11 million (or 31%) from RMB107.33 million for the six months ended 30 June 2018 to RMB74.22 million for the Reporting Period, primarily due to: (i) a decrease of RMB12.76 million in the interest expenses as a result of the decreased amount of bank and other borrowings; and (ii) the waiver of put option rights by Shanghai CEL Maiming Investment Centre and Shanghai Guangwei Qinghe Investment Centre in March 2018 and the repayment of the pure loans in convertible bonds of Zhuhai Maiwen Investment Centre in October 2018, which led to a decrease of RMB28.65 million in discounted amount of payables generated as time goes by.

Profit before tax

As a result of the foregoings, our Group recognized profit before tax amounting to RMB134.96 million for the six months ended 30 June 2018, while the profit before tax for the Reporting Period amounted to RMB258.24 million, representing a year on year increase of 91%.

Income tax expense

Our Group's income tax expense increased by approximately RMB12.71 million (or 620%) from RMB2.05 million for the six months ended 30 June 2018 to RMB14.76 million for the Reporting Period, primarily due to the provision in respect of income tax for certain non-formal education revenue.

Profit from continuing operations

As a result of the combined effects of the above-mentioned revenues and costs, our Group recorded net profit from continuing operations of RMB243.48 million for the Reporting Period, representing an increase of approximately RMB110.57 million (or 83%) from RMB132.91 million for the six months ended 30 June 2018.

Core net profit

Core net profit (excluding listing expenses, equity-settled share option expense and gain on exchange differences) for the Reporting Period increased by approximately RMB64.92 million (or 34%) to RMB256.55 million from RMB191.63 million for the six months ended 30 June 2018.

Core net profit *(Continued)*

	Six months ended 30 June	
	2019	2018
	(in millions of RMB)	*(in millions of RMB)*
Profit from continuing operations for the Period	**243.48**	132.91
Add:		
Listing expenses	**–**	11.53
Equity-settled share option expense	**16.06**	47.19
Less:		
Gain on exchange differences	**2.99**	–
Core net profit	**256.55**	191.63

Capital Expenditure

The capital expenditure of our Group consists of purchase or construction costs relating to property and equipment, right-of-use assets and other intangible assets. During the Reporting Period, the capital expenditure of our Group was RMB98.36 million, which was mainly attributable to the new teaching facilities in Business College and Automotive College and students' apartments. Our Group financed such capital expenditure primarily with proceeds from the IPO and bank loans.

Capital commitments

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

	30 June 2019	31 December 2018
	(in millions of RMB)	*(in millions of RMB)*
Contracted but not provided for:		
Property, plant and equipment	**119.90**	83.50
Acquisition of equity interests	**128.00**	–
	247.90	83.50

As of 30 June 2019, our Group had no authorized but uncontracted material capital commitments.

Liquidity and financial resources

As at 30 June 2019, our Group had cash and cash equivalents of RMB2,613.28 million (31 December 2018: RMB3,038.91 million) and interest-bearing bank and other loans of approximately RMB2,131.74 million (31 December 2018: RMB2,131.73 million).

INDEBTEDNESS

Bank loans and other borrowings

Our Group's bank loans and other borrowings primarily consist of short-term working capital loans and long-term loans for constructing school buildings and facilities and merger and acquisitions. Our Group supplemented its working capital and financed its expenditure primarily through borrowings obtained from banks. As at 30 June 2019, the aggregate loan balance amounted to RMB2,131.74 million, among which, all were bank loans except for a trust loan of RMB864.55 million. All of our loans were denominated in RMB. As at 30 June 2019, our Group's bank loans and other borrowings bore effective interest rates ranging from 4.75% to 7.5% per annum.

Our Group's objective is to maintain a balance between the continued supply of funds and flexibility through the use of cash flows generated within our Group's operations and borrowings. Our Group regularly reviews major funding positions to ensure adequate financial resources to meet its financial obligations.

Contingent Liabilities

As at 30 June 2019, our Group did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group.

Debt to assets ratio

Debt to assets ratio equals to total liability divided by total assets as of 30 June 2019. Our debt to assets ratio decreased from 50% as at 31 December 2018 to 47% as at 30 June 2019.

FUTURE PLAN FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed herein, our Group had no other plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorized by the Board for other material investments or acquisitions of capital assets during the Reporting Period.

FOREIGN EXCHANGE RISK MANAGEMENT

The majority of our Group's revenue and expenditures are denominated in Renminbi, the functional currency of the Company. As at 30 June 2019, certain bank balances and cash were denominated in Hong Kong dollar and U.S. dollar. Our Group has not entered into any financial arrangements for hedging purpose as it is expected that there will be no material foreign exchange exposure.

OTHER EVENTS

Events after the Reporting Period

After the Reporting Period, our Group successively completed four major acquisitions, including four schools, and our schools expanded from nine to thirteen. Our student enrollment has exceeded 100,000, marking a new stage of development of the Company:

(1) On 10 July 2019, the acquisition of 70% of the school sponsor's interest in the College of Science and Technology of Guizhou University by our Group was approved by way of poll at the extraordinary general meeting of our Company. Meanwhile, on 22 July 2019, our Group acquired the remaining 30% of the school sponsor's interest in the College of Science and Technology of Guizhou University. As such, our Group holds 100% of the school sponsor's interest in the College of Science and Technology of Guizhou University, which currently has more than 9,000 students.

(2) On 29 July 2019, our Group entered into an agreement with an independent third party in relation to the acquisition of 95% interests in Hebi Automotive Engineering Professional College, pursuant to which our Group shall complete the payment of the acquisition by way of cash consideration of RMB160 million by installments. Hebi Automotive Engineering Professional College in Henan covers an area of 320 mou and has more than 4,500 students and can accommodate more than 7,000 students. In the future, it will be developed into the first undergraduate college in Hebi City.

(3) On 23 August 2019, our Group entered into an agreement with an independent third party in relation to the acquisition of 100% interests in Suzhou Top Institute of Information Technology and Kunshan Technical School and Business School, pursuant to which our Group shall complete the payment of the acquisition by way of cash consideration of RMB400 million by installments. Suzhou Top Institute of Information Technology and Kunshan Technical School and Business School are located in one of the important development regions in China assembled by electronic information industries of Kunshan City, Jiangsu Province and have over 5,500 students with an area of approximately 310 mou.

(4) On 23 August 2019, our Group completed the acquisition of the land use right of a new establishment project for a consideration of RMB20,550,000. The target land is located in Zhangshu City, Jiangxi Province, the capital city for Chinese traditional medicine, with an area of 201 mou. Our Group plans to establish a new technical college of traditional Chinese medicine in Zhangshu City to offer medicine, medical care and other majors in healthcare. The commencement of the Zhangshu Project will help our Group to continue to expand its scale of operation and increase market penetration.

(5) On 29 August 2019, our Group entered into an agreement with independent third parties in relation to the acquisition of 100% sponsor interests in certain schools (including University of Energy) and companies, pursuant to which our Group shall complete the payment of the acquisition by way of cash consideration of RMB550 million by installments. The target campus covers a total area of about 1,471 mou, with a school building area of about 460,000 square meters, and a total of about 15,108 students.

INTERIM DIVIDEND

The Board did not recommend the payment of any interim dividend for the Reporting Period to shareholders.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARE

During the Reporting Period, the Company or any of its subsidiaries did not purchase, sell or redeem any Shares of the Company.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to the establishment of good corporate governance practices and procedures with a view of becoming a transparent and responsible organisation 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 essential for creating greater value to its Shareholders. The Board will continue to review and improve the corporate governance practices of our Group from time to time to ensure that our Group is led by an effective Board in order to optimise return for Shareholders. Throughout the Reporting Period, the Company has applied the principles and strictly complied with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

During the Reporting Period, the Company has also adopted the Model Code set out in Appendix 10 to the Listing Rules as a code of conduct regarding securities transactions by the Directors.

Having made specific enquiry to all Directors of the Company, all Directors have confirmed that during the Reporting Period, they had complied with the required standards set out in the Model Code regarding directors' securities transactions.

AUDIT COMMITTEE AND REVIEW OF THE INTERIM FINANCIAL INFORMATION

The Company has established an audit committee ("**Audit Committee**") with written terms of reference in compliance with the Listing Rules. The Audit Committee consists of five Directors, namely Mr. Zhang Jin, Mr. Lu Zhichao, Mr. Tang Jianyuan, Mr. Chen Yunhua and Dr. Gao Hao. Mr. Zhang Jin is the chairman of the Audit Committee. The Audit Committee, together with the management, had reviewed the accounting standards and policies adopted by our Group and the unaudited consolidated financial statements and the interim report of our Group for the six months ended 30 June 2019. The Audit Committee has also discussed with senior management members of the Company, matters with respect to the accounting policies and practices adopted by the Company and internal control.

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 30 June 2019, our Group has utilized a total of RMB542.75 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 30 June 2019) RMB (million)**	**Amount unutilised (as at 30 June 2019) RMB (million)**
Used to acquire higher education schools and establish new campus for the acquired schools	40%	1,081.94	20.00	1,061.94
Used to construct new buildings for education purposes	30%	811.46	42.34	769.12
Used to repay bank loans and other borrowings	20%	540.97	375.80	165.17
Used for working capital and general corporate purposes	10%	270.49	104.61	165.88
Total	100%	2,704.86	542.75	2,162.11

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hopeedu.com). The interim report of the Company for the six months ended 30 June 2019 will be despatched to shareholders and made available on the above websites in due course.

BUSINESS REVIEW

For the Reporting Period, our Group operated and invested in eight higher education institutions and one technical college in China, including (i) three independent colleges, namely Southwest Jiaotong University Hope College, Business College of Guizhou University of Finance and Economics and Jinci College of Shanxi Medical University; (ii) five tertiary institutions, namely Sichuan Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Vocational College of Culture & Communication, Guizhou Vocational Institute of Technology and Sichuan TOP IT Vocational Institute; and (iii) Sichuan Hope Automotive Technician College. As at 30 June 2019, the student enrollment in our schools was 85,998, representing a significant increase of 14% as compared with that of as at 30 June 2018. Our recruitment network expands into majority of provinces in Mainland China.

SIGNIFICANT EVENTS FOR THE REPORTING PERIOD

(1) On 11 March 2019, the Company was included in a constituent stock of the index series such as Hang Seng Composite Index, Hang Seng Consumer Goods & Services Index and Hang Seng Stock Connect Hong Kong Index. The Company's inclusion in the market benchmark index represents the capital market's recognition of the Company.

(2) On 11 March 2019, the Company was included in the Hong Kong Stock Connect list under the Shenzhen-Hong Kong Stock Connect, which expanded shareholder base and trading liquidity of the Company, resulting in the enhancement of the Company's reputation in the capital market.

(3) On 8 May 2019, our Group and the People's Government of Jianyang City entered into the Project Investment Agreement in relation to investment in the overall relocation and reconstruction of Sichuan Vocational College of Culture & Communication (to prepare the establishment of an undergraduate college). The new campus in Jianyang is expected to be put into operation in 2021 with a total capacity to accommodate no less than 15,000 students. In the future, our Group intends to develop the college into a vocational undergraduate university.

OUR SCHOOLS

School	Year Founded	Date of Joining our Group	Description
Southwest Jiaotong University Hope College	2009	2009	The college offered a total of 44 undergraduate and specialist majors. Of which, rail transportation and civil engineering majors take a leading position among the private colleges in the Western region.
Business College of Guizhou University of Finance and Economics	2004	2014	The college offered a total of 13 undergraduate majors, featuring economics and management and finance majors.

School	Year Founded	Date of Joining our Group	Description
Jinci College of Shanxi Medical University	2002	2014	The college offered a total of 13 undergraduate majors and is one of the twelve private undergraduate medical schools in China and is the only independent college in Shanxi that provides clinical medical education.
Sichuan Tianyi College	1994	2011	The college offered 21 majors and is one of the first private schools (including seven schools) in China and the first private school in Southwest China approved to be a formal private higher education institution.
Sichuan Hope Automotive Vocational College	2013	2013	The college offered 19 majors, specialising in automobile related majors.
Sichuan Vocational College of Culture & Communication	2005	2014	The college offered 60 majors, specialising in film, media and pre-school education majors.
Guizhou Vocational Institute of Technology	2016	2016	The college offered 17 majors, specialising in pre-school education and healthcare majors.
Sichuan TOP IT Vocational Institute	2000	2017	The college offered 39 majors, specialising in computer and information and software technology majors and is the MOE approved national demonstration software vocational and technical college and the national high-skilled personnel training base for the electronic information industry.
Sichuan Hope Automotive Technical College	2016	2016	The college offered 15 majors to train professional talents possessing automobile related knowledge and skills.

STUDENT ENROLLMENT

Our Group believes the pragmatic teaching philosophy of its schools, its well-developed curriculum system, good-quality teachers as well as its high graduate employment rate help our Group to attract high-quality students who are seeking for their ideal employment.

Schools	Student Enrollment			
	As at 30 June 2019	As at 30 June 2018		Change of percentages (%)
Independent Colleges				
Southwest Jiaotong University Hope College				
Bachelor's degree program	**12,798**	10,855	1,943	18
Junior college diploma program	**4,470**	4,268	202	5
School subtotal	**17,268**	15,123	2,145	14
Business College of Guizhou University of Finance and Economics	**15,548**	14,356	1,192	8
Jinci College of Shanxi Medical University	**5,953**	4,801	1,152	24
Junior Colleges	**As at 30 June 2019**	As at 30 June 2018		
Sichuan Tianyi College	**10,971**	11,765	-794	-7
Sichuan Hope Automotive Vocational College	**4,373**	4,559	-186	-4
Sichuan Vocational College of Culture & Communication	**8,920**	7,371	1,549	21
Guizhou Vocational Institute of Technology	**5,903**	2,989	2,914	98
Sichuan TOP IT Vocational Institute	**12,869**	12,548	321	3
Technical Education				
Sichuan Hope Automotive Technical College	**4,193**	2,121	2,072	98
Total	**85,998**	75,633	10,365	14

Note: The student enrollment information during the Reporting Period was based on the official records of the relevant PRC education authorities or the internal records of our Group's schools, as the case may be.

THE AVERAGE TUITION FEES

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Tuition fees *(RMB'000)*	**504,297**	452,146
Average number of student enrollment[1]	**86,015**	75,664
Average tuition fee per student *(RMB'000)*[2]	**5.86**	5.98

Note:

(1) Average student enrolment is calculated by taking the average of the total number of students enrolled at the end of six months period and the total number of students enrolled at the end of the previous school year;

(2) Average tuition fee per student is calculated by dividing tuition fees for the six months over average number of student enrolment.

DORMITORY UTILIZATION RATE

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
Total number of student enrollment	**85,998**	75,633
Total capacity	**104,777**	95,776
Overall utilization rate	**82.08%**	78.97%

OUTLOOK

Standing at a new starting point of China's economic transformation, upgrading and development, the demand for high-quality professional talents will continue to grow, and the room for development of higher education will become greater. Our Group will continue to adhere to the development strategy of "primary focus on internal construction, secondary focus on external expansion", to provide more higher education degrees to the society and cultivate more high-quality professional talents. To achieve this goal, our Group plans to pursue the following business strategies:

(1) Strengthening the endogenous growth of the Company, improving the quality of school education, enhancing the student recruitment process and increasing the dormitory utilization rate are the important prerequisites for the steady development of our Group. To this end, our Group will further expand its education management committee comprising of experts in the higher education industry to strengthen the management of our Group's school education and teaching activities; actively introduce academic leaders to strengthen our Group's teaching team; and by leveraging our Group's strengths in student recruitment that has accumulated over a decade, our Group will serve students in three aspects, namely student recruitment, teaching and employment in order to improve students' professional skills and employment capacity, which in turn would improve the education quality of our colleges and our brand influence.

(2) Merger and acquisition and establishment of new schools are the two major initiatives of our Group to expand the scale of operation and achieve sustainable growth. Our Group will further strengthen its project expansion capabilities and timely grasp the information about merger and acquisition projects; our Group will conduct screening and analysis on the existing hundreds of potential targets, control its pace, promote in-depth negotiation of high-quality projects that are coming to fruition as appropriate, to ensure the continuous implementation of merger and acquisition projects. Meanwhile, our Group will establish new specialized colleges in regions with relatively scarce higher education resources and strong demand for talents.

CONCLUSION

Looking forward, our Group will abide by its fundamental educational philosophy "happy learning, happy living and happy working". Our Group will adhere to its core values of gratefulness, openness, preciseness and responsibility and focus on fostering talents with competitive capabilities and practical skills to contribute to social and economic development.

1. BASIS OF PREPARATION

The interim condensed consolidated financial information for the Period has been prepared in accordance with International Accounting Standard (the "**IAS**") 34 "Interim Financial Reporting". The interim condensed consolidated financial information should be read in conjunction with our Group's annual consolidated financial statements for the year ended 31 December 2018, which were prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**").

Our Group adopted IFRS 16 Leases using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 January 2019, and the comparative information for 2018 was not restated and continues to be reported under IAS 17.

The impacts arising from the adoption of IFRS 16 as at 1 January 2019 are as follows:

	Increase/ (decrease) *RMB'000* (Unaudited)
Assets	
Increase in right-of-use assets	723,760
Decrease in prepaid land lease payments	(590,015)
Decrease in prepayments, deposits and other receivables	(13,883)
Increase in total assets	119,862
Liabilities	
Increase in lease liabilities	162,595
Decrease in other payables – accrued lease payments	(42,733)
Increase in total liabilities	119,862

The carrying amounts of our Group's right-of-use assets and lease liabilities and the movements during the Period are as follows:

	Right-of-use assets					
	Land *RMB'000*	Dormitories *RMB'000*	Campus *RMB'000*	Motor vehicles *RMB'000*	Sub-total *RMB'000*	Lease liabilities *RMB'000*
As at 1 January 2019	603,898	107,279	12,343	240	723,760	162,595
Additions	4,558	–	–	–	4,558	–
Depreciation expense	(7,726)	(5,850)	(2,389)	(31)	(15,996)	–
Interest expense	–	–	–	–	–	5,017
Payments	–	–	–	–	–	(14,049)
As at 30 June 2019	600,730	101,429	9,954	209	712,322	153,563

2. REVENUE, OTHER INCOME AND GAINS

Revenue represents the values of services rendered after deducting scholarships granted by our Group and refunds during the Period, all of which represented the revenue from customers.

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

(a) Disaggregated revenue information

		For the six months ended 30 June	
		2019	2018
	Note	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Type of revenue			
Tuition fees		**504,297**	452,146
Boarding fees		**43,677**	42,018
Others	*(i)*	**46,756**	33,833
		594,730	527,997

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Services transferred over time	**594,730**	527,997

(b) Performance obligations

Information about our 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 Reporting Period are as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Carrying amount at 1 January	**590,785**	535,268
Revenue recognised that was included in the contract liabilities at 1 January	**(569,571)**	(523,585)
Increase due to cash received, excluding amounts recognised as revenue during the period	**98,509**	71,064
Carrying amount at 30 June	**119,723**	82,747

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

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within one year	**117,814**	589,814
More than one year	**1,909**	971
Total contract liabilities	**119,723**	590,785

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 that will be satisfied within two years. All the other remaining performance obligations are expected to be recognised within one year.

Our 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 proportionately in relation to the services not yet rendered.

The decrease in contract liabilities at 30 June 2019 was mainly due to the recognition of performance obligations related to the provision of formal education service during the Period.

There were no contract assets recognised at the end of the Reporting Period.

(c) Other income and gains

An analysis of other income and gains is as follows:

	Notes	For the six months ended 30 June 2019 RMB'000 (Unaudited)	2018 RMB'000 (Unaudited)
Other income			
Government grants			
– related to assets		**4,896**	4,228
– related to expenses	*(ii)*	**14,382**	11,500
Interest income from bank balances		**23,100**	582
Interest income from time deposits		**17,313**	–
Interest income from loans to related parties		**–**	25,615
Interest income from loans to an independent third party		**15,929**	7,498
Rental income		**3,121**	12,052
Service income	*(iii)*	**13,988**	13,450
Donation income		**775**	64
Gain on exchange differences, net		**2,990**	–
Guarantee income		**–**	1,336
Others		**3,454**	6,056
		99,948	82,381
Gains			
Gains on disposal of items of property, plant and equipment		**208**	1,356
Gains on disposal of financial assets at fair value through profit and loss		**757**	771
Fair value gains on the conversion right of the convertible bond		**–**	13,271
Gain on disposal of a subsidiary		**–**	8,256
		965	23,654
Total other income and gains		**100,913**	106,035

Notes:

(i) During the Period, revenue from other type of services mainly represented income received from the provision of other education services of self-study examination education services, adult education services and training services to the students, which were amortised within the training periods of the service rendered.

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

(iii) During the Period, service income mainly represented 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 examination material.

3. FINANCE COSTS

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings	**71,409**	84,171
Interest expense on lease liabilities	**5,017**	–
Increase in the discounted amount of payables arising from the passage of time	**–**	28,653
Total interest expense for financial liabilities that are not at fair value through profit or loss	**76,426**	112,824
Less: interest capitalised	**(2,210)**	(5,499)
	74,216	107,325

4. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Employee benefit expense:			
Wages and salaries		**130,001**	123,928
Equity-settled share option expense		**7,565**	16,786
Pension scheme contributions (defined contribution scheme)		**28,403**	25,548
		165,969	166,262
Management fees	*(i)*	**64,990**	58,321
Depreciation of items of property, plant and equipment	*(ii)*	**73,717**	64,896
Recognition of prepaid land lease payments		**–**	7,048
Depreciation of right-of-use assets	*(ii)*	**15,996**	–
Amortisation of other intangible assets		**4,590**	4,418
Marketing and advertising costs		**3,676**	3,042
Listing expenses		**–**	11,531
Rental expense		**529**	13,152
Auditors' remuneration		**1,500**	–
Equity-settled share option expense		**8,490**	30,408
Losses on disposal of items of property, plant and equipment		**1,077**	77

Notes:

(i) During the Period, management fees represented the annual fees paid to the regular universities with which our Group entered into cooperation agreements to operate independent colleges at a certain percentage of tuition fees.

(ii) The depreciation of items of property, plant and equipment and depreciation of right-of-use assets of RMB62,523,000 and RMB11,336,000, respectively (six months ended 30 June 2018: the recognition of items of property, plant and equipment and recognition of prepaid land lease payments of RMB47,360,000 and RMB2,886,000, respectively) are recorded in "Cost of sales" in profit or loss.

5. INCOME TAX EXPENSE

The major components of income tax expense of our Group are as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Mainland China		
PRC corporate income tax for the period	**2,317**	1,835
Underprovision of PRC corporate income tax in prior years	**12,629**	–
PRC land appreciation tax for the period	**–**	219
Deferred	**(183)**	–
Total tax charged for the period	**14,763**	2,054

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 our Group had no assessable profits derived from or earned in Hong Kong during the Period.

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 treatment as public schools. The preferential tax treatment polices applicable to private schools requiring reasonable returns are to be separately formulated by the financing authority, taxation authority and other authorities under the State Council. During the Period and up to the date of this announcement, no regulations have been promulgated by such authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities and the tax compliance confirmations obtained therefrom, our Group's schools did not pay corporate income tax for the income from the provision of formal educational services and had 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 Period.

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

All of our Group's non-school subsidiaries established in the PRC were subject to the PRC corporate income tax rate of 25% during the Period, except Horgos Tequ Mayflower Information Technology Co., Ltd. ("**WFOE**").

WFOE was incorporated 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.

6. 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 Period and 6,666,668,000 ordinary shares in issue during the Period (for the six months ended 30 June 2018: the weighted average number of ordinary shares of 4,975,277,725, comprising the weighted average number of ordinary share of 27,777,778 issued during the six months ended 30 June 2018 and 4,947,499,947 ordinary shares to be issued pursuant to the capitalisation issue).

The diluted earnings per share for the Period is calculated based on the profit for the Period attributable to owners of the Company as used in the basic earnings per share calculation. The weighted average number of ordinary shares used in the calculation is the weighted average number of ordinary shares in issue during the Period, 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 the basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to the owners of the Company, used in the basic earnings per share calculation	**243,306**	133,518
Add: interest on convertible bonds	**–**	4,470
Less: fair value gains on the conversion right of the convertible bonds	**–**	(13,271)
Profit attributable to the owners of the Company before interest on convertible bonds and fair value gains on the conversion right of the convertible bonds used in the diluted earnings per share calculation	**243,306**	124,717

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic earnings per share calculation	**6,666,668,000**	4,975,277,725
Effect of dilution – weighted average number of ordinary shares:		
Share options	**13,838,791***	601,209
A composite instrument	**–**	2,500,053
Weighted average number of ordinary shares during the Period used in the diluted earnings per share calculation	**6,680,506,791**	4,978,378,987

* Excluded the 130,393,478 share options when calculating the diluted earnings per share as the exercise price of these outstanding share options was higher than the average market price of the Company's shares during the Period.

7. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Current portion:			
Prepayments for management fees		**1,030**	18,626
Prepaid expense		**12,876**	12,301
Deposits		**10,317**	10,278
Other receivables		**5,128**	5,660
Staff advance		**15,594**	4,537
Prepaid land lease payments to be amortised within one year		**–**	13,883
Refundable deposit related to proposed equity acquisition		**50,001**	30,000
Rental receivables		**5,002**	2,500
Interest receivable from time deposit		**19,591**	5,980
Interest receivable from loans to a third party	*(a)*	**41,849**	24,964
Loans to a third party	*(a)*	**443,670**	–
		605,058	128,729
Non-current portion:			
Loans to a third party	*(a)*	**4,000**	447,670
Prepayments for property, plant and equipment		**7,658**	8,555
Prepayments for land lease payments		**25,000**	10,000
Prepayments for acquisition of equity interests		**20,000**	–
Prepayments for an intangible asset		**1,000**	–
		57,658	466,225
		662,716	594,954

Note:

(a) Loans to a third party represented the loans to Chengdu Wuhou Guixi Property Development Limited ("Guixi Property"), a company controlled by the previous ultimate shareholder of Sichuan TOP IT Vocational Institute bearing interest at a rate of 7.5% per annum and will become mature within two years from the respective grant dates. The interest is paid half-yearly in arrears, and the principal of the loans will be repaid in a lump sum when the loans become mature. The loans are secured by the properties belonging to Guixi Property.

As at 30 June 2019, interest receivables with the amount of RMB41,849,000 arising from the loans have been partially past due. Our Group does not recognise any expected credit loss as the fair value of the collateral held by our Group over the principal loans and the interest receivables of approximately RMB836,158,000 (31 December 2018: RMB836,158,000) was higher than the aggregate amounts of the loans and the interest receivables. The fair value of the collateral is determined by an independent qualified valuer on 31 December 2018. The fair value was revisited by the directors with reference to the market trend of the real estate market in which there were no significant adverse changes during the Period.

8. OTHER PAYABLES AND ACCRUALS

	Notes	30 June 2019 *RMB'000* (Unaudited)	31 December 2018 *RMB'000* (Audited)
Current portion:			
Payables for purchase of property, plant and equipment		**183,104**	144,797
Miscellaneous advances received from students	*(i)*	**96,417**	97,535
Accrued bonuses and other employee benefits		**48,167**	55,244
Rental payable		**1,255**	43,628
Government scholarship		**38,620**	13,976
Payables for purchase of teaching materials and operating expenditure		**14,970**	22,240
Payables for management fees		**4,618**	20,419
Construction deposits		**32,727**	30,538
Other taxes payable		**14,401**	26,246
Other payables and accrued expenses		**85,308**	107,004
Construction loan from Mianzhu Education Bureau	*(ii)*	**75,832**	75,832
		595,419	637,459
Non-current portion:			
Other payables	*(iii)*	**6,416**	6,416
		601,835	643,875

Notes:

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

(ii) Sichuan Tianyi College obtained an interest-free and non-repayable loan for construction amounting to RMB75,832,000 from Mianzhu Educational Bureau in 2015.

(iii) The non-current other payables represented the liabilities to Nanchong No.19 Middle School for the purchase of fixed assets.

Except as disclosed above, other payables and accruals are unsecured and non-interest-bearing.

9. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 30 June 2019			As at 31 December 2018		
	Effective interest Rate (%) (Unaudited)	**Maturity (Unaudited)**	**RMB'000 (Unaudited)**	Effective interest Rate (%) (Audited)	Maturity (Audited)	RMB'000 (Audited)
Current						
Bank loans – secured	**6.00**	**2019**	**300,000**	6.00	2019	300,000
Current portion of						
– long term bank loans – secured	**4.75-7.06**	**2019**	**90,083**	4.75-7.06	2019	91,509
– other borrowings – secured	**7.00-7.50**	**2019-2020**	**186,050**	7.00-7.50	2019	135,171
			576,133			526,680
Non-current						
Bank loans – secured	**4.75-7.06**	**2020-2023**	**877,110**	4.75-7.06	2020-2023	830,000
Other borrowings – secured	**7.00-7.50**	**2020-2023**	**678,500**	7.00-7.50	2020-2023	775,052
			1,555,610			1,605,052
			2,131,743			2,131,732

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Analysed into:		
Bank loans repayable:		
Within one year	**390,083**	391,509
In the second year	**360,000**	110,000
In the third to fifth years, inclusive	**517,110**	720,000
	1,267,193	1,221,509
Other borrowings repayable:		
Within one year	**186,050**	135,171
In the second year	**172,790**	211,129
In the third to fifth years, inclusive	**505,710**	563,923
	864,550	910,223
	2,131,743	2,131,732

DEFINITIONS

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

"Board" or "Board of Directors"	the board of Directors of the Company
"Business College of Guizhou University of 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
"CG Code" or "Corporate Governance Code"	the code on corporate governance practices set out in Appendix 14 to the Listing Rules
"China" or "PRC"	the People's Republic of China excluding for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company"	Hope Education Group Co., Ltd. (希望教育集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 13 March 2017
"Director(s)"	the directors of our Company
"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
"Hebi Automotive Engineering Professional College"	Hebi Automotive Engineering Professional College*（鶴壁汽車工程職業學院）, a college established as a higher vocational college in 2002
"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
"IFRS"	the International Financial Reporting Standard(s)

"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 on 3 August 2018
"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
"Model Code"	Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"MOE"	Ministry of Education of the PRC
"Prospectus"	the prospectus published in connection with the Listing dated 24 July 2018
"Reporting Period"	for the six months ended 30 June 2019
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"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 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

“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, and one of the consolidated affiliated entities of the Company
“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
“Suzhou Top Institute of Information Technology”	Suzhou Top Institute of Information Technology*（蘇州托普信息職業技術學院）, a college established as a higher vocational college in 2002
“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)
“Subsidiary(ies)”	has the meaning ascribed to it under 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 has formally approved the acquisition of the College of Science and Technology of Guizhou University at the special general meeting held on 10 July 2019
"The Stock Exchange of Hong Kong Limited"	The Stock Exchange of Hong Kong Limited
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"%"	per cent

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

Hong Kong, 29 August 2019

As at the date of this announcement, the executive directors of the Company are Mr. XU Changjun, Mr. WANG Huiwu and Mr. LI Tao; the non-executive directors of the Company are Mr. TANG Jianyuan, Mr. LU Zhichao and Mr. WANG Degen; and the independent non-executive directors of the Company are Mr. ZHANG Jin, Mr. CHEN Yunhua and Dr. GAO Hao.

* *For identification purpose only*