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 2019

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 2019, together with the comparative figures for the year ended 31 December 2018.

FINANCIAL SUMMARY

	For the year ended 31 December 2019 ***(in millions of RMB)***	For the year ended 31 December 2018 *(in millions of RMB)*	**Change** *(in millions of RMB)*	**Change** *(percentage)*
Revenue	**1,331.38**	1,029.52	301.86	29.3%
Gross profit	**674.50**	467.24	207.26	44.4%
Adjusted gross profit[1]	**692.85**	471.67	221.18	46.9%
Adjusted gross profit margin	**52.0%**	45.8%	–	6.2%
Net profit	**490.03**	167.34	322.69	192.8%
Adjusted net profit[2]	**501.16**	319.23	181.93	57.0%
Adjusted net profit margin	**37.6%**	31.0%	–	6.6%

	2019/2020 school year[5]	**2018/2019 school year[5]**	**Change**	**Change** *(percentage)*
New students enrolled[3]	**48,789**	31,025	17,764	57.3%
Total student enrollment[4]	**140,125**	86,033	54,092	62.9%

Notes:

1. Adjusted gross profit is measured by (i) gross profit for the period after eliminating additional depreciation and amortization from temporary fair value adjustment of identifiable assets resulted from the acquisition of: Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute, Suzhou Top Institute of Information Technology, Yinchuan University of Energy and Hebi Automotive Engineering Vocational College.

2. Adjusted net profit is measured by deducting (i) equity-settled share option expense; (ii) listing expense; (iii) additional depreciation and amortization from temporary fair value adjustment of identifiable assets resulted from the acquisition of Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute, Suzhou Top Institute of Information Technology, Yinchuan University of Energy, Hebi Automotive Engineering Vocational College and The College of Science and Technology of Guizhou University; (iv) exchange gains; (v) finance cost accrued at amortized cost because of a over one year payment period for purchase of equity interest under the relevant agreement. The difference between the adjusted net profit of RMB314.80 million for 2018 in the results announcement for 2018 and the adjusted net profit of RMB319.23 million for 2018 in this report was RMB4.43 million, which was mainly due to deducting the additional depreciation and amortization from fair value adjustment resulted from acquisition of identifiable assets during the year. The Company considers that the deduction of additional depreciation and amortization from fair value adjustment resulted from acquisition of identifiable assets could eliminate potential impacts of items that the management do not consider to be indicative of the Group's operating performance, which in turns facilitates comparisons of operating performance from period to period and company to company.

3. Number of new students enrolled as of 31 December 2019 includes 10,527 students enrolled in newly merged and acquired schools for the year, namely College of Science and Technology of Guizhou University, Hebi Automotive Engineering Vocational College, Suzhou Top Institute of Information Technology and Yinchuan University of Energy as of 31 December 2019. Number of students enrolled in original schools as of 31 December 2019 was 38,262.

4. Total number of students enrolled as of 31 December 2019 includes students of the original eight colleges, one technical college, as well as four newly merged and acquired schools and one newly established technical college but excludes students of continuing education.

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

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company also uses adjusted gross profit, adjusted net profit and other adjusted figures as additional financial measures, which are not required by, or presented in accordance with, IFRS. The Company believes that these non-IFRS measures facilitate comparisons of operating performance from period to period and company to company by eliminating potential impacts of items that the management do not consider to be indicative of the Group's operating performance.

Calculation of adjusted gross profit

	2019 ***(in millions of RMB)***	2018 *(in millions of RMB)*	**Growth**
Gross profit	**674.50**	467.24	44.4%
Add:			
Additional depreciation and amortization from fair value adjustment of identifiable assets resulted from acquisition of:			
Jinci College of Shanxi Medical University	**0.87**	0.87	
Sichuan Vocational College of Culture & Communication	**1.16**	1.46	
Sichuan TOP IT Vocational Institute	**1.35**	2.10	
Suzhou Top Institute of Information Technology	**2.45**	–	
Yinchuan University of Energy	**12.00**	–	
Hebi Automotive Engineering Vocational College	**0.52**	–	
Adjusted gross profit	**692.85**	471.67	46.9%

Calculation of adjusted net profit

	2019 *(in millions of RMB)*	2018 *(in millions of RMB)*	**Growth**
Profit from continuing operations for the year	**490.03**	167.34	192.8%
Add:			
Listing expense	**–**	33.68	
Equity-settled share option expense	**20.53**	122.34	
Additional depreciation and amortization from fair value adjustment of identifiable assets resulted from acquisition of:			
Jinci College of Shanxi Medical University	**0.87**	0.87	
Sichuan Vocational College of Culture & Communication	**1.16**	1.46	
Sichuan TOP IT Vocational Institute	**1.35**	2.10	
Suzhou Top Institute of Information Technology	**2.57**	–	
Yinchuan University of Energy	**12.65**	–	
Hebi Automotive Engineering Vocational College	**0.80**	–	
Guizhou Jiexing Huilv Air Service Consultant Services Limited (College of Science and Technology of Guizhou University)	**2.57**	–	
Finance cost accrued at amortized cost because of a over one year payment period for purchase of equity interest under the relevant agreement	**6.60**	–	
Less:			
Exchange gains	**37.97**	8.56	
Adjusted net profit	**501.16**	319.23	57.0%

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	3	**1,331,375**	1,029,523
Cost of sales		**(656,873)**	(562,286)
Gross profit		**674,502**	467,237
Other income and gains	3	**253,628**	211,510
Gain on a bargain purchase	12	**27,256**	–
Selling expenses		**(45,283)**	(20,804)
Administrative expenses		**(172,401)**	(267,452)
Other expenses		**(16,459)**	(27,965)
Finance costs	4	**(170,681)**	(201,172)
Share of profits/(losses) of a joint venture		**5,177**	(1,858)
Profit before tax	5	**555,739**	159,496
Income tax credit/(expense)		**(65,708)**	7,841
Profit for the year		**490,031**	167,337
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**490,031**	167,337
Profit and total comprehensive income attributable to:			
Owners of the Company		**489,872**	167,916
Non-controlling interests		**159**	(579)
		490,031	167,337
Earnings per share attributable to ordinary equity holders of the Company:	7		
Basic		**RMB0.073**	RMB0.030
Diluted		**RMB0.072**	RMB0.028

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**4,563,972**	3,448,267
Right-of-use assets		**1,163,340**	–
Prepaid land lease payments		**–**	590,015
Goodwill		**595,820**	481,143
Amounts due from related parties		**275,110**	–
Other intangible assets		**218,976**	133,596
Investment in a joint venture		**196,242**	–
Prepayments, deposits and other receivables		**224,815**	466,225
Restricted bank balance		**108,787**	–
Deferred tax assets		**1,404**	–
Total non-current assets		**7,348,466**	5,119,246
CURRENT ASSETS			
Trade receivables	*9*	**3,714**	–
Prepayments, deposits and other receivables	*11*	**720,787**	128,729
Amounts due from related parties		**30,868**	4,314
Structured deposits		**1,002,967**	–
Other financial assets at fair value through profit or loss		**9,310**	–
Restricted bank balance		**50,000**	–
Cash and cash equivalents		**1,690,419**	3,038,905
Total current assets		**3,508,065**	3,171,948
CURRENT LIABILITIES			
Contract liabilities		**806,431**	590,785
Trade payables	*10*	**33,610**	–
Other payables and accruals		**1,142,865**	637,459
Lease liabilities		**27,825**	–
Deferred income	*8*	**32,545**	9,407
Interest-bearing bank and other borrowings		**1,003,293**	526,680
Amounts due to related parties		**30,763**	52,953
Taxes payable		**65,203**	34,053
Total current liabilities		**3,142,535**	1,851,337
NET CURRENT ASSETS		**365,530**	1,320,611
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,713,996**	6,439,857

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	Note	2019 RMB'000	2018 RMB'000
NON-CURRENT LIABILITIES			
Deferred income	*8*	**1,072,673**	658,083
Interest-bearing bank and other borrowings		**1,593,599**	1,605,052
Deferred tax liabilities		**5,889**	10,154
Lease liabilities		**132,662**	–
Other payable		**343,885**	6,416
Total non-current liabilities		**3,148,708**	2,279,705
NET ASSETS		**4,565,288**	4,160,152
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**454**	454
Reserves		**4,561,763**	4,156,816
		4,562,217	4,157,270
Non-controlling interests		**3,071**	2,882
Total equity		**4,565,288**	4,160,152

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Issued capital *RMB'000*	Share premium* *RMB'000*	Capital reserve* *RMB'000*	Statutory surplus reserve* *RMB'000*	Share option reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2018	–	–	83,090	174,900	–	391,474	649,464	29,924	679,388
Profit and total comprehensive income for the year	–	–	–	–	–	167,916	167,916	(579)	167,337
Issue of new shares	3	–	–	–	–	–	3	–	3
Capitalization issue of new shares	337	–	–	–	–	–	337	–	337
Issue of new shares for the Initial Public Offering ("IPO")	114	2,785,710	–	–	–	–	2,785,824	–	2,785,824
Share issue expenses	–	(83,955)	–	–	–	–	(83,955)	–	(83,955)
Transfer from retained profits	–	–	–	59,321	–	(59,321)	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	(26,463)	(26,463)
Equity-settled share option arrangement	–	–	–	–	122,345	–	122,345	–	122,345
Conversion of the convertible bond	–	–	233,428	–	–	–	233,428	–	233,428
Transfer from the liability of a put option granted to a shareholder	–	–	281,908	–	–	–	281,908	–	281,908
At 31 December 2018 and 1 January 2019	**454**	**2,701,755**	**598,426**	**234,221**	**122,345**	**500,069**	**4,157,270**	**2,882**	**4,160,152**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**489,872**	**489,872**	**159**	**490,031**
Transfer from retained profits	**–**	**–**	**–**	**85,749**	**–**	**(85,749)**	**–**	**–**	**–**
Deemed contribution from equity holders of the Company (note 13)	**–**	**–**	**48,042**	**–**	**–**	**–**	**48,042**	**–**	**48,042**
Acquisition of a subsidiary with non-controlling interests (note 13)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30,000**	**30,000**
Acquisition of non-controlling interests (note 13)	**–**	**–**	**(48,000)**	**–**	**–**	**–**	**(48,000)**	**(30,000)**	**(78,000)**
Capital contribution by a non-controlling shareholder	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**30**	**30**
Final 2018 dividend declared	**–**	**(105,495)**	**–**	**–**	**–**	**–**	**(105,495)**	**–**	**(105,495)**
Equity-settled share option arrangement	**–**	**–**	**–**	**–**	**20,528**	**–**	**20,528**	**–**	**20,528**
At 31 December 2019	**454**	**2,596,260**	**598,468**	**319,970**	**142,873**	**904,192**	**4,562,217**	**3,071**	**4,565,288**

* These reserve accounts comprise the consolidated reserves of RMB4,561,763,000 in the consolidated statement of financial position as at 31 December 2019 (2018: RMB4,156,816,000).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**555,739**	159,496
Adjustments for:		
Depreciation of items of property, plant and equipment	**163,700**	136,537
Depreciation of right-of-use assets/recognition of prepaid land lease payments	**42,977**	15,082
Amortisation of other intangible assets	**10,855**	9,051
Deferred revenue released to profit or loss	**(15,508)**	(8,662)
Interest income	**(94,489)**	(78,924)
Finance costs	**170,681**	201,172
(Gains)/losses on disposal of items of property, plant and equipment, net	**(17,262)**	21,914
Losses/(gains) on disposal of subsidiaries	**2,011**	(8,256)
Gains on a bargain purchase	**(27,256)**	–
Fair value gains of a conversion right of the convertible bond	**–**	(13,271)
Equity-settled share option expense	**20,528**	122,345
Share of losses/(gains) of a joint venture	**(5,177)**	1,858
Fair value gains, net	**(16,557)**	(2,174)
Foreign exchange gains, net	**(37,965)**	(5,171)
	752,277	550,997
(Increase)/decrease in prepayments, deposits and other receivables	**(97,928)**	50,234
Increase in trade receivables	**(3,180)**	–
(Increase)/decrease in amounts due from related parties	**(19,200)**	71,136
Increase in contract liabilities	**93,466**	55,517
Increase in trade payables	**33,610**	–
Increase/(decrease) in amounts due to related parties	**(2,829)**	4,813
Increase/(decrease) in other payables and accruals	**(54,501)**	67,132
Government grants received in relation to expense items	**3,484**	–
Cash generated from operations	**705,199**	799,829
Bank interest received	**33,102**	21,815
Corporate income tax and land appreciation tax paid	**(41,271)**	(19,211)
Net cash flows from operating activities	**697,030**	802,433

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	2019	2018
	RMB'000	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of items of property, plant and equipment	**(278,978)**	(623,882)
Prepaid land lease payments	**(293,590)**	(12,349)
Additions to other intangible assets	**(3,377)**	(23,534)
Payment in relation to disposal of items of property, plant and equipment in the prior year	**(19,887)**	–
Refundable deposit related to proposed equity acquisition	**–**	(30,000)
Acquisition of subsidiaries	**(377,031)**	(15,000)
Acquisition of subsidiaries which are not business	**(69,999)**	–
Proceeds from disposal of items of property, plant and equipment	**26,439**	27,022
Decrease/(increase) in amounts due from related parties	**(275,337)**	643,394
Receipt of government grants for property, plant and equipment	**420,106**	38,239
Increase in restricted bank balance	**(158,787)**	–
Loan to an independent third party	**(22,000)**	(447,670)
Decrease/(increase) in time deposits with original maturity of over three months	**154,014**	(450,000)
Disposal of a subsidiary	**–**	69,608
Decrease/(increase) in financial assets at fair value through profit or loss, net	**(1,011,670)**	8,241
Investment income from financial assets at fair value through profit or loss	**16,983**	2,174
Interest income from time deposit	**26,918**	–
Receipt of loan to an independent third party	**1,120**	–
Interest income from an independent third party	**154**	–
Interest income received from related parties	**–**	44,546
Net cash flows used in investing activities	**(1,864,922)**	(769,211)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from bank and other borrowings	**944,950**	1,999,619
Repayment of bank and other borrowings	**(632,212)**	(1,740,215)
Redemption of convertible bonds	**–**	(400,000)
Interest paid	**(123,824)**	(195,087)
Dividends paid	**(105,495)**	–
Principal portion of lease payments	**(14,479)**	–
Interest portion of the lease liabilities	**(10,660)**	–
Proceeds from issue of shares for the IPO	**–**	2,786,161
Share issue expenses	**–**	(81,298)
Acquisition of non-controlling interests	**(60,000)**	–
Contribution from non-controlling shareholders	**30**	–
Loans from related parties	**–**	100,000
Repayment of loans from related parties	**(34,787)**	(100,000)
Repayment of other loans included in other payables	**(28,068)**	–
Net cash flows from financing activities	**(64,545)**	2,369,180

	2019	2018
	RMB'000	*RMB'000*
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,232,437)**	2,402,402
Cash and cash equivalents at beginning of the year	**2,588,905**	181,332
Effect of foreign exchange rate changes, net	**37,965**	5,171
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**1,394,433**	2,588,905
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS:		
Cash and cash equivalents as stated in the consolidated statement of financial position	**1,690,419**	3,038,905
Less: Time deposits with original maturity of over three months	**(295,986)**	(450,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows	**1,394,433**	2,588,905

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Reporting Period, the Group has operated and invested in twelve higher education schools and two technical colleges in China, including (i) five independent colleges, namely, Southwest Jiaotong University Hope College, Jinci College of Shanxi Medical University, Business College of Guizhou University of Finance and Economics, College of Science and Technology of Guizhou University and Yinchuan University of Energy; (ii) seven junior colleges, namely Tianyi College, Sichuan Hope Automotive Vocational College, Sichuan Vocational College of Culture & Communication, Guizhou Vocational Institute of Technology, Sichuan TOP IT Vocational Institute, Hebi Automotive Engineering Vocational College and Suzhou Top Institute of Information Technology; and (iii) two technical colleges, namely, Sichuan Hope Automotive Technical College and Guizhou Technical College of Technology. As of 31 December 2019, the student enrollment in our schools was 140,125, representing a significant increase of 62.9% as compared with that on 31 December 2018. We have established a national enrollment network.

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). In the future, our Group intends to develop the college into a vocational undergraduate university.

(4) On 10 July 2019, the acquisition of 70% equity interest of Jiexing Huilv, who is a joint sponsor of the College of Science and Technology of Guizhou University, was approved by way of poll at the extraordinary general meeting of our Company. Our Group holds 100% equity interest of Jiexing Huilv after acquisition of the remaining 30% equity interest on 23 July 2019. As such, our Group accounted for the investment in the College of Science and Technology of Guizhou University, which currently has almost 10,000 students, using equity method.

(5) On 29 July 2019, our Group entered into an agreement with an independent third party in relation to the acquisition of 100% interests in Hebi Automotive Engineering Vocational College, pursuant to which our Group shall complete the payment of the acquisition by way of cash consideration of RMB160 million (the remaining portion of the instalments of cash consideration after the repayment of the debts of the college before the Acquisition on behalf of the original shareholders shall be the consideration for the equity transfer) by installments for 95% equity interest, and the remaining 5% equity interest by way of cash consideration

of RMB5 million. Hebi Automotive Engineering Vocational College in Henan covers an area of 320 mu and in the future, it will be developed into the first undergraduate college in Hebi City.

(6) 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 RMB376 million by installments and provision of loans of RMB24 million. 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" in Kunshan City, Jiangsu Province and have over 5,000 students with an area of approximately 310 mu.

(7) On 23 August 2019, our Group completed the acquisition of the land use right of a new establishment project for a consideration of RMB20.55 million. The target land is located in Zhangshu city, Jiangxi Province, the capital city for Chinese traditional medicine, with an area of 201 mu. 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.

(8) On 29 August 2019, our Group entered into an agreement with independent third parties in relation to the acquisition of 100% sponsors' interests and equity interests in certain schools (including Yinchuan University of Energy) and companies, pursuant to which our Group tentatively plans to 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 1,500 mu, with a school building area of about 480,000 square meters, and a total of over 15,000 students.

(9) In 2019, the Group successively launched the construction of three schools, namely, Chongqing Digital Industry Vocational and Technical College, Jiangxi Zhangshu Vocational College of Traditional Chinese Medicine and Gansu Baiyin Vocational and Technical College.

(10) In 2019, the enrollment scale of the Group's schools reached a new record, with 48,789 new students enrolled in the whole year, representing an increase of 57.3% over the previous year; the number of full-time students in all schools exceeded 140,000.

(11) In 2019, new breakthroughs were made in the development of professional capacity of all schools under the Group. Two majors of Southwest Jiaotong University Hope College, namely, transportation and civil engineering, and seven majors of Yinchuan University of Energy, namely, energy economy, chemical engineering and technology, etc., were recognized as provincial (district) first-class undergraduate specialty by the provincial (district) departments of education. The software major of Sichuan TOP IT Vocational Institute and the automobile electronic technology major of Hebi Automotive Engineering Vocational College were recognized as the key majors in the Action Plan for Innovation and Development of Higher Vocational Education by the MOE.

(12) In 2019, more than 4,000 people from schools under the Group participated in 280 competitions in China and abroad, winning 621 awards at or above the provincial level. Wang Yalan, Fan Xiaoyi and Chen Guanglei, students of Hope College, participated in the National University Students Mathematic Modeling Contest and won the national first prize.

(13) In 2019, the Group launched the school running evaluation and assessment system. Through conducting evaluation and assessment on 14 schools, the basic work of schools was strengthened, standardized management of schools was promoted and improvement of education and teaching quality and school running level was facilitated.

(14) In 2019, schools under the Group actively applied for provincial and national approved majors in response to social needs. Majors of rehabilitative technology (provincial approved), midwifery (provincial approved) applied by Sichuan Hope Automotive College and majors of nursing (provincial approved) and preschool education (national approved) applied by Sichuan TOP Institute were successively approved.

(15) In 2019, Hope College and Tianyi College were recognized by the MOE as the national 1+X certificate (academic certificates + several vocational skill level certificates) system pilot schools.

Our Schools

As at 31 December 2019, we operated and invested five undergraduate colleges, seven junior colleges and two technical colleges. The table below sets out some details of our schools.

School	Year Founded	Year of Joining our Group	Description
Southwest Jiaotong University Hope College	2009	2009	The college offered a total of 43 undergraduate and specialist majors. Of which, rail transportation and civil engineering majors take a leading position among the private colleges in the Western region.
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.
Business College of Guizhou University of Finance and Economics	2004	2014	The college offered a total of 28 undergraduate majors, featuring economics and management and finance majors.
College of Science and Technology of Guizhou University	2001	2019	The college offered 24 majors to train professional talents possessing knowledge and skills in information technology, science and finance.

School	Year Founded	Year of Joining our Group	Description
Yinchuan University of Energy	1999	2019	The university offered 24 undergraduate majors, covering 8 disciplines, had 1 national key laboratory and 3 provincial experimental teaching demonstration centers. It is the only private university in Ningxia that can enroll foreign students.
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 21 majors, specialising in automobile related majors.
Sichuan Vocational College of Culture & Communication	2005	2014	The college offered over 30 majors, specialising in film, media and pre-school education majors.
Guizhou Vocational Institute of Technology	2016	2016	The college offered over 10 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.
Hebi Automotive Engineering Vocational College	2011	2019	The college offered over 40 majors to train professional talents possessing automobile related knowledge and skills.
Suzhou Top Institute of Information Technology	2003	2019	The college offered 30 majors, specialising in computer and information software technology majors.
Sichuan Hope Automotive Technical College	2016	2016	The college offered 15 majors to train professional talents possessing automobile related knowledge and skills.
Guizhou Technical College of Technology	2019	2019	The college offered 10 majors, specialising in pre-school education and healthcare majors.

Southwest Jiaotong University Hope College

The first university (independent college) established by the Group in 2009, located in Chengdu, Sichuan Province, provides undergraduate and junior college education. The number of students in 2019-2020 academic year reached a new record; the one-time employment rate of 2019 graduates reached 95.7%, and the one-time employment rate of graduates exceeded 95% for seven consecutive years. Transportation and civil engineering were approved as the first-class undergraduate majors at the provincial level and recommended to be part of the national "Double-10,000 Program".

Jinci College of Shanxi Medical University

Jinci College of Shanxi Medical University is an independent undergraduate medical college in Shanxi Province. It is the only independent college of full-time undergraduate education for medical majors in Shanxi Province, and one of the only 12 private undergraduate medical colleges in China. Jinci College offers 13 majors, including clinical medicine, stomatology, anesthesiology and nursing. As of 31 December 2019, the registration rate of new students in Jinci College was 99.08%, which had been rising continuously since 2015 (93.17%), and reached a new high.

Business College of Guizhou University of Finance and Economics

Business College of Guizhou University of Finance and Economics is an independent undergraduate college of finance and economics in Guizhou Province. The college covers a total area of 1,038 mu and has over 18,000 full-time undergraduate students. In the past five years, the enrollment work of the Group has reached a new high, and the registration rate ranked in the forefront of similar schools and ranked first in the province. In 2019, the registration rate of new students reached 97.15%, a record high.

College of Science and Technology of Guizhou University

College of Science and Technology of Guizhou University is a comprehensive independent college in Guizhou Province. It has successively won the titles of national "Advanced Independent College (先進獨立學院)", national "Advanced Grassroots Party Organization with Excellent Performance (創先爭優先進基層黨組織)", national "8 March Red-banner Group (三八紅旗集體)", national "Advanced Education and Scientific Research Group under the 11th Five-Year Plan ('十一五' 教育科研先進集體)". At present, it has 24 undergraduate majors, such as law, finance, Internet of things engineering, communication engineering, financial management, etc., covering seven disciplines, including literature, law, economics, management, science, engineering and art. As of 31 December 2019, the College of Science and Technology had more than 9,500 students, which set a new record.

Yinchuan University of Energy

Founded in October 1999, the undergraduate college is located in Ningxia and provides undergraduate and junior college education, with 24 undergraduate majors. The college covers an area of more than 1,500 mu and has a school building area of nearly 480,000 square meters. It has the largest library among higher education institutions in Ningxia in terms of single zone area, with more than 1 million books. The college has 1 national key laboratory, 3 provincial experimental teaching demonstration centers, 3 provincial off-campus practical education bases for college students, 9 practical teaching centers, 182 experimental training rooms and 65 stable off-campus practice bases for college students built with enterprises. The college is the intended cooperative college of the national "Internet + Made in China 2025" Plan for the Integration and Promotion of Industry and Education ("互聯網+中國製造2025"產教融合促進計劃專案) and is the only private higher education institution in Ningxia that can enroll foreign students.

Tianyi College

Founded in 1994, Tianyi College was one of the first private schools in China and the first private school in Southwest China approved by the MOE to be a formal private higher education institution, covering an area of more than 1,200 mu. As of 31 December 2019, the college was successfully approved with the second batch of national 1+X pilot certificates (website operation and promotion), established three provincial featured majors, one key featured major of Sichuan Association for Non-Government Education (四川省民辦教育協會), and 20 teacher scientific research projects. In respect of cooperation between the college and enterprises, the 2016 and 2018 Baoye order classes were established by the department of construction engineering and Baoye Group, and 1 set of teaching materials was jointly developed. In respect of practical training, 41 off-campus training bases were established.

Sichuan Hope Automotive Vocational College

Sichuan Hope Automotive Vocational College was the first formal higher education institution established by the Group in Ziyang, Sichuan Province in 2013. As of 31 December 2019, the number of students of the college achieved a new record high. In respect of training, the college equipped with more than 120 training rooms, such as automobile engine disassembly and assembly training room, automobile chassis disassembly and assembly training room and automobile structure training room. In respect of cooperation between the college and enterprises, the college successively signed school-enterprise cooperation agreements with more than 100 well-known enterprises such as Changzheng-BMW Group (長征寶馬集團), Sichuan Hyundai Automobile and CRRC Group. In respect of scientific research, majors of rehabilitative technology (provincial approved) and midwifery (provincial approved) applied by the college were approved in 2019.

Sichuan Vocational College of Culture & Communication

Sichuan Vocational College of Culture & Communication is a formal higher education institution located in Chengdu, Sichuan Province. As of 31 December 2019, the number of students of the college reached a record high. The employment rate of graduates in 2019 reached 96.45%, a new three-year high. In respect of scientific research, three majors of the college, namely "film and television multimedia technology, animation production technology and public cultural services and management", have been listed in the quality enhancement plan for key featured majors of private higher education institutions in Sichuan Province. In respect of training, more than 100 enterprises were invited to the college this year to discuss the cooperation between the college and enterprises regarding the employment and entrepreneurship of students. At present, more than 30 enterprises have signed school-enterprise cooperation agreements.

Guizhou Vocational Institute of Technology

Guizhou Vocational Institute of Technology was the first formal higher education institution established by the Group in Guizhou Province in 2016, covering an area of more than 600 mu. As of 31 December 2019, there were more than 8,000 students. The college offers more than 10 majors, such as automobile technical service and marketing, automobile inspection and maintenance technology, automobile refitting technology, automobile new energy technology, urban rail transit operation and management, etc. In respect of practical training and cooperation between the college and enterprises, the college has built more than 50 experiment and training rooms, and signed school-enterprise cooperation agreements with more than 100 enterprises such as Shanghai Volkswagen, Wengfu Group, Chanhen Chemical, etc. and more than 20 county-level hospitals in Guizhou.

Sichuan TOP IT Vocational Institute

Founded in 2000, Sichuan TOP IT Vocational Institute is one of the first national demonstration software vocational and technical colleges approved by the MOE. It is also a national training base for skilled talents in short supply, a national high-skilled personnel training base for the electronic information industry, a national service outsourcing talents training base, and a training base for young technicians in the electronic information industry in Sichuan Province. In 2019, the employment rate of graduates has maintained at above 98% for years. The college is equipped with 7 on-campus innovative training bases for integration of industry and education, as well as more than 60 professional experimental training rooms with advanced equipment, among which the college's Hwadee training base is one of the six "training bases for software engineering talents" recognized by the MOE.

Hebi Automotive Engineering Vocational College

It is the only formal automobile engineering higher education institution in Henan Province. In 2019, 67 projects above department level, 38 utility model patents, 15 education research achievement awards above provincial level, 2 municipal scientific and technological progress awards (second prize) were added, while 58 academic papers (including 6 core journals) and 28 textbooks were published. In 2019, the college signed strategic cooperation agreements with 15 enterprises, signed cooperation agreements with more than 40 large and medium-sized enterprises, and held 25 order classes to train talents for enterprises.

Suzhou Top Institute of Information Technology

The college is located in Kunshan, Jiangsu Province, with 30 majors. The year-end employment rate of 2019 graduates reached 97.62%. Focusing on school-enterprise cooperation and deepening the integration of industries and education, in 2019, the college and enterprises deepened cooperation by opening 32 customized classes in the mode of rotating the learning and work experience, as such, internship of more than 3,570 students were successfully completed. There were 63 internship projects, of which, 18 units cooperated for the first time. The college won the title of "excellent college for "government-school-enterprise" cooperation" for six consecutive years.

Sichuan Hope Automotive Technical College

Sichuan Hope Automotive Technical College is a full-time technical college established by the Group in 2016 with the approval of the People's Government of Sichuan Province and on the basis of Sichuan Hope Automotive Vocational College. As of 31 December 2019, the number of students of the college reached a new high. In respect of scientific research, the college offers 15 major groups, including automobile manufacturing and assembly, new energy vehicle inspection and maintenance regarding the markets before and after the automobile industry. In respect of cooperation between the college and enterprises, the college cooperated with more than 40 enterprises, including Sichuan Nanyun Automobile Group, Sichuan Hyundai Dymos Automotive System Co., Ltd., etc.

Guizhou Technical College of Technology

Guizhou Technical College of Technology is a full-time technical college established by the Group in 2019 with the approval of the People's Government of Guizhou Province and on the basis of Guizhou Vocational Institute of Technology. The establishment of Guizhou Technical College of Technology filled in the gap of private technical colleges in Guizhou Province, and became the first private higher education institution in Guizhou Province to successfully establish a technical college.

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.

	Student Enrollment		**Change**	
Schools	**As at 31 December 2019**	As at 31 December 2018	**Change**	**Change in percentage**
Undergraduate College	**71,259**	38,784	32,475	83.73%
Junior Colleges	**60,631**	43,053	17,578	40.83%
Technical Education	**8,235**	4,196	4,039	96.26%
Total	**140,125**	86,033	54,092	62.87%

Notes:

(1) 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.

(2) Student enrollment for undergraduate colleges included 15,569 students from Yinchuan University of Energy and 9,959 students from College of Science and Technology of Guizhou University, both colleges joined the Group in 2019; student enrollment for junior colleges included 5,434 students from Hebi Automotive Engineering Vocational College and 5,012 students from Suzhou Top Institute of Information Technology.

THE AVERAGE TUITION FEES AND BOARDING FEES

	For the twelve months ended 31 December 2019	For the twelve months ended 31 December 2018
Tuition fees and boarding fees (RMB'000)	1,195,480	939,684
Average number of student enrollment[1]	108,100	80,864
Average tuition fee and boarding fee per student (RMB)[2]	11,059	11,621
– Undergraduate	12,000~19,800	12,000~16,080
– College	5,000~15,000	6,800~15,000
– Technical	5,000~9,800	5,000~6,500

DORMITORY UTILIZATION RATE

	For the twelve months ended 31 December 2019	**For the twelve months ended 31 December 2018**
Total number of student enrollment	140,125	86,033
Total capacity	171,170	107,669
Overall utilization rate	82%	80%

INDUSTRY POLICY DIRECTION

In 2019, the Chinese Government placed unprecedented strategic importance on the development of vocational education. In February 2019, the State Council issued the Implementation Plan on Reform of National Vocational Education (《國家職業教育改革實施方案》) ("20 Articles on Vocational Education (職教20條)"), which put vocational education, especially higher vocational education, in a more prominent position in the reform and innovation of education and economic and social development. In March 2019, the State Council's "Government Work Report" proposed enrollment expansion to millions, and provided RMB100 billion from the unemployment insurance fund for skill upgrading and job transfer training for over 15 million people. In May 2019, the General Office of the State Council issued the Action Plan for Upgrading Vocational Skills (2019-2021) (《職業技能提升行動方案(2019-2021年)》), which proposed to carry out various subsidized vocational skills training with over 50 million attendances in three years from 2019 to 2021, including training with over 15 million attendances in 2019.

1 Average number of student enrolment is calculated by taking the average of the total number of students enrolled at the end of twelve months period and the total number of students enrolled at the end of the previous school year. The figure is calculated without taking account of students of College of Science and Technology of Guizhou University.

2 Average tuition fee and boarding fee per student is calculated by dividing tuition and boarding fees over the 12-month period by the average number of students enrolled. The average tuition fee and boarding fee decreased slightly, which was mainly due to differences in weightings for determination of the numerator and denominator during the calculation and lower fees charged by some newly acquired schools and colleges. In the future, with the Company's full involvement in the management of these new schools and colleges, the average fee charged will be increased. The calculation of average tuition fee did not take into account of College of Science and Technology of Guizhou University.

In a series of policies on the development of vocational education issued by the State, it is clearly proposed that the government should change its focus from "running" vocational education to "management and service", with a view to encouraging more diversified and market-oriented social education, and providing support on land, finance, tax, capital, enrollment indicators, etc. to the sponsors of vocational education. This series of policies are powerful and maneuverable, creating a broader development space for private higher education, which will benefit private higher education institutions in the medium and long term. Hope Education, as a group with higher vocational education as its principal part, seized the opportunity of national support for higher vocational education development, with the number of students enrolled in 2019-2020 academic year reaching a record high both in absolute number and in growth rate since our Group has been engaged in school running.

OUTLOOK

The private higher education industry has entered the golden age of great development. The Company will seize this period of strategic opportunities by actively accelerating the development in a bid to expand the scale of school education on one hand, and continuously improving the quality of school education and the quality of talent cultivation to enhance the brand value of the colleges on the other, thereby realizing the synergy between speed and quality, as well as scale and efficiency, so as to ensure financial stability and sustainable development. To achieve this goal, our Group plans to pursue the following business strategies:

(1) Continuing to promote the internal growth of the Company. Improving the quality of school education, enhancing student enrollment scale and increasing the dormitory utilization rate are the important drivers for the steady development of our Group. To this end, our Group will continue to 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; by leveraging our Group's strengths in student recruitment that has accumulated over a decade, our Group will increase its application rate, enrollment rate and registration rate through expanding its enrollment scale; deepen its teaching reform and increase efforts in skills training in order to improve students' professional skills and employment capacity in a comprehensive manner; and provide comprehensive employment services and overseas study services for students to meet their multi-level development needs.

(2) Continuing to seek high-quality expansion opportunities. Mergers and acquisitions and new construction have always been the driving force of our Group's development. Our Group will capitalize on the merger and acquisition capacity accumulated over the years and timely merge with or acquire high-quality targets. Our Group will, in accordance with the needs of the national industrial development layout, establish higher vocational colleges in the industrial cluster region by fully relying on policy support.

OTHER EVENTS

Events after the Reporting Period

(i) On 28 February 2020, the Group executed an agreement to acquire Inti International University of Malaysia, at a consideration of US$140 million. Inti International University is the largest private higher education institution in Malaysia, with over 16,500 students enrolled. In 2018, its audited revenue was approximately RMB503 million and adjusted EBITDA of RMB95.48 million. This acquisition is subject to MOE granting all necessary approvals in connection to the transfer of ownership from the seller to the buyer as well as changes in the Directors. Subject to the completion of relevant approval, Inti International University will become one of the schools of the Group, its financial results will be consolidated into the Group's account.

(ii) In early 2020, the outbreak of novel coronavirus (COVID-19) has certain impact on the education business of the Company, mainly due to domestic travel restrictions and various precaution measurements undertaken by respective local authorities which inter alia, include closure of campus and delays in classroom commencement during the outbreaks period. The Group has put in place certain alternative action plans for the students during the campus closure period, which include implementation of on-line modules and website distance learning activities and shorten summer vocation.

In view of the implementation of the above mentioned action plans, management has assessed and preliminarily concluded that there was no significant impact on the financial position of the Group subsequent to the year ended 31 December 2019 and up to the date of this announcement. The Group will keep continuous attention on the situation of the COVID-19 outbreaks and react actively to its impacts on the operation and financial position of the Group and will reflect in the Group's 2020 interim and annual financial statements.

(iii) On 25 March, the board of the directors and the Company announced that it has resolved to change the financial year end date of the Company from 31 December to 31 August. Accordingly, the next financial year end date of the Group will be 31 August 2020. The Change is to align the financial year end date of the Group with the academic year of the schools operated by the Group in the PRC, which ends in August each year. The board of the directors considers that the Change will facilitate the preparation of the consolidated financial statements of the Group and to better reflect the operational results of the Group for the financial year. To the best of its knowledge, belief and information, the board of directors does not foresee any material adverse impact on the Group resulting from the Change and there is no other significant matter that needs to be brought to the attention of the shareholders of the Company in this regard.

FINANCIAL REVIEW

Overview

For the year ended 31 December 2019, we recorded a revenue of RMB1,331.38 million, adjusted gross profit of RMB692.85 million and a gross profit of RMB674.50 million. For the year ended 31 December 2019, adjusted gross profit margin of the Group was 52.0%, as compared to 45.8% for the corresponding period in 2018. For the year ended 31 December 2019, gross profit margin was 50.7%, as compared to 45.4% for the corresponding period in 2018.

For the year ended 31 December 2019, adjusted net profit of the Group amounted to RMB501.16 million, representing an increase of RMB181.93 million or 57.0% as compared to the corresponding period in 2018. For the years ended 31 December 2019 and 31 December 2018, adjusted net profit margin was 37.6% and 31.0%, respectively.

For the years ended 31 December 2019 and 31 December 2018, net profit of the Group amounted to RMB490.03 million and RMB167.34 million, respectively. For the years ended 31 December 2019 and 31 December 2018, net profit margin of the Group was 36.8% and 16.3%, respectively.

Revenue

For the year ended 31 December 2019, revenue of the Group reached RMB1,331.38 million, representing an increase of RMB301.86 million or 29.3% from RMB1,029.52 million of the corresponding period in 2018. Such increase is mainly due to (i) number of students enrolled increased in various schools; and (ii) the consolidation of Hebei project and Kunshan project into the Group's accounts at the end of August 2019 after completion of the acquisitions and the consolidation of Yinchuan project into the Group's accounts at the beginning of early September 2019.

Cost of Sales

For the year ended 31 December 2019, adjusted cost of sales[3] of the Group amounted to RMB638.53 million, representing an increase of RMB80.68 million or 14.5% from RMB557.85 million of the corresponding period in 2018. For the years ended 31 December 2019 and 31 December 2018, cost of sales of the Group were RMB656.87 million and RMB562.29 million, respectively. Such increase is mainly due to (i) enhancement of teacher quality and teaching facilities as a result of increment in number of students enrolled in original schools of the Group, (ii) consolidation of various schools upon acquisition completed during the years leading to an increase in corresponding costs.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2019, adjusted gross profit of the Group amounted to RMB692.85 million, representing an increase of RMB221.18 million or 46.9% from RMB471.67 million of the corresponding period in 2018. For the year ended 31 December 2019, adjusted gross profit margin of the Group was 52.0%, as compared to 45.8% for the corresponding period in 2018.

For the years ended 31 December 2019 and 31 December 2018, gross profit of the Group was RMB674.50 million and RMB467.24 million, respectively; with gross profit margin of 50.7% and 45.4%, respectively. Improvement on gross profit margin was mainly due to an increase in the Group's revenue, coupled with lean management and enhanced cost control. We believe that with consolidation of newly merged and acquired schools, the gross profit margin will be continuously enhanced.

3 Adjusted cost of sales is measured by cost of sales for the period after eliminating additional depreciation and amortization from temporary fair value adjustment of identifiable assets resulted from the acquisition of Jinci College of Shanxi Medical University, Sichuan Vocational College of Culture & Communication, Sichuan TOP IT Vocational Institute, Suzhou Top Institute of Information Technology, Yinchuan University of Energy and Hebi Automotive Engineering Vocational College.

Other Income and Gains

For the year ended 31 December 2019, other income and gains of the Group amounted to RMB253.63 million, representing an increase of RMB42.12 million from RMB211.51 million of the corresponding period in 2018; which was mainly due to the increase in foreign exchange gains and interest income.

Selling Expenses

For the year ended 31 December 2019, selling expenses of the Group amounted to RMB45.28 million, representing an increase of RMB24.48 million from RMB20.80 million of the corresponding period in 2018. Such increase was mainly due to the increment in marketing expense of student enrollment.

Administrative Expenses

For the year ended 31 December 2019, administrative expenses of the Group amounted to RMB172.40 million, representing a decrease of RMB95.05 million from RMB267.45 million of the corresponding period in 2018. Such decrease was mainly due to (i) listing expense, (ii) decrease in equity-settled share option expenses, (iii) offset by consolidation of newly merged and acquired schools.

Other Expenses

For the year ended 31 December 2019, other expenses of the Group amounted to RMB16.46 million, representing a decrease of RMB11.51 million from RMB27.97 million of the corresponding period in 2018. Such decrease was mainly due to certain one-off expenses like additional land costs of RMB23.12 million resulting from the disposal of the Xuefu Street project of Business College of Guizhou University of Finance and Economics that occurred in 2018 have not incurred during the year.

Finance Costs

For the year ended 31 December 2019, finance cost of the Group amounted to RMB170.68 million, representing a decrease of RMB30.49 million from RMB201.17 million of the corresponding period in 2018. Such decrease was mainly due to (i) the decrease in interest expenses on bank and other borrowings; (ii) replacement of some high interest debts; (iii) additional finance cost of RMB106.6 thousand arisen as a result of adoption of the new IFRS 16 Leases (the figure would have been included in lease payables pursuant to IAS 7); (iv) provision of RMB6.60 million finance cost accrued at amortized cost because of the payment terms for the consideration of purchase of acquisition project of Yinchuan pursuant to the relevant agreement were beyond one year.

Profits of the Reporting Period

For the year ended 31 December 2019, adjusted net profit of the Group amounted to RMB501.16 million, representing an increase of RMB181.93 million or 57.0% as compared to the corresponding period in 2018. For the years ended 31 December 2019 and 31 December 2018, adjusted net profit margin was 37.6% and 31.0%, respectively.

Increase in adjusted net profit was mainly due to (i) number of students enrolled increased in various schools; (ii) the consolidation of Hebei project and Kunshan project into the Group's accounts at the end of August 2019 after completion of the acquisitions and the consolidation of Yinchuan project into the Group's accounts at the beginning of early September 2019; (iii) acquisition of Guizhou Jiexing Huilv Air Service Consultant Services Limited (joint sponsor of the College of Science and Technology of Guizhou University), and the financial results of Jiexing Huilv were consolidated into the Group upon completion of acquisition at the end of July 2019.

For the years ended 31 December 2019 and 31 December 2018, net profit of the Group amounted to RMB490.03 million and RMB167.34 million, respectively. For the years ended 31 December 2019 and 31 December 2018, net profit margin of the Group was 36.8% and 16.3%, respectively.

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 2019	**As of 31 December 2018**
	in millions of RMB	*in millions of RMB*
Contracted, but not provided for:		
Property and equipment	**740.78**	83.50

For the year ended 31 December 2019, the Group did not have any significant capital commitments authorised but not contracted for.

Liquidity and Financial Resources

As of 31 December 2019, the Group had total cash and bank balances and structured deposit of RMB2,852.17 million, among which: (i) cash and cash equivalents amounted to RMB1,690.42 million (31 December 2018: RMB3,038.91 million), (ii) restricted cash deposit amounted to RMB158.78 million, and (iii) structured deposit in Minsheng Bank amounted to RMB1,002.97 million.

Indebtedness

Bank Loans and Other Borrowings

The 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. The Group supplements its working capital and finances its expenditure primarily through borrowings obtained from banks. As of 31 December 2019, the aggregate loan balance amounted to RMB2,596.89 million. All of our loans were denominated in RMB. As of 31 December 2019, the Group's bank loans and other borrowings bore effective interest rates ranging from 4.75% to 8.55% per annum. Without taking into account the loans arising from new schools acquired during 2019, other bank loans and other borrowings bore effective interest rates ranging from 4.75% to 7.5% per annum. The Group considers that, as subsequent loans bore by the entities of Yinchuan acquisition project being settled when due, effective interest rates per annum will be reduced, coupled with the relatively small amount of principle bearing high annual interest rates, effect on finance cost of the Group will not be material.

The 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. The Group regularly reviews major funding positions to ensure adequate financial resources to meet its financial obligations.

Current Ratio

As at 31 December 2019, current asset of the Group amounted to RMB3,508.07 million, consisted of bank balance of RMB1,740.42 million, structured deposit in Minsheng Bank of RMB1,002.97 million and other current asset of RMB764.68 million. Current liabilities of the Group amounted to RMB3,142.54 million, including accruals and other payables of RMB1,142.87 million, contract liabilities of RMB806.43 million, interest-bearing bank and other loans of RMB1,003.29 million and other current liabilities of RMB189.95 million. As at 31 December 2019, current ratio (current assets divided by current liabilities) of the Group was 1.12 (31 December 2018: 1.71).

Contingent Liabilities

As of 31 December 2019, the 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.

Net Debt to Equity Ratio

Net debt to equity ratio equals to total interest-bearing bank loans and other borrowings of RMB2,596.89 million, net of cash and cash equivalents of RMB1,690.42 million, restricted cash deposit of RMB158.78 million and structured deposit in Minsheng Bank of RMB1,002.97 million at the end of the year, divided by total equity of RMB4,565.29 million at the end of the year. The Group's net debt to equity ratio increased from -21.8% as of 31 December 2018 to -5.6% as of 31 December 2019, primarily due to additional bank loans obtained by the Group in order to continuously invest in teaching facilities, equipment, construction of campus and reserves for merger and acquisition.

Debt to Equity Ratio

As at 31 December 2019, debt to equity ratio of the Group (calculated by dividing total interest-bearing bank loans by total equity) is approximately 56.9% (31 December 2018: 51.2%).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

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.

Throughout the year ended 31 December 2019, 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 for the year ended 31 December 2019.

Having made specific enquiry with all Directors of the Company, it is confirmed that all Directors have complied with the required standard set out in the Model Code regarding securities transactions by the Directors throughout the year ended 31 December 2019.

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 2019.

PAYMENT OF FINAL DIVIDEND

The Board has resolved to proposed payment of a final dividend of RMB0.023 per share for the year ended 31 December 2019. The final dividend will be declared in RMB 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 20 March 2020 to 26 March 2020) (HK$1.0 to RMB0.9136). Accordingly, the amount of the final dividend payable in Hong Kong dollars will be HK$0.025 per share.

The final dividend will be paid on or about Monday, 20 July 2020 to the shareholders whose names appear on the register of members of the Company on Wednesday, 8 July 2020.

CLOSURE OF REGISTER OF MEMBERS

To determine the entitlement to attend and vote at the annual general meeting to be held on Monday, 29 June 2020, the register of members of the Company will be closed from Tuesday, 23 June 2020 to Monday, 29 June 2020 (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, 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 Monday, 22 June 2020.

In order to be qualified for the final dividend, the register of members of the Company will be closed from Monday, 6 July 2020 to Wednesday, 8 July 2020 (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 share registrar and transfer office, 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 Friday, 3 July 2020.

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 2019, the Group has utilized a total of RMB1,138.73 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 2019)** *RMB (million)*	**Amount unutilised (as at 31 December 2019)** *RMB (million)*
Used to acquire of higher education schools and establish new campus for the acquired schools	40%	1,081.94	185.00	896.94
Used to construct new buildings for education purposes	30%	811.46	142.27	669.19
Used to repay part bank loans and other borrowings	20%	540.97	540.97	–
Used for working capital and general corporate purposes	10%	270.49	270.49	–
Total	100%	2,704.86	1,138.73	1,566.13

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 has reviewed the Group's annual results and consolidated financial statements for the year ended 31 December 2019.

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 2019, but represents an extract from the consolidated financial statements for the year ended 31 December 2019 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 of the Company 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 (http://www.hopeedu.com). The annual report for the year ended 31 December 2019, containing all the information required under Appendix 16 of the Listing Rules, will be dispatched to the shareholders of the Company in due course and available on the above websites.

NOTES TO FINANCIAL STATEMENTS

As of 31 December 2019

1. 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.

They have been prepared under the historical cost convention, except for certain financial assets at fair value through profit or loss 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

Amendments to IFRS 9	Prepayment Features with Negative Compensation
IFRS 16	Leases
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
IFRIC 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015-2017 Cycle	Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23

Except for the adoption to IFRS 16, the adoption of the above new interpretation and amendments to IFRSs have had no significant financial effect on the preparation of the Group's financial statements, the nature and the impact of IFRS 16 are described below:

IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC- 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have any financial impact on leases where the Group is the lessor.

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

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Group has lease contracts for various items of leasehold land, school campus, dormitories and motor vehicles. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under IFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low-value assets (elected on a lease-by-lease basis) and leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The Group elected to present the lease liabilities separately in the statement of financial position. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Applying a single discount rate to a portfolio of leases with reasonably similar characteristics when measuring the lease liabilities at 1 January 2019

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase/ (decrease) *RMB'000*
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 lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018 as follows:

	RMB'000
Gross operating lease commitments as at 31 December 2018	199,662
Weighted average incremental borrowing rate as at 1 January 2019	6.59%
Discounted operating lease commitments at 1 January 2019	151,228
Add:	
Payments for optional extension periods not recognised as at 31 December 2018	11,367
Lease liabilities as at 1 January 2019	162,595

3. REVENUE, OTHER INCOME AND GAINS

Revenue

Revenue represents the values of services rendered after deducting scholarships and refunds during the year.

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

(a) Disaggregated revenue information

	Note	**2019** **RMB'000**	2018 *RMB'000*
Type of services			
Tuition fees		**1,092,933**	854,281
Boarding fees		**102,547**	85,403
Sales of books and daily necessities		**35,083**	–
Others	*(i)*	**100,812**	89,839
		1,331,375	1,029,523

	2019 **RMB'000**	2018 *RMB'000*
Timing of revenue recognition		
Services transferred over time	**1,296,292**	1,029,523
Goods transferred at a point in time	**35,083**	–
Total revenue from contracts with customers	**1,331,375**	1,029,523

(b) Performance obligations

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

Provision of education services

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.

Sales of goods

The performance obligation is satisfied upon delivery of goods and advance is normally required.

Changes in contract liabilities during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
Carrying amount at 1 January	**590,785**	535,268
Additions from acquisition of subsidiaries	**122,180**	–
Revenue recognised that was included in the contract liabilities at 1 January	**(589,814)**	(534,154)
Revenue recognised that was included in the contract liabilities arising from acquisition of subsidiaries	**(87,420)**	–
Increase due to cash received, excluding amounts recognised as revenue during the year	**770,700**	589,671
Carrying amount at 31 December	**806,431**	590,785

Contract liabilities at the end of reach reporting period represented advances received from students. 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 in 2019 and 2018 was mainly due to the increase in short-term advances received from students in relation to the provision of higher education services at the end of the year.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the end of the reporting period are as follows:

	2019	2018
	RMB'000	*RMB'000*
Amounts expected to be recognised as revenue:		
Within one year	**802,045**	589,814
After one year	**4,386**	971
	806,431	590,785

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to higher education services, of which the performance obligations are to be satisfied within two years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

Other income and gains

An analysis of other income and gains is as follows:

	Notes	2019 RMB'000	2018 RMB'000
Other income			
Bank interest income		**56,965**	27,795
Interest income from loans to related parties		**5,413**	27,577
Interest income from loans to an independent third party		**32,111**	23,552
Total interest income		**94,489**	78,924
Deferred revenue charged to profit or loss			
– related to assets		**10,250**	8,662
– related to expenses		**5,258**	–
Government grants received	*(ii)*	**10,799**	17,856
Rental income		**17,517**	17,561
Service income	*(iii)*	**33,926**	45,349
Donation income		**422**	391
Guarantee income		**–**	2,267
Others		**8,011**	6,743
		180,672	177,753

	2019 RMB'000	2018 RMB'000
Gains		
Gains on disposal of items of property, plant and equipment	**18,434**	1,487
Fair value gains of a conversion right of the convertible bond	**–**	13,271
Fair value gains on financial assets at fair value through profit or loss, net	**16,557**	2,174
Gain on exchange differences, net	**37,965**	8,569
Gain on disposal of a subsidiary	**–**	8,256
	72,956	33,757
Total other income and gains	**253,628**	211,510

Notes:

(i) During the years ended 31 December 2019 and 2018, 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 received 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 years ended 31 December 2019 and 2018, 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.

4. FINANCE COSTS

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

	2019 *RMB'000*	2018 *RMB'000*
Interest on bank and other borrowings	**155,084**	162,988
Less: interest capitalised	**(2,210)**	(8,122)
Increase in the discounted amount of payables arising from the passage of time	**7,147**	46,306
Interest on lease liabilities	**10,660**	–
	170,681	201,172
Interest rate/capitalisation rate of borrowing costs capitalised	**4.75% to 8.55%**	4.75% to 6.3%

5. PROFIT BEFORE TAX

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

	Note	2019 *RMB'000*	2018 *RMB'000*
Cost of service provided		**656,873**	562,286
Employee benefit expense:			
Wages and salaries		**313,101**	262,733
Equity-settled share option expense		**10,186**	40,464
Pension scheme contributions (defined contribution scheme)		**63,156**	53,223
		386,443	356,420
Management fees	*(i)*	**125,369**	112,059
Depreciation of property, plant and equipment		**163,700**	136,537
Depreciation of right-of-use assets (2018: amortisation of land lease payments)		**42,977**	15,082
Amortisation of other intangible assets		**10,855**	9,051
Marketing and advertising costs		**15,406**	8,393
Listing expenses		**–**	33,679
Rental expense		**–**	27,599
Lease payments not included in the measurement of lease liabilities		**1,229**	–
Auditors' remuneration		**6,500**	4,827
Equity-settled share option expense		**10,342**	81,881
Losses on disposal of subsidiaries		**2,011**	–
Losses on disposal of items of property, plant and equipment		**1,172**	23,401

Note:

(i) During the years ended 31 December 2019 and 2018, 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 a certain percentage of tuition fees received or receivable by the Group.

6. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Proposed final – HK$2.5 cents (2018: HK$1.8 cents) per ordinary share	**150,348**	105,495

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

7. 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 number of 6,666,668,000 ordinary shares in issue during the year ended 31 December 2019 (2018: 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).

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:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**489,872**	167,916
Add: interest on convertible bonds	**–**	7,632
Less: fair value gains of the conversion right of the convertible bond	**–**	(13,271)
Profit attributable to ordinary equity holders 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	**489,872**	162,277

	Number of shares	
	2019	**2018**
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**6,666,668,000**	5,672,990,228
Effect of dilution – weighted average number of ordinary shares:		
Share options	**91,348,060**	63,428,417
A composite instrument	**–**	1,256,895
	6,758,016,060	5,737,675,540

8. DEFERRED INCOME

	2019	2018
	RMB'000	*RMB'000*
Government grants related to assets		
At 1 January	**667,490**	637,913
Government grants received	**420,106**	38,239
Acquisition of subsidiaries	**6,056**	–
Released to profit or loss	**(10,250)**	(8,662)
At 31 December	**1,083,402**	667,490
Current	**10,729**	9,407
Non-current	**1,072,673**	658,083
	1,083,402	667,490
Government grants related to expense items		
At 1 January	**–**	–
Government grants received	**3,484**	–
Acquisition of subsidiaries	**23,590**	–
Released to profit or loss	**(5,258)**	–
At 31 December – Current	**21,816**	–

Deferred revenue related to assets mainly 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 as other income over the expected useful lives of the relevant assets.

Deferred revenue related to expense items are government grants received for the purpose of subsidising teaching related operating costs incurred during to the provision of education services. Upon completion of the operating activities, the grants would be released to profit or loss as other income on a systematic basis over the periods that the costs, which it intended to compensate, are expensed.

9. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Tuition and boarding fees receivables	**3,714**	–
Impairment	**–**	–
	3,714	–

Trade receivables as at the end of the reporting period which are based on the transaction date were not individually nor collectively considered to be impaired. None of the above trade receivables is either past due or impaired. The trade receivables have no recent history of default.

No expected credit losses were provided as it is assessed that the overall expected credit loss rate for the above financial assets measured at amortised cost is minimal.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**1,068**	–
Over 3 months	**2,646**	–
	3,714	–

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

10. TRADE PAYABLES

An aging analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 month	**26,676**	–
1 to 2 months	**2,433**	–
2 to 3 months	**1,440**	–
Over 3 months	**3,061**	–
	33,610	–

The trade payables are non-interest-bearing and are normally settled on one to ten months terms.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Note	2019 RMB'000	2018 RMB'000
Current portion:			
Prepayments for management fees		**72,734**	18,626
Prepaid expenses		**12,248**	12,301
Deposits		**13,225**	10,278
Refundable deposit related to proposed equity acquisitions		**70,011**	30,000
Rental receivables		**–**	2,500
Other receivables		**16,395**	5,660
Staff advances		**1,775**	4,537
Prepaid land lease payments to be amortised within one year		**–**	13,883
Loans to third parties	*(a)*	**468,550**	–
Interest receivable from time deposits		**7,000**	5,980
Interest receivables from a third party	*(a)*	**58,849**	24,964
		720,787	128,729
Non-current portion:			
Loans to a third party	*(a)*	**–**	447,670
Prepayments for property, plant and equipment		**3,375**	8,555
Prepayments for intangible assets		**1,000**	–
Prepayments for land lease payments		**220,440**	10,000
		224,815	466,225
		945,602	594,954

Notes:

(a) Loans to third parties represent:

(i) loans of RMB446,550,000 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 pledge of buildings and certain car parks ((the "Collaterals") belonged to Guixi Property.

As at 31 December 2019, interest receivables with the amount of RMB58,849,000 arising from the loans have been partially past due. The Group does not recognise any ECLs as the fair value of the Collaterals held by the Group over the principal loans and the interest receivables of approximately RMB1,064,226,000 is significantly higher than the aggregate amounts of the loans and the interest receivables. The fair value of the Collaterals is determined by an independent qualified valuer.

(ii) the interest-free loan of RMB22,000,000 to Luohe City Yancheng District Songjiang Investment Development Co., Ltd. for acquiring land use rights in Luohe City, with maturity due in June 2020 and guaranteed by the People's Government of Wucheng District, Luohe City, Henan Province.

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), (i) above.

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

12. BUSINESS COMBINATIONS

During the year, the Group has performed several acquisitions with details disclosed in Announcements and Notices on 29 July 2019, 25 August 2019, 29 August 2019, 12 September 2019 and 27 September 2019. The above acquisitions have been accounted for using the acquisition method.

The fair values of the identifiable assets and liabilities of each acquisition as at the respective dates of acquisitions are as follows:

	Shanghai Pumeng Group	Hebi Automotive	Yinchuan Group	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Property, plant and equipment	145,938	151,283	638,272	935,493
Right-of-use assets	166,085	44,416	171,993	382,494
Other intangible assets	52	279	92,564	92,895
Cash and bank balances	11,502	872	101,474	113,848
Trade receivables	16	228	290	534
Prepayments and other receivables	636	1,948	6,045	8,629
Contract liabilities	(5,072)	(1,213)	(115,895)	(122,180)
Accruals and other payables	(21,634)	(154,174)	(298,380)	(474,188)
Due to the Group	(24,255)	(5,327)	–	(29,582)
Bank loans and other borrowings	–	–	(119,065)	(119,065)
Tax payables	(1,405)	–	(8,775)	(10,180)
Deferred revenue	–	(6,056)	(23,590)	(29,646)
Total identifiable net assets at fair value	271,863	32,256	444,933	749,052

In the opinion of the directors, the fair value of trade receivables, prepayments and other receivables as at the date of the respective acquisition dates of Shangai Pumeng Group, Hebi Automotive and Yinchuan Group amounted to RMB652,000, RMB2,176,000 and RMB15,751,000, respectively. The total contractual amounts of trade receivables, prepayments and other receivables of Shangai Pumeng Group were RMB652,000. The total gross contractual amounts of trade receivables, prepayments and other receivables of Hebi Automotive and Yinchuan Group were RMB4,631,000 and RMB178,454,000, respectively, of which other receivables of RMB2,455,000 and RMB162,703,000, respectively are expected to be uncollectible.

Goodwill/(gain on bargain purchase):

	Shanghai Pumeng Group	Hebi Automotive	Yinchuan Group	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Consideration satisfied by:				
Cash	295,745	–	165,552	461,297
Other payables	80,000	5,000	290,176	375,176
Total consideration	375,745	5,000	455,728	836,473
Less: Net assets acquired	(271,863)	(32,256)	(444,933)	(749,052)
Goodwill	103,882	–	10,795	114,677
Gain on bargain purchase^	–	(27,256)	–	(27,256)

^ The gain on a bargain purchase of approximately RMB27,256,000 arising from the need of the vendor to dispose of the investment in a short time to avoid liquidation as a result of the lack of management experience in operating an education institute.

None of the goodwill recognised is expected to be deductible for income tax purposes.

Analyses of the cash flows in respect of the above acquisitions are as follows:

	Shanghai Pumeng Group *RMB'000*	**Hebi Automative** *RMB'000*	**Yinchuan Group** *RMB'000*	**Total** *RMB'000*
Cash paid during the year	(320,000)	(5,327)	(165,552)	(490,879)
Cash and cash equivalents acquired	11,502	872	101,474	113,848
Net inflow/(outflow) of cash and cash equivalents included in cash flows from investing activities	(308,498)	(4,455)	(64,078)	(377,031)

Contribution to the Group's revenue and consolidated profit for the year ended 31 December 2019 since the respective acquisition dates are as follow:

	Shanghai Pumeng Group *RMB'000*	**Hebi Automative** *RMB'000*	**Yinchuan Group** *RMB'000*	**Total** *RMB'000*
Revenue	27,955	8,890	69,073	105,918
Consolidated profit	16,082	97	34,947	51,126

Had the combination taken place at the beginning of the year, the revenue of the Group and the total comprehensive income of the Group for the year ended 31 December 2019 would be increased by:

	Shanghai Pumeng Group *RMB'000*	**Hebi Automative** *RMB'000*	**Yinchuan Group** *RMB'000*	**Total** *RMB'000*
Revenue	78,216	19,133	174,335	271,684
Consolidated profit	16,117	455	37,130	53,702

13. ACQUISITION OF SUBSIDIARIES AND NON-CONTROLLING INTEREST

On 10 July 2019, the Group acquired 100% equity interest in Chengdu Maysunshine Education Management Co., Ltd. ("Maysunshine") and which in turn indirectly acquired 70% equity interest in Guizhou Jiexing Huilv Air Service Consultant Services Limited ("Jiexing Huilv") at a consideration of RMB70,000,000 from Tequ Education, a company controlled by the jointly controlling shareholders. The principal activities of Maysunshine and Jiexing Huilv are investment holding. Jiexing Huilv held 100% equity interest of College of Science and Technology of Guizhou University which is accounted for as an investment in a joint venture.

The above acquisition has been accounted for as an acquisition of assets as this acquisition had no attribution of a business. The Group elects to measure the non-controlling interests at the proportionate share of the acquiree's identifiable net assets of the non-controlling shareholders.

The identified assets and liabilities acquired by the Group in the above acquisitions were as follows:

	RMB'000
Cash and bank balances	1
Other receivables	949
Investment in a joint venture *(note)*	143,023
Other payables	(43,973)
Non-controlling interests	(30,000)
Fair value of identifiable net assets	70,000
Satisfied by cash	70,000

An analysis of the cash flows in respect of the acquisition of the above subsidiaries is as follows:

	RMB'000
Cash consideration paid during the year	(70,000)
Cash and cash equivalents acquired	1
Net outflow of cash and cash equivalents included in cash flows from investing activities	(69,999)

Note:

The fair value of the identifiable net assets of the joint venture on the acquisition date was RMB191,065,000, as determined by an independent external expert. The excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of investment in a joint venture of RMB143,023,000 was RMB48,042,000. The excess was credited to the capital reserve as it was treated as deemed contribution from the equity shareholders of the Company.

On 23 July 2019, the Group further acquired the remaining 30% equity interests in Jiexing Huilv at a consideration of RMB78,000,000 from an independent third party, of which RMB60,000,000 has been paid by 31 December 2019. The excess of the consideration over the carrying amount of the non-controlling interests at the acquisition date was RMB48,000,000. The excess was deducted from the capital reserve as the acquisition of the non-controlling interests was accounted as an equity transaction.

DEFINITIONS

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

"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
"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
"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
"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 and Taiwan
"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"	27 March 2020
"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

"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
"Shanghai Pumeng Group"	Shanghai Pumeng and its subsidiary, Kunshan Xinwei, which held 100% sponsor interest in each of Suzhou Top Institute and Kunshan Technical School
"Yinchuan Group"	The six entities the Group acquired during the year, namely Yinchuan University of Energy, Yinchuan Vocational School of Science and Technology, Vocational-technical Training Center of Yinchuan University, Ningxia Modern Senior Technical School, Car Driving Training School of Yinchuan University Education Group, and Auto Repair Factory of Yinchuan University Education Group
"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
"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
"M&A"	Mergers and acquisitions
"Prospectus"	The prospectus published by the Company on 24 July 2018
"Reporting Period"	The year ended 31 December 2019
"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 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 Stock Exchange of Hong Kong Limited"	The Stock Exchange of Hong Kong Limited
"Tianyi College"	Sichuan Tianyi College* (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

"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
"%"	Percent

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

Hong Kong, 27 March 2020

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