THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Edvantage Group Holdings Limited, you should at once hand this circular to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

中汇集团
Edvantage Group

Edvantage Group Holdings Limited
中 滙 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0382)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ENTIRE EQUITY INTEREST IN SICHUAN NEW CONCEPT EDUCATION INVESTMENT CO., LTD.* AND CHENGDU YUDE LOGISTICS MANAGEMENT CO., LTD.*

Independent Financial Adviser to the Company

PELICAN FINANCIAL
百 利 勤 金 融

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A letter from the Board is set out on pages 8 to 64 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Company is set out on pages 65 to 77 of this circular.

The Company has obtained written Shareholders' approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from the Controlling Shareholder which holds more than 50% of the issued share capital of the Company as at the date of this circular giving the right to attend and vote at a general meeting. Accordingly, no Shareholders' meeting will be convened to approve the Acquisition Agreement and the transactions contemplated thereunder pursuant to Rule 14.44 of the Listing Rules. This circular is being despatched to the Shareholders for information only.

26 May 2021

CONTENTS

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

"Acquisition"	the acquisition of the Sale Shares of Chengdu Yude Logistics and the Sale Shares of the Target Company
"Acquisition Agreement"	the acquisition agreement dated 4 December 2020 entered into between, among others, Guangzhou Zhiheng Education, Guangzhou Huagang, Nanning Zhuowen Education, Shenzhen Hongtao Education and the Target Group in relation to the Acquisition
"Announcement"	the announcement of the Company dated 4 December 2020 in relation to the Acquisition
"Appointees"	the appointees to be appointed as council members of the Schools by the Target Company
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Days"	a day excluding Saturday, Sunday and any statutory holiday of the PRC (including the holiday as temporarily specified by the competent government authority)
"Chengdu Chengyuan Technology"	Chengdu Chengyuan Technology Co., Ltd.* (成都市成苑科技有限責任公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of Chengdu Yude Logistics
"Chengdu Yude Logistics"	Chengdu Yude Logistics Management Co., Ltd.* (成都育德後勤管理有限公司), a company established in the PRC with limited liability, an indirect non-wholly owned subsidiary of the Company

"Company"	Edvantage Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (stock code: 0382)
"Completion"	completion of the Acquisition
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Contractual Arrangement"	the contractual arrangement contemplated under the Structured Contracts through which the Company will indirectly own and control any part of the business of the OPCO Group
"Controlling Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the director(s) of the Company
"Enlarged Group"	the Group as enlarged by the Target Group following Completion
"First Payment"	the payment of RMB150,000,000 (equivalent to approximately HK$177,493,78.72) as the first instalment of the consideration for the Sale Shares of the Target Company
"Greater Bay Area"	the integrated economic and business hub which includes the two Special Administrative Regions of Hong Kong and Macao, and the nine municipalities of Guangzhou, Shenzhen, Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing in Guangdong Province
"Group"	the Company and its subsidiaries
"Guangzhou Huagang"	Guangzhou Huagang Enterprise Management Co., Ltd.* (廣州市華港企業管理有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

"Guangzhou Zhiheng Education"	Guangzhou Zhiheng Education Consulting Co., Ltd* (廣州智蘅教育諮詢有限公司) (formerly named as Guangzhou Zhiheng Education Development Co., Ltd.* (廣州智蘅教育發展有限公司)), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Huashang College"	Guangzhou Huashang College (廣州華商學院) (formerly known as Huashang College Guangdong University of Finance & Economics (廣東財經大學華商學院)), a private school registered as a private non-enterprise unit under the law of the PRC on 30 May 2006, and a subsidiary of the Company
"Huashang Vocational College"	Guangzhou Huashang Vocational College (廣州華商職業學院), a private school registered as a private nonenterprise unit under the law of the PRC on 25 June 2009, and a subsidiary of the Company
"Independent Financial Adviser" or "Pelican Financial"	Pelican Financial Limited, a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO, and appointed to advise the Company and to provide an opinion under Rule 14A.52 of the Listing Rules in respect of the Acquisition Agreement and the Contractual Arrangement in relation thereto
"Independent Valuer"	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent professional valuer appointed by the Company for the purpose of the Acquisition
"Latest Practicable Date"	21 May 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Material Adverse Change"	any event, fact, condition or change which has or, by reasonable expectation, may have material adverse impact or prejudice on the continuous operations, school management, business operation, prospects of development, financial conditions, assets or liabilities of the Target Group
"Nanning Zhuowen Education" or "OPCO"	Nanning Zhuowen Education Consulting Services Co., Ltd.* (南寧市卓文教育諮詢服務有限公司), a company established in the PRC with limited liability
"Negative List"	the Special Administrative Measures for Access of Foreign Investment (Negative List) (2020 Edition)
"OPCO Group"	OPCO, the Target Company, Sichuan Technician College and Sichuan Vocational College
"percentage ratios"	has the meaning ascribed to it under the Listing Rules
"PRC"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
"Qualification Requirements"	collectively, the Private School Qualification Requirements and the Technical School Qualification Requirements
"Registered Shareholders"	Mr. Zhan Jianke (湛建科) and Mr. Wu Zijian (伍梓健), employees of the associated companies of the Group
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares of Chengdu Yude Logistics"	51% of the entire equity interest in Chengdu Yude Logistics
"Sales Shares of the Target Company"	51% of the entire equity interest in the Target Company

"Schools"	Sichuan Technician College and Sichuan Vocational College
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of US$0.01 each in the share capital of the Company
"Shareholder(s)"	holder(s) of Share(s)
"Shenzhen Hongtao"	Shenzhen Hongtao Group Co., Ltd.* (深圳洪濤集團股份有限公司), a company established in the PRC with limited liability and listed on the Shenzhen Stock Exchange (stock code: 002325) and the holding company of Shenzhen Hongtao Education
"Shenzhen Hongtao Education"	Shenzhen Hongtao Education Group Co., Ltd.* (深圳洪濤教育集團有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Shenzhen Hongtao
"Sichuan Normal University"	Sichuan Normal University Investment Management Co., Ltd.* (四川師範大學投資管理有限公司), a company established in the PRC with limited liability and is wholly owned by Sichuan Normal University (四川師範大學), which is in turn owned by the Education Department of Sichuan Province (四川省教育廳)
"Sichuan Runsheng Education"	Sichuan Runsheng Education Investment Co., Ltd.* (四川潤生教育投資有限公司), a company established in the PRC with limited liability and is owned by Wang Pengcheng (王鵬程) as to 90% and Zhou Jia (周佳) as to 10%
"Sichuan Technician College"	Sichuan City Technician College* (四川城市技師學院), a private school registered as a private non-enterprise unit under the laws of the PRC on 22 May 2018, and wholly-owned by the Target Company

"Sichuan Vocational College"	Sichuan City Vocational College* (四川城市職業學院), a private school registered as a private non-enterprise unit under the laws of the PRC on 29 July 2008, and wholly-owned by the Target Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Structured Contracts"	collectively, (i) the Business Cooperation Agreement; (ii) Exclusive Technical Service and Management Consultancy Agreement; (iii) the Exclusive Call Option Agreement; (iv) the Shareholders' Rights Entrustment Agreement; (v) the Equity Pledge Agreement with the Registered Shareholders; (vi) the Equity Pledge Agreement with Nanning Zhuowen Education; (vii) the School Sponsors' and Council Members' Entrustment Agreement; (viii) the School Sponsors' Powers of Attorney; (ix) the Council Members' Powers of Attorney; (x) the Shareholders' Powers of Attorney; and (xi) the Spouse Undertakings
"subsidiary"	any entity within the meaning of the term "subsidiary" as defined in the Listing Rules and the term "subsidiaries" shall be construed accordingly
"Transaction Documents"	the Acquisition Agreement and all such agreements, documents and certificates entered or to be entered into for the completion of the transactions contemplated under the Acquisition Agreement
"Target Company"	Sichuan New Concept Education Investment Co., Ltd.* (四川新概念教育投資有限公司), a company established in the PRC with limited liability
"Target Group"	the Target Company, the Schools, Chengdu Yude Logistics and Chengdu Chengyuan Technology
"US$"	United States dollars, the lawful currency of the United States of America
"Valuation Report"	the valuation report on the valuation of the property interests held by the Target Group in the PRC dated 26 May 2021, which was prepared and issued by the Independent Valuer

"Vendors Group"	Shenzhen Hongtao Education and the Target Group
"Waiver"	the waiver granted by the Stock Exchange from strict compliance with (i) fixing the term of the Structured Contracts for a period of not exceeding three years under Rule 14A.52 of the Listing Rules; and (ii) setting a maximum annual cap for the services fee payment by the OPCO Group to Guangzhou Zhiheng Education under Rule 14A.53 of the Listing Rules
"%"	per cent

Edvantage Group Holdings Limited
中 滙 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 0382)

Executive Directors:
Mr. Liu Yung Chau
Ms. Chen Yuan, Rita
Ms. Liu Yi Man

Non-executive Directors:
Mr. Liu Yung Kan

Independent non-executive Directors:
Mr. Xu Gang
Mr. Lo Chi Chiu
Mr. Li Jiatong

Registered office:
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62 Mody Road
Tsim Sha Tsui
Kowloon
Hong Kong

26 May 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ENTIRE EQUITY INTEREST IN SICHUAN NEW CONCEPT EDUCATION INVESTMENT CO., LTD.* AND CHENGDU YUDE LOGISTICS MANAGEMENT CO., LTD.*

INTRODUCTION

Reference is made to the Announcement, in relation to, among other things, the Acquisition Agreement and the transactions contemplated thereunder.

The purpose of this circular is to provide you with, among other things; (i) further details of the Acquisition Agreement and the transactions contemplated thereunder; (ii) the Structured Contracts, (iii) a letter from the Independent Financial Adviser containing its advice to the Company; (iv) a valuation report on the valuation of the property interests held by the Target Group and; (v) other information as required under the Listing Rules.

THE ACQUISITION AGREEMENT

On 4 December 2020, Guangzhou Zhiheng Education and Guangzhou Huagang, both indirect wholly-owned subsidiaries of the Company, entered into the Acquisition Agreement with Nanning Zhuowen Education, Shenzhen Hongtao Education, and the Target Group, pursuant to which Guangzhou Zhiheng Education has conditionally agreed to acquire 51% of the entire equity interest in the Target Company, and Guangzhou Huagang has conditionally agreed to acquire 51% of the entire equity interest in Chengdu Yude Logistics.

On 31 December 2020, the Completion took place.

The principal terms of the Acquisition Agreement are summarised as follows:

Date

4 December 2020

Parties

(1) Guangzhou Zhiheng Education;

(2) Guangzhou Huagang;

(3) Nanning Zhuowen Education;

(4) Shenzhen Hongtao Education; and

(5) The Target Group

To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, each members of the Vendors Group and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Assets to be acquired

The Target Company holds the entire equity interest of the Schools and Chengdu Yude Logistics which in turn holds the entire equity interest in Chengdu Chengyuan Technology.

Subject to and upon the terms and conditions of the Acquisition Agreement:

(1) Shenzhen Hongtao Education shall sell and Nanning Zhuowen Education (as the transferee designated by Guangzhou Zhiheng Education) shall acquire the Sale Shares of the Target Company; and

(2) the Target Company shall sell and Guangzhou Huagang shall acquire the Sale Shares of Chengdu Yude Logistics.

Due to the restriction of foreign ownership under the PRC laws, Nanning Zhuowen Education was designated by Guangzhou Zhiheng Education to acquire the Sale Shares of the Target Company. For details of the foreign ownership restrictions under the PRC laws, please refer to the paragraph headed "INFORMATION OF THE STRUCTURED CONTRACTS" in this circular. As a condition to the Completion of the Acquisition, Guangzhou Zhiheng Education has entered into the Structured Contracts with the Registered Shareholders and the OPCO Group. Upon the completion of the execution of the Structured Contracts, the Company has indirect control over the management and operations of the OPCO Group through the Structured Contracts.

As the respective businesses of Chengdu Yude Logistics and Chengdu Chengyuan Technology do not fall within the "restricted" industry for foreign investors under the PRC laws, Guangzhou Huagang holds the Sale Shares of Chengdu Yude Logistics upon Completion.

Consideration and Conditions

The aggregate consideration for the purchase of the Sale Shares of the Target Company and the Sale Shares of Chengdu Yude Logistics is RMB750,000,001 (equivalent to approximately HK$633,825,000.85).

The consideration of the Sale Shares of the Target Company and conditions

The consideration for the Sale Shares of the Target Company is RMB750,000,000 (equivalent to approximately HK$633,825,000.00). The payment shall be made in the following manner:

First Payment

The First Payment of RMB150,000,000 (equivalent to approximately HK$177,493,787.72) shall be made within five Business Days upon the fulfillment of the following conditions:

(a) approval(s) by the board of directors of Shenzhen Hongtao having been obtained for the entering into of the transactions contemplated under the Acquisition Agreement, and the signing and delivery of the Acquisition Agreement by the Vendors Group;

(b) publication of an announcement for the transactions contemplated under the Acquisition Agreement by Shenzhen Hongtao;

(c) opening of a bank account at the Shenzhen Branch, Bank of Shanghai Co., Ltd. (上海銀行股份有限公司) by Shenzhen Hongtao Education for the purpose of receiving the First Payment;

(d) representations and warranties made by the Vendors Group in the Acquisition Agreement remaining true, accurate and complete; and undertakings and obligations under the Acquisition Agreement having been complied with by the Vendors Group; and there having been no breach of the Acquisition Agreement by the Vendors Group;

(e) there having been no Material Adverse Change; and

(f) there having been no applicable law or governmental prohibitions that may restrict or prohibit the transactions contemplated under the Acquisition Agreement.

Second Payment

The second payment of RMB450,000,000 (equivalent to approximately HK$380,295,000.00) shall be made within five Business Days upon the fulfillment of the following conditions:

(a) approval(s) by the Board and the Shareholders having been obtained for the entering into of the transactions contemplated under the Acquisition Agreement, and the signing and delivery of the Transaction Documents by Nanning Zhuowen Education;

(b) internal approval(s) from all competent authorities of the Vendors Group to sign and deliver the Transaction Documents having been obtained;

(c) the First Payment having been used to repay the loan from the Shenzhen Branch, Bank of Shanghai Co., Ltd. (上海銀行股份有限公司) by Shenzhen Hongtao Education, and the charge of the Sale Shares of the Target Company having been released;

(d) the other shareholders of the Target Company having waived their respective rights of first refusal for the transactions contemplated under the Acquisition Agreement, and having signed the new articles of association of the Target Company with Nanning Zhuowen Education;

(e) registration of the Sale Shares of the Target Company under the name of Nanning Zhuowen Education and the registration of the Sale Shares of Chengdu Yude Logistics under the name of Guangzhou Huagang having been completed;

(f) delivery of relevant documents and information of the Target Group as set out in the relevant schedule of the Acquisition Agreement having been completed by Shenzhen Hongtao Education to Nanning Zhuowen Education or any other parties designated by Nanning Zhuowen Education, and the reorganisation of the board of directors and management of the Target Company and council or the board of directors of the Schools remaining in accordance with the requirements of Nanning Zhuowen Education, and the filing of the updated list of members of the council or the board of directors of the Schools, and the revised articles of association of the Schools with the Education Department of Sichuan Province having been completed;

(g) the Structured Contracts having been executed by the Target Company, all the shareholders of the Target Company and the Schools with Guangzhou Zhiheng Education according to the requirements of Nanning Zhuowen Education;

(h) all provisions under the applicable PRC laws and regulations in relation to the existence, management and operations of the Target Group having been complied with;

(i) representations and warranties made by the Vendors Group in the Acquisition Agreement remaining accurate, true and complete; undertakings and obligations under the Acquisition Agreement having been complied with by the Vendors Group; and there having been no breach of the Acquisition Agreement by the Vendors Group;

(j) there having been no Material Adverse Change; and

(k) there having been no applicable law or governmental prohibitions that may restrict or prohibit the transactions contemplated under the Acquisition Agreement.

Third Payment

The third payment of RMB150,000,000 (equivalent to approximately HK$126,765,000.00) shall be made within five Business Days upon the fulfillment of the following conditions:

(a) the filing of the updated list of members of the council or the board of directors of the Schools, and the revised articles of association of the Schools with the Department of Civil Affairs of Sichuan Province having been completed, and the updated registration certificate of Sichuan Vocational College having been obtained from the Department of Civil Affairs of Sichuan Province;

(b) written agreement having been entered into between Nanning Zhuowen Education, Sichuan Vocational College and Sichuan Tianfu Financial Leasing Co., Ltd.* (四川天府金融租賃股份有限公司) with the assistance from Shenzhen Hongtao Education for the change of provisions regarding the pledge of right to receive school fees, miscellaneous fees, boarding fees and any other related fees;

(c) formal consent from Far East International Leasing Co., Ltd.* (遠東國際租賃有限公司) having been obtained to confirm the transactions contemplated under the Acquisition Agreement will not trigger early repayment and/or indemnity obligation(s) under all sale and lease back contracts which have previously been entered into by Sichuan Vocational College;

(d) the loan of RMB50,000,000 (equivalent to approximately HK$42,255,000.00) having been repaid by Shenzhen Hongtao Education to Sichuan Vocational College;

(e) all capital contributions of Chengdu Chengyuan Technology having been fully paid by Chengdu Yude Logistics;

(f) representations and warranties made by Shenzhen Hongtao Education in the Acquisition Agreement remaining true, accurate and complete; undertakings and obligations under the Acquisition Agreement having been complied with by Shenzhen Hongtao Education; and there having been no breach of the Acquisition Agreement by Shenzhen Hongtao Education; and

(g) there having been no applicable law or governmental prohibitions that may restrict or prohibit the transactions contemplated under the Acquisition Agreement.

The consideration of the Sale Shares of Chengdu Yude Logistics

The consideration for the Sale Shares of Chengdu Yude Logistics is RMB1 (equivalent to approximately HK$0.85). Guangzhou Huagang shall pay the entire consideration within five Business Days upon obtaining of the recipient's bank account information from the Target Company.

As at the Latest Practicable Date, the first payment and the second payment in respect of the consideration of the Sale Shares of the Target Company have been settled. As to the third payment, all the conditions for the third payment have been fulfilled and part of the third payment in the sum of RMB138,000,000 has been settled. The remaining portion of RMB12,000,000 shall be settled by the Group on or before 31 August 2021 as agreed between the parties. Besides, the consideration of the Sales Shares of the Chengdu Yude Logistics has been settled.

Basis for determination for the consideration

The consideration of the Acquisition was arrived at after arm's length negotiations with reference to and taking into account the track record, geographical location, ranking, number of students, course offerings and tuition fee levels of the Schools which are owned by the Target Company. Further details of the basis which the Company has considered are as follows:

(1) **Track record:** The Company has analyzed the track record of the Target Group which has recorded an upward trend in its financial performance in the past years. Based on the unaudited consolidated financial statements of the Target Group which have been disclosed in the Announcement, the revenue increased from approximately RMB258,015,000 for the year ended 31 December 2018 to approximately RMB283,019,000 for the year ended 31 December 2019, representing an increase of approximately 9.7%. The total unaudited revenue of the Target Company and the Schools increased from approximately RMB239,498,000 for the year ended 31 December 2018 to approximately RMB271,221,000 for the year ended 31 December 2019, representing an increase of approximately 13.2%. The unaudited net profit after taxation of the Target Group also increased from approximately RMB70,517,000 for the year ended 31 December 2018 to approximately RMB79,725,000 for the year ended 31 December 2019, representing an increase of approximately 13.1%. As to its unaudited net assets, there was an increase of approximately 9.8% from approximately RMB718,305,000 as at 31 December 2017 to approximately RMB788,822,000 as at 31 December 2018, and it further increased to approximately RMB870,183,000 as at 31 December 2019 and RMB940,142,000 as at 30 September 2020, representing an increase of 10.3% and 8.0%, respectively. Its unaudited total assets went up from approximately RMB1,194,726,000 as at 31 December 2017 to approximately RMB1,388,256,000 as at

31 December 2018, and further increased to approximately RMB1,494,630,000 as at 31 December 2019 and approximately RMB1,674,396,000 as at 30 September 2020, representing an increase of 16.2%, 7.7% and 12.0%, respectively.

Furthermore, the Board considers that, subsequent to the Group gaining control of the Target Group after Completion and in light of the underlying potential in the Target Group together with the synergy effect to be brought by the existing reputation, network and connection of the Group, the income generating capacity and development potential of the Target Group could be maximized so as to create much value to the Company and the Shareholders.

(2) **Geographical Location:** The Schools enjoy geographical advantage as they situate in Chengdu City of Sichuan Province. In the beginning of 2020, the Central Committee of Finance and Economics (中央財經委員會) held its sixth meeting and proposed to promote the construction of the two-city economic circle in the Chengdu and Chongqing regions. It is expected that the market for higher education and vocational education in this area will be benefited from the said promotion. Besides, the campuses of the Schools are conveniently connected with each other by underground and high-speed train railway, which are considered appealing to the students and potential students and may attract more student intake for the Schools.

(3) **Ranking of Sichuan Vocational College:** The Company has also considered the ranking for Sichuan Vocational College which contributed approximately 90% of the unaudited net profit after taxation for the year ended 31 December 2019 of the Target Group. With reference to the Private Vocational High School Comprehensive Strength Ranking 2020 published by Wu Shu Lian* (2020年武書連民辦高職學校綜合實力排名), Sichuan Vocational College was ranked first in Sichuan Province and eighth in the PRC. Besides, with reference to the Private Vocational High School Comprehensive Strength Ranking 2020 published by CUAA.NET* (2020年校友會民辦高職學校綜合實力排名), Sichuan Vocational College was ranked first in Sichuan Province and fifth in the PRC. The Board considered that these recognitions would enhance the branding of Sichuan Vocational College which would in turn attract more new students and infuse confidence into the existing students regarding their learning in Sichuan Vocational College.

(4) **Number of Students:** The aggregate number of student enrollments in the Schools also had an increase for the past three academic years. The aggregate number of students enrolled in the Schools increased from approximately 16,000 for academic year of 2018/2019 to approximately 18,000 for the academic year of 2019/2020, representing a growth of approximately 12.5%, and further increased to approximately 22,000 for the academic year of 2020/2021, representing a growth of approximately 22.2%.

(5) **Course Offerings:** Sichuan Vocational College currently offers courses covering 42 professions, including 14 major professions such as "Transportation", "Commerce and Business", "Tourism", "Education and Sports", "Public Management and Services", "Environmental Resources and Safety", "Building Construction", "Equipment Manufacturing", "Digital Information", "Culture and Art", "News and Media", and "Light Industry and Textile" as well as 40 secondary professions such as "Retail", "Real Estate", "Vehicles", "Architecture", "Travel", "Finance", "Logistics", "Computer", "Internet", "Cultural Entrepreneurship", and "Education". Its regular annual course offerings amount to 985 courses. Among these professions, "Art and Design" is the provincial focused profession and "Logistics Management", "Architectural Engineering Technology" and "Vehicle Application and Repair Technology" are provincial private high school focused professions. In 2019, new courses such as "Software Engineering", "Elderly Care and Management", "Urban Railway Transit Engineering Technology", "Numerical Technology" and "Big Data Technology and Application" were launched, of which courses of "Software Engineering" and "Elderly Care and Management" are core and focused professions for private schools.

For Sichuan Technician College, its course offerings amount to 22 courses covering 10 major professions, including "Mechanics", "Electrical Technology & Electrical Engineering", "Information", "Transportation", "Services", "Finance and Commerce", "Architecture", "Light Industry" and "Culture and Art". Among these professions, "Nursing", "Early Childhood Education", "Aviation Service", "Vehicle Repair", "Interior Design", and "Modern Logistics" are key specialties of Sichuan Technician College.

Such a wide spectrum of course offerings of Sichuan Vocational College and Sichuan Technician College not only caters for the respective individual needs of the students and potential students, it also attracts more students to enrol these courses and provides for more varieties and diversified courses to students.

(6) **Tuition Fee Levels for General Course Offerings of Sichuan Vocational College:** In spite of the fact that there has been no material increase in the level of tuition fees for general course offerings of Sichuan Vocational College which contributed approximately 90% of the unaudited net profit after taxation for the year ended 31 December 2019 of the Target Group in the past few years, its tuition fee levels for general course offerings have been maintained at the high-end among the private high schools in the Sichuan Province in 2020. The average tuition fees for general course offerings ranked the 3rd highest among the private high schools in Sichuan Province according to the Bulletin of Tuition Fee Standard for Private High School in Sichuan Province 2020* (2020年四川省民辦高校學費收費標準公示表) published by The People's Government of Sichuan Province.

The Directors consider that, based on the track record of the Target Group, it would provide stable profit to the Group which would improve the long-term profitability of the Group. Furthermore, in the course of determining the consideration for the Sale Shares of the Target Company, the Directors took into account of the fact that the abovementioned geographical location, ranking of Sichuan Vocational College, course offerings and tuition fee levels for general course offerings of Sichuan Vocational College indicate that the Schools are unique and top-class education institutions in Sichuan Province. Together with the fact that there has been an increasing number of student enrolments in both Schools in the past three academic years, the Directors expect that the financial and operation performance shall continue to progress in the foreseeable future. Having considered the above aspects individually and comprehensively, and their combined and integrated effect on the growth potential to the Group in the higher education and secondary vocational market in the Sichuan Province and the PRC, the Directors are of the view that, even though the consideration for the Sale Shares of the Target Company represents a premium to the proportionate net asset value of the Target Group as at 31 December 2020, the basis of consideration is fair and reasonable.

The consideration for the Acquisition was funded by the Group's internal resources (including the Group's remaining balance of the unutilised proceeds received from the Company's global offering and cash generated from operations) and external bank borrowings of the Group. As regards the change in use of proceeds received from the global offering, please refer to the announcement of the Company published on 4 December 2020.

Completion

Completion shall take place when:

(a) registration of the Sale Shares of the Target Company under the name of Nanning Zhuowen Education having been completed;

(b) registration of the Sale Shares of Chengdu Yude Logistics under the name of Guangzhou Huagang having been completed; and

(c) delivery of relevant documents and information of the Target Group by Shenzhen Hongtao Education to Nanning Zhuowen Education or any other parties designated by Nanning Zhuowen Education having been completed.

On 30 December 2020, as one of the conditions precedent to the second payment of the consideration of the Sale Shares of the Target Company, the Structure Contracts were executed by, among others, Nanning Zhuowen Education and the Target Company, while the Contractual Arrangement was not in effect pending the receipt of the waiver on the Structure Contracts and the related transactions from the Stock Exchange. On 31 December 2020, as all the above conditions to the Completion were satisfied, the Completion took place on even date. On 13 January 2021, the Stock Exchange granted to the Company the relevant waiver and accordingly the Structured Contracts became effective on the same day.

Termination

The Acquisition Agreement can be terminated if any of the following events happens:

(a) the parties to the Acquisition Agreement entering into a termination agreement;

(b) the occurrence of any Material Adverse Change (only Nanning Zhuowen Education being entitled to terminate the Acquisition Agreement on this ground);

(c) the condition (a) under the paragraph of the First Payment has not been fulfilled on or before 31 December 2020 (only Nanning Zhuowen Education being entitled to terminate the Acquisition Agreement on this ground);

(d) the condition (a) under the paragraph of the second payment of the consideration of the Acquisition has not been fulfilled on or before 31 December 2020 (Shenzhen Hongtao Education being entitled to terminate the Acquisition Agreement on this ground);

(e) there having been applicable law or governmental prohibitions that may restrict or prohibit the transactions contemplated under the Acquisition Agreement (both Shenzhen Hongtao Education and Nanning Zhuowen Education being entitled to terminate the Acquisition Agreement on this ground); or

(f) the non-defaulting party unilaterally terminating the Acquisition Agreement on the ground that a party's breach of an obligation under the Acquisition Agreement will frustrate the purpose of the Acquisition Agreement and such breach having not been remedied by the defaulting party within thirty days upon receipt of a written notice from the non-defaulting party.

If the Acquisition Agreement is terminated before the Completion, all respective payments received by Shenzhen Hongtao Education and the Target Company under the Acquisition Agreement should be returned by Shenzhen Hongtao Education and the Target Company within five Business Days from the termination date of the Acquisition Agreement.

REASONS FOR AND BENEFITS OF THE ACQUISITION

One of the development strategies of the Group is the expansion of its network in the education industry through mergers and acquisitions.

After considering the brand, quality of provision of education, reputation and market position of the Target Company and the Schools, the Directors believe that the Acquisition will bring attractive growth potential to the Group in the higher education and secondary vocational education market in the PRC, thereby achieving more diversified and higher income growth for the Group.

The Board believes that the Acquisition will complement the existing school network of the Group. The addition of the Target Schools will expand and diversify the Group's education offerings and geographical reach. It is expected that the Group would be able to leverage the competitive position of the Target Schools in Sichuan Province to enhance its capture of market share in the southwest region in China, and thereby offering a greater potential for profit and long-term business sustainability. Furthermore, the Acquisition will offer opportunities to the Group's existing overseas schools in Australia and Singapore for expanding their short-term international programs through potential collaboration with the Target Schools, and hence optimising the Group's diverse sources of revenue. It will enable the Group to further expand the asset portfolio of the schools of the Group. Accordingly, the Directors believe that the Acquisition is an important horizontal expansion of the existing business of the Group.

After considering the above factors, the Board considers that the Acquisition is on normal commercial terms, the terms of the Acquisition Agreement (including the payment terms) and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

INFORMATION OF THE GROUP

The Group is the largest private higher education group in the Greater Bay Area of the PRC in terms of total student enrolment of business majors for the 2017/2018 school year according to Frost & Sullivan, and it is an early mover in the education sector in pursuing international expansion. The Group currently operates two private higher education institutions in the PRC (Huashang College, an independent college, and Huashang Vocational College, a junior college), a private vocational education institution in Australia (Global Business College of Australia), a private higher education institution in Australia (Edvantage Institute Australia) and a private vocational education institution in Singapore (Edvantage Institute (Singapore)). Both Huashang College and Huashang Vocational College are deeply rooted in the Greater Bay Area, being one of the most developed regions in the PRC with economic momentum and considerable demand for professional talents. For more information on the Group, please visit its official website at http://www.edvantagegroup.com.hk/ (the information that appears in this website does not form part of this circular).

Guangzhou Zhiheng Education is an indirect wholly-owned subsidiary of the Group and is principally engaged in the provision of education consulting services.

Guangzhou Huagang is an indirect wholly-owned subsidiary of the Group and is principally engaged in the provision of hotel management and IT consultation services.

INFORMATION ABOUT THE OTHER PARTIES TO THE ACQUISITION AGREEMENT

Shenzhen Hongtao Education is a company established in the PRC with limited liability. It is principally engaged in making investments for the establishment of private schools, including higher education and secondary vocational education institutions, developing online education system and providing education information advisory services and database services and management.

Nanning Zhuowen Education is a company established in the PRC with limited liability. Upon the Completion, it owns 51% of the entire equity interest in the Target Company. It is an investment holding company and its business scope includes the provision of internet and communication related services, education consulting services and information technology consulting services.

The Target Company is a company established in the PRC with limited liability. It owns the entire equity/school sponsor's interest in the Schools as at the date of this circular and held the entire equity interest in Chengdu Yude Logistics, which in turn holds the entire equity interest in Chengdu Chengyuan Technology prior to the Completion. The Target Company is principally engaged in making investments, developing teaching facilities, and providing management services for student apartments.

Sichuan Vocational College is a private school registered as a private non-enterprise unit under the laws of the PRC. It is a full-time comprehensive general college approved by the Sichuan Provincial People's Government and licensed by the Sichuan Education Department. It principally provides full-time higher vocational education.

Sichuan Technician College is a private school registered as a private non-enterprise unit under the laws of the PRC. It is a technician college and principally provides full-time preparatory technicians training, advanced technical education, intermediate technical education, and short-term vocational skills training.

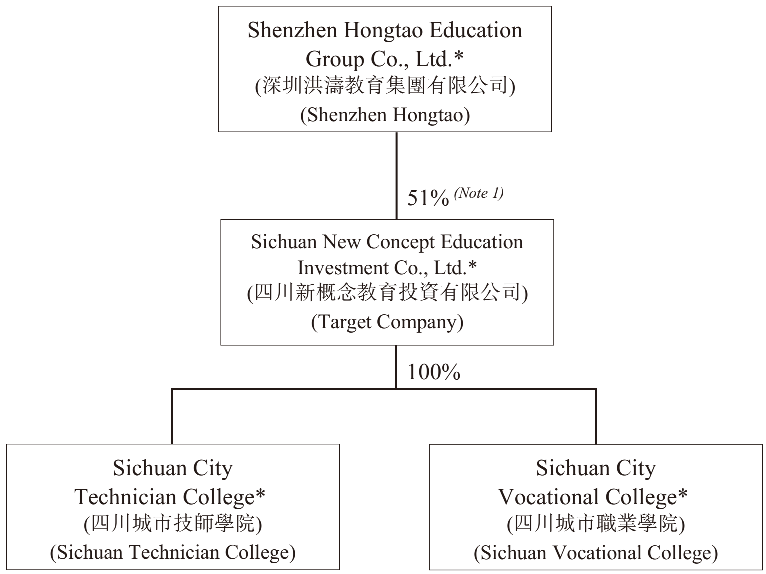
Chengdu Yude Logistics is a company established in the PRC with limited liability. It is principally engaged in providing supporting logistics management services, property management, education information consulting and organisation of cultural exchange events.

Chengdu Chengyuan Technology is a company established in the PRC with limited liability. It is principally engaged in providing computer software and hardware development and technical services, information system integration services, education information consulting, organisation services of cultural and artistic exchange activities, financial and tax consulting services, housing architecture and engineering design and construction, and automobile repair and maintenance.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, all the other parties to the Acquisition Agreement (other than Guangzhou Zhiheng Education and Guangzhou Huagang) and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Shareholding structure chart of the OPCO Group

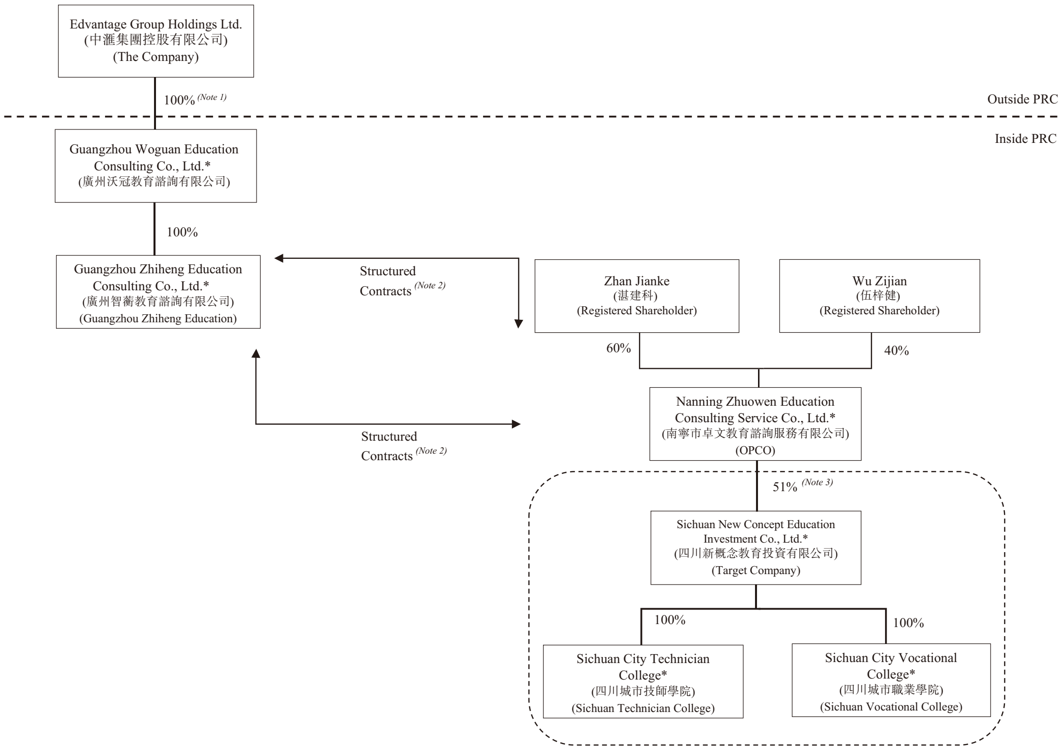
(a) Before the entering into of the Structured Contracts



Note 1: The Target Company is owned as to 51% by Shenzhen Hongtao Education, 29% by Sichuan Runsheng Education and 20% by Sichuan Normal University.

"—" denotes shareholding relationship

(b) After the entering into of the Structured Contracts



Note 1: The Company indirectly owns the entire equity interest of Guangzhou Woguan Education Consulting Co., Ltd.* through its subsidiary.

Note 2: Guangzhou Zhiheng Education entered into the Structured Contracts with the Registered Shareholders and the OPCO Group.

Note 3: The Target Company is owned as to 51% by OPCO, 29% by Sichuan Runsheng Education and 20% by Sichuan Normal University.

"—" denotes shareholding relationship

Financial information of the Target Group

Set out below is a summary of the audited consolidated financial information of the Target Group for the years ended 31 December 2019 and 2020, prepared in accordance with the accounting policies which conform with International Financial Reporting Standards issued by International Accounting Standards Board:

	For the year ended 31 December 2019 (audited) *RMB'000*	**For the year ended 31 December 2020 (audited)** *RMB'000*
Revenue	226,169	252,780
Net profit before taxation	73,888	75,793
Net profit after taxation	69,612	72,272

The audited consolidated net asset value of the Target Group as at 31 December 2020 amounted to approximately RMB939,205,000.

The total audited revenue of the Target Company and the Schools for the years ended 31 December 2019 and 2020 were approximately RMB226,169,000 and RMB252,780,000, respectively.

Upon Completion, Guangzhou Huagang holds 51% of the entire equity interest in Chengdu Yude Logistics which becomes an indirect non-wholly owned subsidiary of the Company.

Upon Completion and pursuant to the Contractual Arrangement, Guangzhou Zhiheng Education is able to control the finance and operation of Nanning Zhuowen Education so as to obtain the economic interest and benefits from its business activities despite the lack of registered equity ownership.

VALUATION OF PROPERTY INTERESTS HELD BY THE TARGET GROUP

A valuation of properties interests held by the Target Group has been prepared by the Independent Valuer using the market value approach that provides the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Due to the nature of the buildings and structures of the Chengdu campus and Meishan campus of Sichuan Vocational College and Experimental building No. 3 of Meishan Campus of Sichuan Vocational College and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by the cost approach with reference to their depreciated replacement cost. Depreciated replacement cost provides the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization.

An office located at No. 1926, 19th Floor, Unit 1, Building 8, No. 1700, North Section of Tianfu Avenue, High Tech Zone, Chengdu City, Sichuan Province, the PRC and a villa unit located at No. 2, 1st Floor, Building 24, Intersection of Shajie Road and Liangyan Road, Dujiangyan City, Chengdu City, Sichuan Province, the PRC held and occupied by the Target Group in the PRC were valued by direct comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

The market value of the property interests held by the Target Group as at 31 March 2021 as appraised by the Independent Valuer was RMB924,200,000. The Independent Valuer had confirmed there was no material change on the market value of the Property between 4 December 2020 (i.e. the date of the Acquisition Agreement) and 31 March 2021 (i.e. the Valuation Date).

The valuation report of the Target Group is set out in Appendix IV to this circular.

The table below sets out the reconciliation between the net book value of the property interests held by the Target Group as at 31 December 2020, being the date to which the latest audited financial statements in Appendix II were made up, and the valuation of the said properties interests as at 31 March 2021:

	RMB'000
Net book value of the property interests held by the Target Group as at 31 December 2020 as set out in the accountant's report included in Appendix II Notes 14 (Property, Plant and Equipment), 15 (Right-of-Use Assets) and 17 (Investment Properties) to the historical financial information of the Target Group	1,344,403
Add: Construction in progress (unaudited)	7,535
Less: Depreciation of owned properties and right-of-use assets (unaudited)	(4,147)
Net book value of the property interests held by the Target Group as at 31 March 2021	1,347,791
Add: Valuation surplus (unaudited)	143,609
Valuation of the property interests held by the Target Group as at 31 March 2021 as set out in Appendix IV*(Note)*	1,491,400

Note: The aggregate market values of the property interests and the reference values assigned to those properties without relevant title certificates assuming all the relevant title certificates have been obtained and the title of the properties are vested in the Target Group.

FINANCIAL EFFECTS OF THE ACQUISITION

Under the prevailing accounting principles of the Company, the Company has the right to consolidate the financial results of the Target Group in its consolidated accounts if the Structured Contracts are entered into and the consents by the minority shareholders of the Target Company are obtained.

On 30 December 2020, the Structured Contracts have been entered into, and they became effective on 13 January 2021.

Accordingly, the financial results, assets and liabilities of the Target Group have been consolidated into the financial results, assets and liabilities of the Group since the date of acquisition and in the financial information of the Group for the six months ended 28 February 2021.

Effect on earnings

Upon Completion and through the Contractual Arrangement, it is expected to broaden the Group's earnings base. The financial results of the Target Group are fully consolidated into the Group, creating additional source of revenue and bring direct contributions to the earnings of the Group as a whole.

As set out in the announcement of interim results for the six months ended 28 February 2021 of the Company published on 20 April 2021, revenue and profit of the Target Group were RMB48,342,000 and RMB22,733,000, respectively, for the six months ended 28 February 2021. Had the acquisition of the Target Group been completed on 1 September 2020, revenue and profit of the Group would have been RMB655,003,000 and RMB218,169,000, respectively, for the six months ended 28 February 2021.

On this basis, it is expected that the consolidation of the Target Group would have a positive impact on the Group's revenue and earnings.

Effect on assets and liabilities

Based on the provisional fair values determined as at the date of acquisition, the net identifiable assets acquired by the Company represented an asset of RMB1,102,523,000. The RMB104,051,000 provisional goodwill resulting from the business combination includes the assembled workforce of the Target Group and synergy from alignment with the Group's establishment strategy. These benefits were not recognised separately from goodwill because they did not meet the recognition criteria for identifiable intangible assets.

For further details of the financial effects of the Acquisition, please refer to the announcement of interim results for the six months ended 28 February 2021 of the Company published on 20 April 2021.

INFORMATION OF THE STRUCTURED CONTRACTS

The Structured Contracts have been entered into as one of the conditions to the Acquisition Agreement. The OPCO Group is a higher education and secondary vocational education provider in the PRC. Pursuant to the Negative List promulgated by the National Development and Reform Commission and the Ministry of Commerce of the PRC on 23 June 2020, the provision of higher education in the PRC falls within the "restricted" industry for foreign investors, and foreign investors are only allowed to invest in higher education through cooperation with a PRC education institution in compliance with the Regulation on Sino-Foreign Cooperation in Operating Schools (中外合作辦學條例), promulgated by the State Council in 2003 and amended on 18 July 2013, and further amended on 2 March 2019. In addition, the domestic party shall play a dominant role in the cooperation, which means (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution, while secondary vocational education is not listed as restricted category in the Negative List.

In relation to the interpretation of "Sino-foreign cooperation", pursuant to the Sino Foreign Regulation, the foreign investor in a Sino-foreign joint venture private school which provides higher education mainly for PRC students (a "**Sino-Foreign Joint Venture Private School**") must be a foreign educational institution with relevant qualification that provides high quality education (the "**Private School Qualification Requirements**").

Furthermore, pursuant to the Implementation Opinions of the Ministry of Education of the PRC on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education (國務院關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見) (the "**Implementation Opinions**"), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% and the establishment of these schools is subject to the approval of education authorities at the provincial or national level. Pursuant to the Sino-foreign Vocational Skills Training Measures (中外合作職業技能培訓辦學管理辦法), the foreign investor in a Sino-foreign technical school (a "**Sino-Foreign Technical School**") shall be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the "**Technical School Qualification Requirements**"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Technical School should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

The PRC legal advisers of the Company have advised that there are no implementation measures or specific guidance promulgated on the Qualification Requirements in accordance with the existing PRC laws. Therefore, it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant educational authority that it meets the Qualification Requirements.

Given that as of the date of this circular, as advised by the PRC legal advisers of the Company, as there are no implementing measures or specific guidance on the Qualification Requirements, it is therefore not practicable for the Group to seek to apply to reorganize education institutions of the OPCO Group as a Sino-Foreign Joint Venture Private School and a Sino-Foreign Technical School.

In order to maintain the OPCO Group's business operations while complying with the PRC laws and regulations mentioned above, upon Completion, Guangzhou Zhiheng Education, the Registered Shareholders and each of the members of the OPCO Group have entered into the Structured Contracts to enable the economic benefits of the business of the OPCO Group to flow into the Guangzhou Zhiheng Education, to enable the consolidation of the financial results of the OPCO Group in the Group's consolidated accounts after the Completion, and to enable Guangzhou Zhiheng Education to gain effective control over the OPCO Group.

THE STRUCTURED CONTRACTS

(a) Business Cooperation Agreement

Parties	:	(i) Guangzhou Zhiheng Education (ii) the OPCO Group (iii) the Registered Shareholders
Subject Matter	:	Pursuant to the Business Cooperation Agreement, Guangzhou Zhiheng Education shall provide technical services, management support services and consulting services necessary for the private education business, and in return, the OPCO Group shall agree to make payments accordingly. To ensure the due performance of the Structured Contracts, each of the members of the OPCO Group shall comply and procure any of its subsidiaries to comply with, and the Registered Shareholders shall procure the OPCO Group and/or their subsidiaries to comply with the obligations as prescribed under the Business Cooperation Agreement.

Further, the Registered Shareholders and the OPCO Group shall undertake that, without the prior written consent of Guangzhou Zhiheng Education or its designated party, the Registered Shareholders and the OPCO Group shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of the OPCO Group or (ii) on the ability of the Registered Shareholders and each of the members of the OPCO Group to perform the obligations under the Structured Contracts.

Furthermore, each of the Registered Shareholders shall undertake to Guangzhou Zhiheng Education that, unless with the prior written consent of Guangzhou Zhiheng Education, the Registered Shareholders (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of the OPCO Group and its subsidiaries (the "**Competing Business**"), (ii) use information obtained from any of the OPCO Group or its subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the Registered Shareholders further consents and agrees that, in the event that the Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Guangzhou Zhiheng Education and/or other entities as designated by the Company shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts. If Guangzhou Zhiheng Education does not exercise such option, the Registered Shareholders shall cease the operation of the Competing Business within a reasonable time.

Term	:	On the premise that the Company has complied with the applicable Listing Rules, the Business Cooperation Agreement shall take effect from the date of its execution and receipt of the waiver on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance: (i) Guangzhou Zhiheng Education and/or any foreign entity designated by the Company fully exercises its right to acquire all the direct and indirect interest in the OPCO Group held by the Registered Shareholders under the Exclusive Call Option Agreement; or (ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Business Cooperation Agreement.

(b) Exclusive Technical Service and Management Consultancy Agreement

Parties	:	(i) Guangzhou Zhiheng Education (ii) the OPCO Group
Subject Matter	:	Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Guangzhou Zhiheng Education shall provide exclusive technical services and exclusive management consultancy services to the OPCO Group.

In consideration of the technical and management consultancy services provided by Guangzhou Zhiheng Education, each of the members of the OPCO Group shall pay Guangzhou Zhiheng Education a service fee equal to all of their respective amounts of surplus from operations (after deducting all costs, expenses, taxes, losses from the previous year (if required by the law), the legally compulsory development fund of the respective school (if required by the law), and other statutory fees (if required by law)) and multiplied by the proportion of the direct and/or indirect interest of the Registered Shareholders in the OPCO Group.

Term : On the premise that the Company has complied with the applicable Listing Rules, the Exclusive Technical Service and Management Consultancy Agreement shall take effect from the date of its execution and receipt of the waiver on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance:

(i) Guangzhou Zhiheng Education and/or any foreign entity designated by the Company fully exercises its right to acquire all the direct and indirect interest in the OPCO Group held by the Registered Shareholders under the Exclusive Call Option Agreement; or

(ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Exclusive Technical Service and Management Consultancy Agreement.

(c) Exclusive Call Option Agreement

Parties : (i) Guangzhou Zhiheng Education

(ii) the OPCO Group

(iii) the Registered Shareholders

Subject Matter	:	Under the Exclusive Call Option Agreement, the Registered Shareholders shall irrevocably grant Guangzhou Zhiheng Education or its designated purchaser the exclusive right to purchase all or part of the direct and/or indirect equity interest and/or school sponsor's interest in the OPCO Group (the "**Equity Call Option**"). The purchase price payable by Guangzhou Zhiheng Education or its designated purchaser in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Guangzhou Zhiheng Education or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest and/or equity interest in the OPCO Group as it decides at any time. In the event that the PRC laws and regulations allow Guangzhou Zhiheng Education or other foreign-owned entities designated by the Company to directly hold all or part of the school sponsor's interest and/or the equity interest in the OPCO Group and operate private education business in the PRC, Guangzhou Zhiheng Education shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Guangzhou Zhiheng Education or other foreign-owned entities designated by the Company under the PRC laws and regulations.
Term	:	On the premise that the Company has complied with the applicable Listing Rules, the Exclusive Call Option Agreement shall take effect from the date of its execution and receipt of the waiver on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance:

(i) Guangzhou Zhiheng Education and/or any foreign entity designated by the Company fully exercises its right to acquire all the direct and indirect interest in the OPCO Group held by the Registered Shareholders under the Exclusive Call Option Agreement; or

(ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Exclusive Call Option Agreement.

(d) Shareholders' Rights Entrustment Agreement

Parties	:	(i) Guangzhou Zhiheng Education
		(ii) Nanning Zhuowen Education
		(iii) the Registered Shareholders
		(iv) the Target Company
Subject Matter	:	Under the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders shall irrevocably authorize and entrust Guangzhou Zhiheng Education to exercise all of his rights as a shareholder of Nanning Zhuowen Education, and Nanning Zhuowen Education shall irrevocably authorise and entrust Guangzhou Zhiheng Education to exercise all of its rights as a shareholder of the Target Company to the extent permitted by the PRC laws. Those rights include, but not limited to:

(a) to attend the shareholders' meetings of the Nanning Zhuowen Education and the Target Company;

(b) to exercise voting rights in respect of all matters requiring discussion and approval by shareholders;

(c) to convene extraordinary shareholders' meeting;

(d) to sign all board minutes, resolutions or other documents which the members of Nanning Zhuowen Education and the Target Company are entitled to sign;

(e) to instruct the directors and legal representatives of Nanning Zhuowen Education and the Target Company to act in accordance with the instructions of Guangzhou Zhiheng Education or its designated person;

(f) to exercise all shareholders' right and voting rights as stipulated in the articles of association of Nanning Zhuowen Education and the Target Company;

(g) to attend any registration, approval, consent, filing or delivery of documents to the State Administration for Industry and Commerce or other competent governmental authorities;

(h) to transfer or dispose in any form of any or all of the equity interest in of Nanning Zhuowen Education and the Target Company; and

(i) to exercise any other rights granted to shareholders under the applicable PRC laws, regulations and articles of association of Nanning Zhuowen Education and the Target Company.

In addition, each of the Registered Shareholders and Nanning Zhuowen Education shall irrevocably agree that (i) Guangzhou Zhiheng Education may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Guangzhou Zhiheng Education and its successor or its designated person, without prior notice to or consent from the Registered Shareholders or Nanning Zhuowen Education; and (ii) any person as successor of civil rights of Guangzhou Zhiheng Education or liquidator by reason of subdivision, merger or liquidation of Guangzhou Zhiheng Education or other circumstances shall have authority to replace Guangzhou Zhiheng Education to exercise all rights under the Shareholders' Rights Entrustment Agreement.

Term : On the premise that the Company has complied with the applicable Listing Rules, the Shareholders' Rights Entrustment Agreement shall take effect from the date of its execution and receipt of the waiver on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance:

(i) Guangzhou Zhiheng Education fully exercises its right to acquire all the direct and indirect interest in the OPCO Group held by the Registered Shareholders under the Exclusive Call Option Agreement; or

(ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Shareholders' Rights Entrustment Agreement.

(e) Equity Pledge Agreement with the Registered Shareholders

Parties	:	(i) Guangzhou Zhiheng Education (ii) Nanning Zhuowen Education (iii) the Registered Shareholders
Subject Matter	:	Under the Equity Pledge Agreement with the Registered Shareholders, each of the Registered Shareholders shall unconditionally and irrevocably pledge and grant first priority security interests over all of their respective equity interest in Nanning Zhuowen Education, accordingly, together with all related rights thereto to Guangzhou Zhiheng Education as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Guangzhou Zhiheng Education as a result of any event of default on the part of the Registered Shareholders and the OPCO Group and all expenses incurred by Guangzhou Zhiheng Education as a result of enforcement of the obligations of the Registered Shareholders and the OPCO Group under the Structured Contracts (the "**Secured Indebtedness A**"). In addition, without the prior written consent of Guangzhou Zhiheng Education, the Registered Shareholders shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest.

And upon occurrence of any events of default as stated in the Equity Pledge Agreement with the Registered Shareholders, Guangzhou Zhiheng Education shall have the right to enforce the Equity Pledge Agreement with the Registered Shareholders by written notice to the Registered Shareholders in one or more of the following ways:

(i) to the extent permitted under the PRC laws and regulations, Guangzhou Zhiheng Education can request the Registered Shareholders to transfer all or part of their equity interest in Nanning Zhuowen Education to any entity or individual designated by Guangzhou Zhiheng Education at the lowest consideration permissible under the PRC laws and regulations, while the Registered Shareholders shall irrevocably undertake that in the event that the consideration paid by Guangzhou Zhiheng Education or its designated purchaser for the transfer of all or part of the equity interest in Nanning Zhuowen Education exceeds RMB0, the Registered Shareholders shall jointly pay such excess amount to Guangzhou Zhiheng Education or its designated purchaser;

(ii) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds; and/or

(iii) dispose of the pledged equity interest in other manner to be agreed between the Registered Shareholders and Guangzhou Zhiheng Education subject to applicable laws and regulations.

Term	:	On the premise that the Company has complied with the applicable Listing Rules, the Equity Pledge Agreement with Registered Shareholders shall take effect from the date of its execution and receipt of the waiver on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance: (i) all contractual obligations under the Structured Contracts are fulfilled and Secured Indebtedness A are paid; or (ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Equity Pledge Agreement with Registered Shareholders.

(f) Equity Pledge Agreement with Nanning Zhuowen Education

Parties	:	(i) Guangzhou Zhiheng Education (ii) Nanning Zhuowen Education (iii) the Target Company
Subject Matter	:	Under the Equity Pledge Agreement with Nanning Zhuowen Education, Nanning Zhuowen Education shall unconditionally and irrevocably pledge and grant first priority security interests over all of its equity interest in the Target Company, accordingly, together with all related rights thereto to Guangzhou Zhiheng Education as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Guangzhou Zhiheng Education as a result of any event of default on the part of the OPCO Group and all expenses incurred by Guangzhou Zhiheng Education as a result of enforcement of the obligations of the OPCO Group under the Structured Contracts (the "**Secured Indebtedness B**").

In addition, without the prior written consent of Guangzhou Zhiheng Education, Nanning Zhuowen Education shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest.

And upon occurrence of any events of default as stated in the Equity Pledge Agreement with Nanning Zhuowen Education, Guangzhou Zhiheng Education shall have the right to enforce the Equity Pledge Agreement with Nanning Zhuowen Education by written notice to Nanning Zhuowen Education in one or more of the following ways:

(i) to the extent permitted under the PRC laws and regulations, Guangzhou Zhiheng Education can request Nanning Zhuowen Education to transfer all or part of its equity interest in the Target Company to any entity or individual designated by Guangzhou Zhiheng Education at the lowest consideration permissible under the PRC laws and regulations, while Nanning Zhuowen Education shall irrevocably undertake that in the event that the consideration paid by Guangzhou Zhiheng Education or its designated purchaser for the transfer of all or part of the equity interest in the Target Company exceeds RMB0, Nanning Zhuowen Education shall pay such excess amount to Guangzhou Zhiheng Education or its designated purchaser;

(ii) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds; and/or

(iii) dispose of the pledged equity interest in other manner subject to applicable laws and regulations.

Term	:	On the premise that the Company has complied with the applicable Listing Rules, the Equity Pledge Agreement with Nanning Zhuowen Education shall take effect from the date of its execution and receipt of the waiver on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance: (i) all contractual obligations under the Structured Contracts are fulfilled and Secured Indebtedness B are paid; or (ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the Equity Pledge Agreement with Nanning Zhuowen Education.

(g) School Sponsors' and Council Members' Entrustment Agreement

Parties	:	(i) Guangzhou Zhiheng Education (ii) the Target Company (iii) the Schools (iv) the Appointees
Subject Matter	:	Under the School Sponsors' and Council Members' Entrustment Agreement, the Target Company shall irrevocably authorize and entrust Guangzhou Zhiheng Education to exercise all its rights as school sponsor of the Schools to the extent permitted by the PRC laws.

In addition, pursuant to the School Sponsors' and Council Members' Entrustment Agreement, the Target Company appointed five (5) and three (3) Appointees into Sichuan Vocational College and Sichuan Technician College, respectively. As advised by the PRC legal advisers of the Company, the Appointees shall be selected in accordance with the Law for Promoting Private Education of the PRC* (中華人民共和國民辦教育促進法), whereby it requires that the council shall consist of the school sponsor or its representative(s), principal or representatives of teachers and staff members, among which one-third shall have five years or above education and teaching experience. The Appointees shall irrevocably authorize and entrust Guangzhou Zhiheng Education to exercise all their rights as council members of the Schools to the extent permitted by the PRC laws. As advised by the PRC legal advisers of the Company, upon any change of the Appointees, supplemental agreement(s) will be entered into for the purpose of supplementing the School Sponsors' and Council Members' Entrustment Agreement.

In addition, each of the Target Company and the Appointees irrevocably agrees that (i) Guangzhou Zhiheng Education has the right to delegate its right under the School Sponsors' and Council Members' Entrustment Agreement to the directors of Guangzhou Zhiheng Education or its designated person, without prior notice to or consent from the Target Company and the Appointees; and (ii) any person as successor of civil rights of Guangzhou Zhiheng Education or liquidator by reason of subdivision, merger or liquidation of Guangzhou Zhiheng Education or other circumstances shall have authority to replace Guangzhou Zhiheng Education to exercise all rights under the School Sponsors' and Council Members' Entrustment Agreement.

Term	:	On the premise that the Company has complied with the applicable Listing Rules, the School Sponsors' and Council Members' Entrustment Agreement shall take effect from the date of its execution and receipt of the waiver on the Structured Contracts and the related transactions from the Stock Exchange, until the occurrence of the following circumstance: (i) Guangzhou Zhiheng Education fully exercises its right to acquire all the direct and indirect interest in the OPCO Group held by the Registered Shareholders under the Exclusive Call Option Agreement; or (ii) Guangzhou Zhiheng Education provides a 30-day prior notice to terminate the School Sponsors' and Directors' Entrustment Agreement.

(h) School Sponsors' Powers of Attorney

Party	:	The Target Company
Subject Matter	:	The Target Company shall authorize and appoint Guangzhou Zhiheng Education, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of the Schools. Guangzhou Zhiheng Education shall have the right to further delegate the rights so delegated to the directors of Guangzhou Zhiheng Education or its designated person. The Target Company shall irrevocably agree that the authorization and appointment in the School Sponsors' Powers of Attorney shall not be invalidated, prejudiced or otherwise adversely affected by reason of the Target Company's subdivision, merger, bankruptcy, reorganisation and dissolution or other similar events. The School Sponsors' Powers of Attorney shall constitute a part of and incorporate terms of the School Sponsors' and Council Members' Entrustment Agreement.

(i) Council Members' Powers of Attorney

Parties	:	The Appointees
Subject Matter	:	Each of the Appointees shall authorize and appoint Guangzhou Zhiheng Education, as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his/her rights as a council member of the Schools. Guangzhou Zhiheng Education shall have the right to further delegate the rights so delegated to the directors of Guangzhou Zhiheng Education or its designated person. Each of the Appointees shall irrevocably agree that the authorization and appointment provided in the Council Members' Powers of Attorney shall not be invalidated, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or similar events. The Council Members' Powers of Attorney shall constitute a part of and incorporate terms of the School Sponsors' and Council Members' Entrustment Agreement.

(j) Shareholders' Powers of Attorney

Parties	:	(i) the Registered Shareholders (ii) Nanning Zhuowen Education
Subject Matter	:	Each of the Registered Shareholders shall irrevocably authorize and appoint Guangzhou Zhiheng Education as his or their agent to act on his or their behalf to exercise or delegate the exercise of all his or their rights as shareholders of Nanning Zhuowen Education, and Nanning Zhuowen Education shall irrevocably authorise and appoint Guangzhou Zhiheng Education as its agent to act on its behalf to exercise or delegate the exercise of all its rights as shareholder of the Target Company.

Guangzhou Zhiheng Education shall have the right to further delegate the rights so delegated to the directors of Guangzhou Zhiheng Education or its designated person. Each of the Registered Shareholders and Nanning Zhuowen Education shall irrevocably agree that the authorization and appointment provided in the Shareholders' Powers of Attorney shall not be invalidated, prejudiced or otherwise adversely affected by reason of the loss of or restriction on capacity, death or other similar events of the Registered Shareholders and/or subdivision, merger, winding up or other similar events of Nanning Zhuowen Education. The Shareholders' Powers of Attorney shall constitute a part of and incorporate terms of the Shareholders' Rights Entrustment Agreement.

(k) Spouse Undertakings

Parties	:	The spouse of each of the Registered Shareholders
Subject Matter	:	The spouse of each of the Registered Shareholders who is a married natural person shall execute a spouse undertaking to undertake that, among others:

(i) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by the respective Registered Shareholders, and in particular, the arrangement as set out in the Structured Contracts in relation to the restrictions imposed on the direct or indirect equity interest and/or school sponsors' interest in the OPCO Group, pledge or transfer the direct or indirect equity interest in and/or school sponsors' interest in the OPCO Group, or the disposal of the direct or indirect equity interest in and/or school sponsors' interest in the OPCO Group in any other forms;

(ii) the spouse acknowledges that the direct and/or indirect equity interest in the OPCO Group and the rights attached thereon shall belong to the respective Registered Shareholders and shall not constitute common assets with the spouse of the respective Registered Shareholders. The spouse shall not have interest in the OPCO Group and shall not have any claim over those interest in the future;

(iii) the spouse has not participated, is not participating and shall not, in the capacity of the spouse of the respective Registered Shareholders, participate in the operation, management, liquidation, dissolution and other matters in relation to the OPCO Group for whatever reasons (including the death or bankruptcy of the respective Registered Shareholders or in case of divorce); and

(iv) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events.

Consents by Minority Shareholders

The school sponsor's interest in the Schools is wholly owned by the Target Company. Upon Completion, the Target Company is owned by Nanning Zhuowen Education as to 51%, Sichuan Runsheng Education as to 29% and Sichuan Normal University as to 20%. As at the Latest Practicable Date, Sichuan Runsheng Education is owned by Wang Pengcheng (王鵬程) as to 90% and Zhou Jia (周佳) as to 10% while Sichuan Normal University Investment Management Co., Ltd.* is wholly owned by Sichuan Normal University (四川師範大學), which is in turn owned by the Education Department of Sichuan Province (四川省教育廳).

In this regard, the Company has obtained written confirmations from Sichuan Runsheng Education and Sichuan Normal University who confirmed that they agree, among others:

(a) the consolidation of Nanning Zhuowen Education's interest in the Target Company into the assets of the Company and the execution of the Structured Contracts and the exercise of its rights and the performance of its obligations by the Target Company under the Structured Contracts in accordance with the regulators including the Stock Exchange and the Listing Rules, and the right of the Company to consolidate the financial results of the Target Company and its subsidiary(ies) as subsidiary(ies) of the Company in accordance with the applicable accounting standards;

(b) to consent and support any shareholder resolutions or board resolutions of the Target Company in relation to the execution of the Structured Contracts;

(c) to the extent as allowed by the PRC laws, to the waiver of the pre-emptive rights in the event that Nanning Zhuowen Education transfer its interest in the Target Company to Guangzhou Zhiheng Education or its designated persons and to sign or provide all necessary documents or take all necessary actions to facilitate the transfer of the equity interest in the Target Company;

(d) in the event that they intend to sell, assign, transfer or in any other way dispose of the equity interest in the Target Company, apart from confirming the pre-emptive right of Nanning Zhuowen Education, they undertake that their successors shall at no consideration, unconditionally and irrevocably acknowledge and consent in writing the rights and obligations under the written confirmations provided by Sichuan Runsheng Education and/or Sichuan Normal University, and the Structure Contracts prior to such sale, assignment, transfer or disposal; and

(e) if they create any encumbrances over any of its equity interest in the Target Company, they undertake that the beneficiary of such encumbrances and other related persons shall at no consideration, unconditionally and irrevocably consent in writing the rights and obligations under the written confirmations provided by Sichuan Runsheng Education and/or Sichuan Normal University, and the Structured Contracts prior to the creation of such encumbrances.

DISPUTE RESOLUTION

Each of the Structured Contracts provides that:

(a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Structured Contracts shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;

(b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by the Shenzhen Arbitration Commission in Shenzhen, the PRC under the prevailing effective arbitration rules thereof. The results of the arbitration shall be final and binding on all relevant parties;

(c) the arbitration commission shall have the right to award remedies over the equity interest in the Target Group and property interest and other assets of the OPCO Group, impose injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of the OPCO Group; and

(d) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of the PRC, Hong Kong, the Cayman Islands and the place where the principal assets of the Company and the OPCO Group are located shall be considered as having jurisdiction for the above purposes.

LIQUIDATION

Pursuant to the Business Cooperation Agreement, in the event of dissolution or liquidation of the Schools or the Target Company pursuant to the applicable PRC laws, each of the Registered Shareholders shall undertake that, among others, Guangzhou Zhiheng Education shall have right to exercise all school sponsor's rights on behalf of the Target Company and/or exercise all shareholders' rights on behalf of the Registered Shareholders and Nanning Zhuowen Education, and shall instruct all of the Schools and/or the Target Company to transfer assets received under the PRC laws directly to Guangzhou Zhiheng Education and/or its designee(s). Furthermore, Guangzhou Zhiheng Education has been irrevocably authorized and entrusted to exercise the rights of the Target Company as the school sponsor of the Schools and the rights of the Appointees as council members of the Schools and rights of Registered Shareholders as shareholders of Nanning Zhuowen Education.

CONFLICT OF INTERESTS

The Company confirms that appropriate arrangements have been made to address the potential conflict of interests between the Registered Shareholders and the Group (if any). Pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertook to Guangzhou Zhiheng Education that, unless with the prior written consent of Guangzhou Zhiheng Education, the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Guangzhou Zhiheng Education is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangement; or (ii) require the entity engaging in the Competing Business to cease operation.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The Structured Contracts contain certain provisions in order to exercise effective control over and to safeguard the assets of the OPCO Group.

In addition to the internal control measures as provided in the Structured Contracts, the Company has implemented through Guangzhou Zhiheng Education, additional internal control measures against the OPCO Group as appropriate, having regard to the internal control measures adopted by the Group from time to time, which may include but not limited to:

Management controls

(a) The Group has appointed representatives (the "**Representatives**") to the respective board of directors and/or council (where appropriate) of the OPCO Group and each of the Representatives is a third party independent to the OPCO Group and its associates. The Representatives are required to conduct monthly reviews on the operations of the OPCO Group and shall submit the monthly reviews to the Board. The Representatives are also required to check the authenticity of the monthly management accounts of the OPCO Group;

(b) The Representatives have established a team who frequently visits the OPCO Group and is actively involved in various aspects of the daily managerial and operational activities of the OPCO Group;

(c) Upon receiving notification of any material events of the OPCO Group by the respective Representatives, the Registered Shareholders must report to the company secretary/board of directors of the Company, who must in turn report to the Board as soon as possible;

(d) The financial team of the Company/Representatives shall conduct regular site visits to the OPCO Group and conduct personnel interviews every six months and submit reports to the Board; and

(e) All seals, chops, incorporation documents and all other legal documents of the OPCO Group must be kept at the office of Guangzhou Zhiheng Education.

Financial controls

(a) The financial team of the Company shall collect monthly management accounts, bank statements and cash balances and major operational data of the OPCO Group for review. Upon discovery of any suspicious matters, the financial team of the Company must report to the Board;

(b) If the payment of the service fees from the OPCO Group to Guangzhou Zhiheng Education is delayed, the financial team of the Company must meet the Registered Shareholders to investigate and should report any suspicious matters to the Board;

(c) The OPCO Group must submit copies of latest bank statements for every bank account of the OPCO Group within 15 days after each month end; and

(d) The OPCO Group must assist and facilitate the Company to conduct quarterly on-site internal audit on the OPCO Group.

Legal review

The Representatives will consult the Company's PRC legal advisers from time to time to check if there are any legal developments in the PRC affecting the Structured Contracts, and should immediately report to the Board so as to allow the Board to determine if any modification or amendment are required to be made.

EFFECT AND LEGALITY OF THE STRUCTURED CONTRACTS

Compliance of the Structured Contracts with the PRC laws, rules and regulations

As advised by the PRC legal advisers of the Company, upon the execution of the Structured Contracts, each of the Structured Contracts shall be legal, effective, binding among the parties thereto (save for the dispute resolution clauses as contained in the Structured Contracts, further details of which are set out in the paragraph headed "Certain terms of the Structured Contracts may not be enforceable under PRC laws" under the section headed "Risk factors in relation to the

Structured Contracts” and the paragraph headed “Dispute resolutions” in this circular) and does not contravene the provisions of “malicious collusion is conducted to damage others’ legitimate rights and interests” as stipulated in Civil Code of the PRC (《中華人民共和國民法典》).

Dispute resolutions in the Structured Contracts

In connection with the dispute resolution method as set out in the Contractual Arrangement and the practical consequences, the Company is advised by its PRC legal advisers that, under the PRC laws, (a) an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order; (b) courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of the OPCO Group, injunctive relief or winding-up of the OPCO Group as interim remedies, before there is any final outcome of arbitration; and (c) interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC.

The Board’s view on the Structured Contracts

Although the Private School Qualification Requirements allow for a foreign investor for a Sino-Foreign Joint Venture Private School and the Technical School Qualification Requirements allow for a foreign investor for a Sino-Foreign Technical School and the foreign portion of the total investment in a Sino-Foreign Technical School should be below 50%, to the best of knowledge of the PRC legal advisers of the Company and after searching on the website of the Ministry of Education, there have been (i) no approval for a Sino-Foreign Joint Venture Private School or a Sino-Foreign Technical School in Sichuan Province with a legal person status; (ii) no implementing measures or specific guidance on the Qualification Requirements in accordance with the existing PRC laws; and (iii) no precedent that an application for a Sino-Foreign Joint Venture Private School or a Sino-Foreign Technical School with a legal person status in Sichuan Province has been approved. As such, to ascertain the eligibility standards on the foreign investor for a Sino-Foreign Joint Venture Private School or a Sino-Foreign Technical School in Sichuan Province, and the guidance from the applicable approving authorities in Sichuan Province on implementing measures or specific guidance on the Qualification Requirements, in December 2020, the Company, with the assistance of its PRC legal advisers, interviewed (i) the Division of Foreign Exchange and Cooperation (對外交流與合作處) of Education Department of Sichuan Province (四川省教育廳) and (ii) the Division of Vocational Ability Building (職業能力建設處) of the Department of Human Resources and Social Security of Sichuan Province (四川省人力資源和社會保障廳), both of which are the competent authorities for the Schools. During the interviews, such authorities advised and confirmed that (i) no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation and the Sino-foreign Vocational Skills Training Measures, including the Qualification Requirements, in Sichuan Province; and (ii) as a matter of policy, due to the lack of implementing measures or specific guidance on the

Sino-Foreign Regulation, and the Sino-foreign Vocational Skills Training Measures including the Qualification Requirements, the relevant authorities have not approved and will not approve the application to convert the Schools into a Sino-Foreign Joint Venture Private School or a Sino-Foreign Technical School, and have no objection to the Structured Contracts for the Schools. Based on the foregoing, the PRC legal advisers of the Company concluded that it is not feasible and practicable for the Group to seek to reorganize the OPCO Group as a Sino-Foreign Joint Venture Private School and a Sino-Foreign Technical School such that the Company can directly hold no more than 50% interest in the OPCO Group, and the use of the Structured Contracts for the Schools is the only feasible means for the Company to invest in the Schools.

Based on the above, the Board is of the view that the Structured Contracts are narrowly tailored to achieve the OPCO Group's business purpose and to manage any potential conflict with and are enforceable under the relevant PRC laws and regulations. The Directors have discussed and checked with the auditors of the Company and under the prevailing accounting principles of the Company, the Company has the right to consolidate the financial results of the OPCO Group in its consolidated accounts if the Structured Contracts are entered into and the consents by the minority shareholders of the Target Company are obtained. The Structured Contracts enable Guangzhou Zhiheng Education to consolidate the financial results of the OPCO Group which engages in the operation of higher education and secondary vocational education, where the PRC laws and regulations currently restrict operation of higher education to Sino-foreign ownership, in addition to imposing the Qualification Requirements on the foreign owners in the operation of higher education and secondary vocational education and withholding government approval in respect of Sino-foreign ownership. The Structured Contracts also provide that Guangzhou Zhiheng Education will unwind the Structured Contracts as soon as the relevant PRC laws and regulations governing foreign investment in the operation of higher education and secondary vocational education are issued which allow Guangzhou Zhiheng Education to register itself as the shareholder of the OPCO Group.

PLAN TO COMPLY WITH THE QUALIFICATION REQUIREMENTS

The Company has adopted a specific plan and has taken the following concrete steps which it reasonably believes are meaningful endeavors to demonstrate compliance with the Qualification Requirements. According to the interviews with the Education Department of Sichuan Province (四川省教育廳) and the Department of Human Resources and Social Security of Sichuan Province (四川省人力資源和社會保障廳) conducted in December 2020 (the "**Interviews**"), there are no implementing measures or specific guidance on the Qualification Requirements and therefore the relevant authorities will not approve the application to convert the Schools to be a Sino-Foreign Joint Venture Private School or a Sino-Foreign Technical School at this stage. Subject to the discretion of the competent authorities, the Company's PRC legal advisers consider that the following steps taken by the Company to demonstrate compliance with the Qualification Requirements are reasonable and appropriate.

As of the Latest Practicable Date, the Group operates three private higher and vocational education institutions overseas, two in Melbourne, Australia and one in Singapore, respectively.

(i) Melbourne, Australia

(a) In June 2014, the Company incorporated Global Business College of Australia Pty. Ltd ("**GBCA**") in Melbourne. Apart from appointing appropriate personnel for the applications to all relevant regulatory authorities including the Education Authority in Melbourne, the Company provides the necessary strategic and financial support to GBCA. In September 2015, GBCA was successfully registered as a Registered Training Organisation authorized by Australian Skills Quality Authority, the regulatory body for the vocational education and training sector in Australia, and began to provide vocational education training programmes to both local Australian students and international students since June 2016. Its programme offerings include both diploma-granting and certification-granting education programmes.

(b) In February 2017, the Company incorporated Edvantage Institute Australia Pty Ltd (formerly known as Global Higher Education Australia Pty Ltd) ("**EIA**") in Melbourne. Apart from appointing appropriate personnel for the applications to all relevant regulatory authorities including the Education Authority in Melbourne, the Company provides the necessary strategic and financial support to EIA. In the first half of 2020, EIA was successfully registered with the Tertiary Education Quality and Standards Agency of Australia, the Education Services for Overseas Students regulatory agency for providers of higher education courses, to allow the provision of higher education programmes (including undergraduate degree programmes and master degree programmes).

(ii) Singapore

In December 2019, the Group acquired the entire equity interest of Edvantage Institute (Singapore) Pte. Ltd. (formerly known as NYU Language School) ("**EIS**"). It is a private vocational education institution with EduTrust Certificate awarded by the Committee for Private Education of Singapore. Subsequent to the completion of the acquisition, the Group has been involved in the management and operation of EIS and works on broadening the range and number of the course offerings of the Group. The Group has also expanded the customer base of EIS and has collaborated with other education institutions in China.

In the opinion of the Company's PRC legal advisers, taking into consideration of the Interviews and the fact that the Company has been operating higher and vocational education institutions overseas, if the Foreign Ownership Restriction is removed but the Qualification Requirements remain and assuming the said schools (that is, GBCA, EIA and EIS) operated by the Group overseas or another foreign educational institution established by the Company gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirements and obtains the approval of the relevant education or human resources and social security authorities for the establishment of a Sino-Foreign Joint Venture Private School or Sino Foreign Technical School in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of such schools), the Group may be able to operate the Schools in the PRC directly through the schools operated by the Group overseas or such other foreign educational institution established by the Group subject to the approval from, and the discretion of, the competent education or human resources and social security authorities.

RISK FACTORS IN RELATION TO THE STRUCTURED CONTRACTS

The PRC government may find that the Structured Contracts do not comply with applicable PRC laws and regulations

If the Structured Contracts that establish the structure for operating business of the OPCO Group are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the Ministry of Education of the PRC, which regulates the education industry, would have broad discretion in dealing with such violations:

(i) Revoking the business and operating licenses of the OPCO Group;

(ii) Discontinuing or restricting the operations of any related party transactions among the members of the OPCO Group;

(iii) Imposing fines or other requirements with which the OPCO Group may not be able to comply with;

(iv) Requiring the OPCO Group to restructure their operations in such a way as to compel them to establish new entities, re-apply for the necessary licenses or relocate their business, staff and assets; or

(v) Imposing additional conditions or requirements with which the OPCO Group may not be able to comply with.

If any of the above penalties are imposed on the Group, its business, financial condition and results of operations may be materially and adversely affected.

Substantial uncertainties exist with respect to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability of the current corporate structure, corporate governance and business operations

On 15 March 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and has taken effect on 1 January 2020 and became the legal foundation for foreign investment in the PRC. However, the Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. As advised by the PRC legal advisers of the Company, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, administrative regulations or provisions prescribed by the State Council do not incorporate contractual arrangements as a form of foreign investment, the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts will not be affected and will continue to be legal, valid and binding on the parties.

Notwithstanding the above, in the extreme case scenario, the Company may be required to unwind the Structured Contracts and/or dispose of the OPCO Group, which could have a material and adverse effect on the business, financial condition and result of operations of the Group.

The Structured Contracts may not be as effective in providing control over the OPCO Group as direct ownership

The Group relies on contractual arrangements under the Structured Contracts with the OPCO Group to operate the business. However, as these Structured Contracts stand now, if the Schools or the Target Company or the Registered Shareholders fail to perform their respective obligations under these Structured Contracts, the Group cannot exercise school sponsors' rights to direct such corporate action as the direct ownership would otherwise entail.

The owners of the OPCO Group may have conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial condition

The Group's control over the OPCO Group is based upon the Structured Contracts with the OPCO Group, the Registered Shareholders and the council members of the Schools as appointed by the Target Company. The Target Company is the direct holder of the school sponsors' interest in the Schools. The Target Company or the Registered Shareholders may potentially have conflicts of interest with the Group and breach their contracts or undertakings with the Group if it would further their own interest or if they otherwise act in bad faith. In the event that such conflict of interest cannot be resolved in favor of the Group, the Group would have to rely on legal proceedings which could result in disruption to its business and the Group is subject to any uncertainty as to the outcome of such legal proceedings.

The Group may incur substantial cost on the Group's part to exercise the option to acquire the school sponsors' interests in the Schools and equity interest in the Target Company

Pursuant to the Exclusive Call Option Agreement, Guangzhou Zhiheng Education or its designated purchaser has the exclusive right to purchase all or part of the school sponsors' interest in the Schools and the equity interest in the Target Company at the lowest price permitted under the PRC laws and regulations. In the event that Guangzhou Zhiheng Education or its designated purchaser acquires such school sponsors' interests or equity interest and the relevant PRC authorities determine that the purchase price for acquiring the school sponsors' interest or equity interest is below market value, Guangzhou Zhiheng Education or its designated purchaser may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect the business, financial condition and results of operations of the Group.

The Structured Contracts may be subject to scrutiny by the PRC tax authorities and additional tax may be imposed

Under the PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. The Group could face material and adverse tax consequences if the PRC tax authorities determine that the Exclusive Technical Service and Management Consultancy Agreement the Group have with the OPCO Group does not represent an arm's length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase the tax liabilities. In addition, the PRC tax authorities may have reason to believe that Guangzhou Zhiheng Education or the OPCO Group are dodging their tax obligations, and the Group may not be able to rectify such incident within the limited timeline required by the PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on the Group for under-paid taxes, which could materially and adversely affect the business, financial condition and results of operations of the Group.

Certain terms of the Structured Contracts may not be enforceable under the PRC laws

The Structured Contracts provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the Shenzhen Arbitration Commission in Shenzhen, the PRC. The Structured Contracts contain provisions to the effect that the arbitral body may award remedies over the school sponsor's interest in the Schools, the equity interests in the Target Company and/or property interest and assets of the OPCO Group, injunctive relief and/or winding up of the OPCO Group. In addition, the Structured Contracts contain provisions to the effect that courts in the PRC, Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, as advised by the PRC legal advisers, the above-mentioned provisions contained in the Structured Contracts may not be enforceable. Under the PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any school sponsor's interest or equity interest in the OPCO Group in case of disputes. Therefore, such remedies may not be available to the Group, notwithstanding the relevant contractual provisions contained in the Structured Contracts.

The Company does not have any insurance which covers the risks relating to the Structured Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the Structured Contracts and the transactions contemplated thereunder. If any risk arises from the Structured Contracts in the future, such as those affecting the enforceability of the Structured Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of OPCO Group, the business and financial condition of the Group may be adversely affected. However, the Group will implement relevant internal control measures to reduce the operational risk.

Economic risks Guangzhou Zhiheng Education bears as the primary beneficiary of the OPCO Group, financial support to the OPCO Group and potential exposure of the Group to losses

As the primary beneficiary of the OPCO Group, Guangzhou Zhiheng Education will share both profit and loss of the OPCO Group and bear economic risks which may arise from difficulties in the operation of the OPCO Group's businesses. The Group may have to provide financial support in the event of financial difficulty of the OPCO Group. Under these circumstances, the Group's financial results and financial position may be adversely affected by the worsening financial performance of the OPCO Group and the need to provide financial support to it.

THE BOARD'S VIEW ON THE ACQUISITION

The Board considers that the Acquisition and the terms of the Acquisition Agreement are fair and reasonable and are in the interests of the Shareholders as a whole and the Acquisition Agreement was entered into after arm's length negotiation between Guangzhou Zhiheng Education, Guangzhou Huagang, Nanning Zhuowen Education, Shenzhen Hongtao Education and the Target Group on normal commercial terms. The Directors recommend the Shareholders to vote in favour of the resolutions in relation to the Acquisition.

Having taken into account the factors that (i) the Structured Contracts are narrowly tailored to achieve the Target Group's business purpose whilst minimize the potential conflicts with relevant PRC laws and regulations; (ii) the Structured Contracts enable the Company to gain an effective control over the financial and business operations of the OPCO Group and that the financial results of the OPCO Group will be consolidated in the accounts of the Company and (iii) the Structured Contracts contain clauses (such as power of attorney and dispute resolution) that shall properly safeguard the Company's interests in the OPCO Group, the Board (including the independent non-executive Directors) considers that the terms of the Structured Contracts are fair and reasonable and the transactions contemplated thereunder are on normal commercial terms and in the interests of the Company and its shareholders as a whole.

WAIVER IN RESPECT OF THE CONTRACTUAL ARRANGEMENT

The Directors consider that, after the Acquisition, Nanning Zhuowen Education is treated as a subsidiary of the Company, and the Registered Shareholders, as substantial shareholders of Nanning Zhuowen Education, have become connected persons at the subsidiary level of the Company under Chapter 14A of the Listing Rules. As the Registered Shareholders are parties to the Structured Contracts, the entering into of the Structured Contracts constitutes continuing connected transactions of the Company upon Completion. Nevertheless, the aforesaid continuing connected transactions are exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules as the relevant conditions under such rule have been satisfied.

Notwithstanding the entering into of the Structured Contracts constitutes continuing connected transactions of the Company for the purposes of Chapter 14A of the Listing Rules, the Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs of the Company, for all transactions contemplated under the Contractual Arrangement to be subject to strict compliance with the requirements set out under Rules 14A.52 and 14A.53 of the Listing Rules, namely (i) the requirement of limiting the term of the Structured Contracts to three years or less; and (ii) the requirement of setting a maximum aggregate annual value (that is, an annual cap) for the fees payable by the OPCO Group to Guangzhou Zhiheng Education under the Contractual Arrangement.

Grant of Waiver

In view of the above, the Company has applied for, and the Stock Exchange has granted the Waiver, subject to the following conditions:

(a) No change without independent non-executive Directors' approval

Save for any mandatory change required under or resulting from applicable laws and regulations, no changes to the Structured Contracts will be made without the approval of the independent non-executive Directors.

(b) No material changes without independent Shareholders' approval (if required)

Whilst the entering into of the Structured Contracts is exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules, save for any mandatory change required under or resulting from applicable laws and regulations and save as described in paragraph (d) below, the Company will comply with the requirements under the Listing Rules if there are material changes to the Structured Contracts.

(c) Economic benefits flexibility

The Structured Contracts shall continue to enable the Group to receive the economic benefits derived by the OPCO Group through (i) the Equity Call Option, to the extent permitted under the PRC laws and regulations, to acquire all or part of the equity interests or the school sponsors' interests (as the case may be) in the OPCO Group at the lowest price permitted under the applicable PRC laws and regulations, (ii) the business structure under which all of the respective amounts of surplus from operations generated by the OPCO Group (after deducting all costs, expenses, taxes, losses from the previous year (if required by law), the legally compulsory development fund of the respective school (if required by law), and other statutory fees (if required by law)) and multiplied by the proportion of the direct and/or indirect interest of the Registered Shareholders in the OPCO Group is substantially retained by the Group, such that no annual cap shall be set on the amount of service fees payable to Guangzhou Zhiheng Education by the OPCO Group under the Exclusive Technical Service and Management Consultancy Agreement, and (iii) the Group's right to control the management and operation of, as well as, in substance, all of the voting rights of OPCO held by the Registered Shareholders and the majority of the voting rights of the Target Company held by OPCO, which in turn has the right to control all of the voting rights of the Schools.

(d) Renewal and reproduction

On the basis that the Structured Contracts provide an acceptable framework for the relationship between the Company and its subsidiaries in which the Company has direct shareholding, on the one hand, and the OPCO Group, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the Structured Contracts. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of the Group which the Group may establish will, upon renewal and/or reproduction of the Structured Contracts, however be treated as connected persons of the Company, and transactions between these connected persons and the Company other than those under similar Structured Contracts shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

The Company will disclose details relating to the Structured Contracts on an ongoing basis as follows:

- the Structured Contracts in place during each financial period will be disclosed in the Company's annual report in accordance with relevant provisions of the Listing Rules;

- the independent non-executive Directors will review the Structured Contracts annually and confirm in the Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts and that the profit generated by the OPCO Group has been substantially retained by the Group; (ii) no dividends or other distributions have been made by the OPCO Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group; and (iii) any new contracts entered into, renewed or reproduced between the Group and the OPCO Group during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to the Shareholders, so far as the Group is concerned and in the interests of the Shareholders as a whole;

- the Company's reporting accountants will carry out review procedures annually on the transactions carried out pursuant to the Structured Contracts and will provide a letter to the Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of the Directors, have been entered into in accordance with the relevant Structured Contracts and that no dividends or other distributions have been made by the OPCO Group to the holders of its equity interests which are not otherwise subsequently assigned or transferred to the Group;

- for the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of the member of the OPCO Group will be treated as the Company's subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of the member of the OPCO Group and their respective associates will be treated as connected persons of the Company (excluding for this purpose, the OPCO Group), and transactions between these connected persons and the Group (including for this purpose, the OPCO Group), other than those under the Structured Contracts, will be subject to the requirements under Chapter 14A of the Listing Rules; and

- each of the member of the OPCO Group will undertake that, for so long as the Shares are listed on the Stock Exchange, each of the member of the OPCO Group will provide the Group's management and the Company's reporting accountants with full access to its relevant records for the purpose of the Company's reporting accountants' review of the continuing connected transactions.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition exceed(s) 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Waiver from strict compliance with Rule 14.67(6)(a)(ii) of the Listing Rules

Rule 14.67(6)(a)(ii) of the Listing Rules provides that on an acquisition of any business, company or companies, the Company should include in its circular a pro forma statement of the assets and liabilities of the Group combined with the assets and liabilities of the business, company or companies being acquired on the same accounting basis as that adopted by the accountants' report on the business, company or companies being acquired prepared in accordance with Chapter 4 of the Listing Rules (the "**Pro Forma Statement**").

As set out in this circular, under the prevailing accounting principles of the Company, the Company has the right to consolidate the financial results of the Target Group in its consolidated accounts if the Structured Contracts are entered into and the consents by the minority shareholders of the Target Company are obtained. On 30 December 2020, the Structured Contracts have been entered into, and they became effective on 13 January 2021. Accordingly, the financial results, assets and liabilities of the Target Group have been consolidated into the financial results, assets and liabilities of the Group since the date of acquisition and in the financial information of the Group for the six months ended 28 February 2021.

The Company applied for a waiver from the requirement to include the Pro Forma Statement in this circular in strict compliance with the requirement of Rule 14.67(6)(a)(ii) of the Listing Rules for the following reasons:

(a) the interim results announcement of the Company dated 20 April 2021 (the "**Interim Results Announcement**") contains the unaudited condensed consolidated financial statements of the Group for the period, which includes the financial results of the Target Group since the date of acquisition to 28 February 2021 prepared in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants and the accounting policies are materially consistent with the Group's accounting policies;

(b) the unaudited condensed consolidated financial statements of the Group in the Interim Results Announcement largely covers all financial information required in the Pro Forma Statement, and that the Interim Results Announcement has been published before the publication and despatch of the Circular. The Interim Results Announcement shall be able to provide the Shareholders and potential investors of the Company with a true and fair view of the financial position of the enlarged Group and illustrate the effect of the Acquisition on the financial results of the Group. The preparation of the Pro Forma Statement for inclusion in this circular in strict compliance with the requirement of Rule 14.67(6)(a)(ii) of the Listing Rules would be impractical, unduly burdensome and would result in unnecessary time and effort being incurred that may not add much value to the Shareholders in understanding the financial position of the enlarged Group;

(c) on the other hand, if the waiver is granted and the Company is permitted to exclude the Pro Forma Statement in this circular, it will save substantial financial and administrative resources of the Company under this arrangement; and

(d) as alternative disclosure to the Pro Forma Statement in this circular, the Company will include in this circular clear references to the Interim Results Announcement for (i) the financial results of the Group as enlarged by the Acquisition of the Target Group, and (ii) specific disclosures regarding business combinations of the Group illustrating the impact of the Acquisition of the Target Group on the financial results of the Group.

Based on the information provided by the Company, the Stock Exchange granted to the Company the waiver from strict compliance with the requirements under Rule 14.67(a)(ii) of the Listing Rules.

GENERAL

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. The Company has obtained written Shareholders' approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from Debo Education Investments Holdings Limited, which is a controlling shareholder of the Company beneficially interested in 750,790,000 Shares, representing approximately 70.06% of the issued share capital of the Company, as at the Latest Practicable Date, in lieu of holding a general meeting for approval of the Acquisition Agreement and the transactions contemplated thereunder.

Upon Completion, the Registered Shareholders, as substantial shareholders of Nanning Zhuowen Education, which are accounted for as if a subsidiary of the Company, are connected persons at subsidiary level of the Company under Chapter 14A of the Listing Rules.

As the Registered Shareholders are parties to several agreements contemplated under the Structured Contracts, the entering into of the Structured Contracts constitutes continuing connected transactions of the Company upon Completion. Such continuing connected transactions of the Company are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules as the relevant conditions have been satisfied, namely, (i) the Board has approved the Contractual Arrangement which is part of the transactions contemplated under the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Structured Contracts are fair and reasonable, the Contractual Arrangement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole. The Company has applied for a waiver from the Stock Exchange and the Stock Exchange has on 13 January 2021 granted the waiver from (i) fixing the term of the Structured Contracts for a period of not exceeding three years under Rule 14A.52 of the Listing Rules; and (ii) setting a maximum annual cap for the services fee payment by the OPCO Group to Guangzhou Zhiheng Education under Rule 14A.53 of the Listing Rules.

Pelican Financial has been appointed as the Independent Financial Adviser to advise the Company and to provide an opinion in relation to the Acquisition Agreement and the Contractual Arrangement, which exceeds three years, is required for the nature of the transactions, and whether it is normal business practice for contracts of this type to be of such duration, in accordance with Rule 14A.52 of the Listing Rules. The letter from the Independent Financial Adviser, containing its advice to the Company is set out on pages 65 and 77 of this circular.

Additional Information

Your attention is drawn to the additional information set out in the appendices to this circular.

By order of the Board
Edvantage Group Holdings Limited
LIU Yung Chau
Chairman and executive Director

For purpose of this circular, the exchange rate of RMB0.84510 = HK$1 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at such rates or any other rates or at all on the date or dates in question or any other date.

The English translation of Chinese names or words in this circular, where indicated by "", are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

The following is the full text of the letter from Pelican Financial to the Company in respect of the Acquisition Agreement and the Contractual Arrangement in relation thereto for the purpose of inclusion in this Circular.

PELICAN FINANCIAL
百 利 勤 金 融

PELICAN FINANCIAL LIMITED

21/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

26 May 2021

To Edvantage Group Holdings Limited

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ENTIRE EQUITY INTEREST IN SICHUAN NEW CONCEPT EDUCATION INVESTMENT CO., LTD.* AND CHENGDU YUDE LOGISTICS MANAGEMENT CO., LTD.*

INTRODUCTION

We refer to our appointment as the independent financial adviser to Edvantage Group Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") to provide an opinion under Rule 14A.52 of the Listing Rules on the Acquisition Agreement and the Contractual Arrangement in relation thereto. Terms used herein shall have the same meanings as those defined in the announcement of the Company dated 4 December 2020 (the "**Announcement**") unless the context requires otherwise.

On 4 December 2020, Guangzhou Zhiheng Education and Guangzhou Huagang, both indirect wholly-owned subsidiaries of the Company, entered into the Acquisition Agreement with Nanning Zhuowen Education, Shenzhen Hongtao Education, and the Target Group, pursuant to which Guangzhou Zhiheng Education has conditionally agreed to acquire 51% of the entire equity interest in the Target Company, and Guangzhou Huagang has conditionally agreed to acquire 51% of the entire equity interest in Chengdu Yude Logistics, a wholly-owned subsidiary of the Target Company.

As a condition to the Completion of the Acquisition Agreement, Guangzhou Zhiheng Education will enter into the Structured Contracts with Nanning Zhuowen Education, the Registered Shareholders and the OPCO Group, through which Guangzhou Zhiheng Education will have effective control over the OPCO Group and will enjoy the economic benefits generated by the OPCO Group.

As one or more of the applicable percentage ratios in respect of the Acquisition exceed(s) 25% but all are less than 100%, the Acquisition constitutes a major transaction of the Company and is therefore subject to the announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Upon Completion, the Registered Shareholders, as substantial shareholders of Nanning Zhuowen Education, will then be accounted for as if a subsidiary of the Company and will be connected persons at subsidiary level of the Company under Chapter 14A of the Listing Rules.

As the Registered Shareholders will be parties to several agreements contemplated under the Structured Contracts, the entering into of the Structured Contracts will constitute continuing connected transactions of the Company upon Completion. Such continuing connected transactions of the Company are exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to Rule 14A.101 of the Listing Rules as the relevant conditions have been satisfied, namely, (i) the Board has approved the Contractual Arrangement which is part of the transactions contemplated under the Acquisition; and (ii) the independent non-executive Directors have confirmed that the terms of the Structured Contracts are fair and reasonable, the Contractual Arrangement is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Pursuant to Rule 14A.52 of the Listing Rules, the duration term of an agreement governing continuing connected transaction must not exceed three years, except in special circumstances which are limited to cases where the nature of the transaction requires the contract to be of a duration longer than three years. In this respect, as the duration of the Contractual Arrangement exceeds three years, our role as the independent financial adviser to the Company is to explain why the Contractual Arrangement requires a longer period and to confirm that it is a normal business practice for agreements of this type to be of such duration.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and representation provided to us by the Company, its directors and/or management. We have assumed that all information and representation that have been provided by the Company, its directors and/or management, for which they are solely and wholly responsible, are true and accurate at the time when they were made. We have no reason to suspect the reasonableness of the opinions expressed by the Company, its directors and/or management which have been provided to us.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion under Rule 14A.52 of the Listing Rules in respect of the Contractual Arrangement, we have considered the following principal factors and reasons:

1. Information on the major parties to the Structured Contracts

(a) The Group

The Group is the largest private higher education group in the Greater Bay Area of the PRC in terms of total student enrolment of business majors for the 2017/2018 school year according to Frost & Sullivan, and it is an early mover in the education sector in pursuing international expansion.

The Group currently operates two private higher education institutions in the PRC (Huashang College, an independent college, and Huashang Vocational College, a junior college), a private vocational education institution in Australia (Global Business College of Australia), a private higher education institution in Australia (Edvantage Institute Australia) and a private vocational education institution in Singapore (Edvantage Institute (Singapore)).

(b) Guangzhou Zhiheng Education

Guangzhou Zhiheng Education is an indirect wholly-owned subsidiary of the Group and is principally engaged in the provision of education consulting services.

(c) The Target Company

The Target Company is a company established in the PRC with limited liability. It owns the entire equity/school sponsor's interest in the Schools and Chengdu Yude Logistics, which in turn holds the entire equity interest in Chengdu Chengyuan Technology. The Target Company is principally engaged in making investments, developing teaching facilities, and providing management services for student apartments.

(d) Nanning Zhuowen Education, or OPCO

Nanning Zhuowen Education is a company established in the PRC with limited liability. Upon the Completion, it will own 51% of the entire equity interest in the Target Company. It is an investment holding company and its business scope includes the provision of internet and communication related services, education consulting services and information technology consulting services.

(e) The Registered Shareholders

The Registered Shareholders refer to Mr. Zhan Jianke (湛建科) and Mr. Wu Zijian (伍梓健), who are employees of the associated companies of the Group.

For information on other parties to the Structured Contracts, please refer to the section headed "Information about the other parties to the Acquisition Agreement" of the Announcement.

2. The Structured Contracts

Set out below is a summary of the major terms of the Structured Contracts, which include the following agreements.

Structured Contract	Parties and major terms
(a) Business Cooperation Agreement	**Parties:** (i) Guangzhou Zhiheng Education; (ii) the OPCO Group; and (iii) the Registered Shareholders **Subject Matter:** Pursuant to the Business Cooperation Agreement, Guangzhou Zhiheng Education shall provide technical services, management support services and consulting services necessary for the private education business, and in return, the OPCO Group shall agree to make payments accordingly.

(b) Exclusive Technical Service and Management Consultancy Agreement	**Parties:** (i) Guangzhou Zhiheng Education; and (ii) the OPCO Group **Subject Matter:** Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Guangzhou Zhiheng Education shall provide exclusive technical services and exclusive management consultancy services to the OPCO Group and in return, the OPCO Group shall agree to make payments accordingly.
(c) Exclusive Call Option Agreement	**Parties:** (i) Guangzhou Zhiheng Education; (ii) the OPCO Group; and (iii) the Registered Shareholders **Subject Matter:** Under the Exclusive Call Option Agreement, the Registered Shareholders shall irrevocably grant Guangzhou Zhiheng Education or its designated purchaser the exclusive right to purchase all or part of the direct and/or indirect equity interest and/or school sponsor's interest in the OPCO Group.
(d) Shareholders' Rights Entrustment Agreement	**Parties:** (i) Guangzhou Zhiheng Education; (ii) Nanning Zhuowen Education; (iii) the Registered Shareholders; and (iv) the Target Company **Subject Matter:** Under the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders shall irrevocably authorize and entrust Guangzhou Zhiheng Education to exercise all of his rights as a shareholder of Nanning Zhuowen Education, and Nanning Zhuowen Education shall irrevocably authorise and entrust Guangzhou Zhiheng Education to exercise all of its rights as a shareholder of the Target Company to the extent permitted by the PRC laws.
(e) Equity Pledge Agreement with the Registered Shareholders	**Parties:** (i) Guangzhou Zhiheng Education; (ii) Nanning Zhuowen Education; and (iii) the Registered Shareholders

Subject Matter: Under the Equity Pledge Agreement with the Registered Shareholders, each of the Registered Shareholders shall unconditionally and irrevocably pledge and grant first priority security interests over all of their respective equity interest in Nanning Zhuowen Education, accordingly, together with all related rights thereto to Guangzhou Zhiheng Education as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Guangzhou Zhiheng Education as a result of any event of default on the part of the Registered Shareholders and the OPCO Group and all expenses incurred by Guangzhou Zhiheng Education as a result of enforcement of the obligations of the Registered Shareholders and the OPCO Group under the Structured Contracts.

(f) Equity Pledge Agreement with Nanning Zhuowen Education

Parties: (i) Guangzhou Zhiheng Education; (ii) Nanning Zhuowen Education; and (iii) the Target Company

Subject Matter: Under the Equity Pledge Agreement with Nanning Zhuowen Education, Nanning Zhuowen Education shall unconditionally and irrevocably pledge and grant first priority security interests over all of its equity interest in the Target Company, accordingly, together with all related rights thereto to Guangzhou Zhiheng Education as security for performance of the Structured Contracts and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Guangzhou Zhiheng Education as a result of any event of default on the part of the OPCO Group and all expenses incurred by Guangzhou Zhiheng Education as a result of enforcement of the obligations of the OPCO Group under the Structured Contracts.

(g) School Sponsors' and Council Members' Entrustment Agreement	**Parties:** (i) Guangzhou Zhiheng Education; (ii) the Target Company; (iii) the Schools; and (iv) the Appointees **Subject Matter:** Under the School Sponsors' and Council Members' Entrustment Agreement, the Target Company shall irrevocably authorize and entrust Guangzhou Zhiheng Education to exercise all its rights as school sponsor of the Schools to the extent permitted by the PRC laws. In addition, the Appointees shall irrevocably authorize and entrust Guangzhou Zhiheng Education to exercise all their rights as council members of the Schools to the extent permitted by the PRC laws.
(h) School Sponsors' Powers of Attorney	**Party:** The Target Company **Subject Matter:** The Target Company shall authorize and appoint Guangzhou Zhiheng Education, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of the Schools.
(i) Council Members' Powers of Attorney	**Parties:** The Appointees **Subject Matter:** Each of the Appointees shall authorize and appoint Guangzhou Zhiheng Education, as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his/her rights as a council member of the Schools.

(j) Shareholders' Powers of Attorney	**Parties:** (i) the Registered Shareholders; and (ii) Nanning Zhuowen Education **Subject Matter:** Each of the Registered Shareholders shall irrevocably authorize and appoint Guangzhou Zhiheng Education as his or their agent to act on his or their behalf to exercise or delegate the exercise of all his or their rights as shareholders of Nanning Zhuowen Education, and Nanning Zhuowen Education shall irrevocably authorise and appoint Guangzhou Zhiheng Education as its agent to act on its behalf to exercise or delegate the exercise of all its rights as shareholder of the Target Company.
(k) Spouse Undertakings	**Parties:** The spouse of each of the Registered Shareholders **Subject Matter:** The spouse of each of the Registered Shareholders who is a married natural person shall execute a spouse undertaking to undertake that, among others, (i) the spouse has full knowledge of and has consented to the entering into of the Structured Contracts by the respective Registered Shareholders; (ii) the spouse acknowledges that the direct and/or indirect equity interest in the OPCO Group and the rights attached thereon shall belong to the respective Registered Shareholders and shall not constitute common assets with the spouse of the respective Registered Shareholders; (iii) the spouse has not participated, is not participating and shall not, in the capacity of the spouse of the respective Registered Shareholders, participate in the operation, management, liquidation, dissolution and other matters in relation to the OPCO Group for whatever reasons; and (iv) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events.

For details on the terms of the Structured Contracts, please refer to the section headed "The Structured Contract" of the Announcement.

3. Reasons for the Structured Contracts with a duration longer than three years

In formulating our opinion under Rule 14A.52 of the Listing Rules in respect of the Contractual Arrangement, we have considered the following principal factors and reasons:

(i) The OPCO Group is a higher education and secondary vocational education provider in the PRC, and such business is subject to restrictions on foreign ownership under the applicable PRC laws and regulations;

(ii) Without the Contractual Arrangement, the Company would not be able to address the aforementioned foreign ownership restrictions, exercise its full control over the equity interests and assets of the OPCO Group, and consolidate the financial results of the OPCO Group into its accounts as if it were a subsidiary. The adoption of the Contractual Arrangement is therefore essential for the Company to carry out the "restricted" higher education business through the OPCO Group;

(iii) In assessing the fairness and reasonableness of the duration of the Structured Contracts, we have conducted an independent research on companies listed on the Stock Exchange which (i) had adopted similar contractual arrangements that enabled them to obtain control over the operating businesses of PRC companies in which foreign investment is restricted by the applicable PRC laws and regulations (the "**Comparable Transactions**"); and (ii) had published announcements on these contractual arrangements during the period between 1 April 2020 and the date of this letter, being a period of more than one year. To the best of our knowledge and as far as we are aware of, we have identified 26 Comparable Transactions which meet the said criteria and such list is exhaustive as far as we are aware. The table below illustrates the relevant information of the Comparable Transactions.

Date of announcement	Company name (stock code)	Business contemplated under the structured contracts	Term of the structured contracts
29-Apr-20	WAC Holdings Limited (8619)	Provision of value-added telecommunication services, specifically online data processing and transaction processing (operating ecommerce)	10 years and shall be extended automatically upon expiration
29-May-20	Huifu Payment Limited (1806)	Provision of payment services and the fintech enabling services	With no definite duration
15-Jun-20	China Renaissance Holdings Limited (1911)	Management of private equity investments funds	With no definite duration
16-Jun-20	CA Cultural Technology Group Limited (1566)	Production and sales of toys and gifts, development of VR technology in on-line game and on-line shopping	20 years and can be extended at any time
19-Jun-20	Bojun Education Company Limited (1758)	Provision of private education	With no definite duration
26-Jun-20	Grandshores Technology Group Limited (1647)	Operation of internet data centre	With no definite duration
8-Jul-20	Hope Education Group Co., Ltd. (1765)	Provision of private education	With no definite duration
29-Jul-20	Ever Sunshine Lifestyle Services Group Limited (1995)	Provision of value-added telecommunication services	With no definite duration
27-Aug-20	Sheng Ye Capital Limited (6069)	Online operation of upgraded clouded-based factoring platform	10 years and shall be automatically extended upon expiration

Date of announcement	Company name (stock code)	Business contemplated under the structured contracts	Term of the structured contracts
28-Aug-20	Lajin Entertainment Network Group Limited (8172)	Provision of internet audiovisual program services; collection and broadcasting services of literature and art, entertainment, science and technology, finance, sports, education and other specialised audiovisual programs	10 years and shall be extended automatically upon expiration
10-Sep-20	ZZ Capital International Limited (8295)	Provision of (i) back-office services; (ii) comprehensive marketing services; and (iii) data centre services	10 years and shall be extended automatically upon expiration
14-Sep-20	Imperium Group Global Holdings Limited (776)	Development and operation of online games	With no definite duration
26-Jun-20 and 22-Sep-20	IDG Energy Investment Limited(650)	Provision of mobility services	With no definite duration
25-Sep-20	Inke Limited (3700)	Live streaming on dating and e-commerce	10 years and can be extended upon expiration
28-Sep-20	Zengame Technology Holding Limited (2660)	Development and operation of mobile games	With no definite duration
23-Oct-20	Capital Finance Holdings Limited (8239)	Provision of micro-financing services	With no definite duration
4-Nov-20	E-House (China) Enterprise Holdings Limited (2048)	Provision of real estate e-commerce, online advertising and online listing services	With no definite duration
09-Nov-20	7Road Holdings Limited (797)	Development and operation of online and mobile games	With no definite duration
18-Nov-20	Fire Rock Holdings Limited (1909)	Development and operation of online games	With no definite duration

Date of announcement	Company name (stock code)	Business contemplated under the structured contracts	Term of the structured contracts
15-Dec-20	China Fordoo Holdings Limited (2399)	Operation of sales and market of automobiles through an online e-commerce platform	10 years shall be extended automatically upon expiration
20-Jan-21	Shanghai Gench Education Group Limited (1525)	Provision of private higher education	With no definite duration
08-Feb-21	Goldpac Group Limited (3315)	Operation of information service platform and provision of information service businesses	With no definite duration
02-Mar-21	China Feihe Limited (6186)	Provision of value-added telecommunication services	3 years and can be extended upon expiration
17-Mar-21	Meitu, Inc. (1357)	Operation of mobile games; and audio-visual program services to the public through website and app	With no definite duration
29-Mar-21	China Kepei Education Group Limited (1890)	Provision of higher education	With no definite duration
30-Apr-21	Asia Energy Logistics Group Limited (351)	Provision of technical, consultancy and other services	With no definite duration

Source: Website of the Stock Exchange

From our review, we noted that all of the structured contracts contemplated under the Comparable Transactions involved business(es) which was/were subject to foreign investment restrictions under the applicable PRC laws and regulations, as in the case of the Structured Contracts.

As shown in the above table, the durations of the structured contracts as contemplated under the Comparable Transactions ranged from 3 years to 20 years and all of them shall or can be extended automatically or at the discretion of the party(ies) to the subject structured contract. Besides these Comparable Transactions which had a specified/definite term, there are 17 Comparable Transactions, representing 68% of the 26 Comparable Transactions, which had structured contracts that had an indefinite term. The Structured Contracts, which are proposed to have no definite terms, therefore align with the market practices.

In particular, we noted that four of the Comparable Transactions, like the Structured Contracts, involved business activities in the industry of higher/private education in the PRC, where foreign investments are restricted. Given that the structured contracts contemplated under these four Comparable Transactions also had an indefinite term, we consider the indefinite term of the Structured Contracts as fair and reasonable so far as Independent Shareholders are concerned and in alignment with the market practice.

OUR OPINION

Having considered the principal factors discussed above, we are of the view that it is a normal business practice for contracts with nature similar to the Structured Contracts to have a duration of more than three years.

Yours faithfully,
For and on behalf of
Pelican Financial Limited
Charles Li#
Managing Director

Mr. Charles Li is a responsible person registered under the SFO to carry out Type 6 (advising on corporate finance) regulated activity for Pelican Financial Limited and has over 30 years of experience in the accounting and financial services industry.

* *The English translation of Chinese names or words in this letter are included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.*

1. FINANCIAL INFORMATION ON THE GROUP

Details of the financial information of the Group for (i) the financial year ended 31 August 2018 are set out in the Accountants' Report in Appendix I of the prospectus of the Company dated 4 July 2019 ("**Prospectus**"); (ii) the financial year ended 31 August 2019 are disclosed on pages 87 to 185 of the 2019 annual report of the Company for the year ended 31 August 2019 ("**2019 Annual Report**"); and (iii) the financial year ended 31 August 2020 are disclosed on pages 97 to 207 of the 2020 annual report of the Company for the year ended 31 August 2020 ("**2020 Annual Report**"), together with the relevant notes thereto. All of these financial statements have been published on the website of the Stock Exchange (*www.hkexnews.hk*) and the Company's website (*http://www.edvantagegroup.com.hk/*):

- the Prospectus, published on 4 July 2019, available on

  https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0704/ltn20190704015.pdf

- 2019 Annual Report, published on 16 December 2019, available on

  https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1216/2019121600335.pdf

- 2020 Annual Report, published on 22 December 2020, available on

  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1222/2020122200196.pdf

The interim results announcement of the Company for the six months ended 28 February 2021 dated 20 April 2021 contains the unaudited financial results of the Group as enlarged by the acquisition of the Target Group. For specific disclosures regarding business combinations of the Group that illustrate the impact of the acquisition of the Target Group on the financial results of the Group, please refer to Note 12 (the relevant pages are extracted and attached hereto) to the unaudited condensed consolidated financial statements of the Group for the six months ended 28 February 2021 set out in the said interim results announcement.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 March 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the date of this circular, the Enlarged Group had the following indebtedness:

	As of 31 March 2021
	RMB'000
Bank borrowings	
— Secured and guaranteed	831,862
— Unsecured and guaranteed	161,297
	993,159
Other borrowings	
— Secured and guaranteed	326,840
— Secured and unguaranteed	94,000
— Unsecured and guaranteed	44,000
	464,840
Total borrowings	1,457,999
Lease obligations	19,893
Amount due to a related party	
— Unsecured and unguaranteed	324

As at 31 March 2021, the Enlarged Group's bank and other borrowings were amounting to approximately RMB1,458.0 million. Certain bank borrowings amounting to approximately RMB512.8 million were pledged by the rights to receive the tuition fees and boarding fees of Huashang College. Certain bank borrowings amounting to approximately RMB319.0 million were pledged by the rights to receive the tuition fees and boarding fees of Huashang Vocational College. Certain other borrowings amounting to approximately RMB252.5 million were secured by the rights to receive the tuition fees and boarding fees of Sichuan Vocational College and certain property, plant and equipment and/or deposits. Certain other borrowings amounting to approximately RMB168.3 million were secured by deposits and certain property, plant and equipment of the Group. Also, as at 31 March 2021, approximately RMB1,158.7 million of the secured bank and other borrowings and approximately RMB205.3 million of the unsecured bank and other borrowings were guaranteed by corporate guarantee from the Company, Target Company, Guangzhou Zengcheng Sun City Development Co., Ltd. (廣州市增城太陽城發展有限公司),

Guangzhou Zhiheng Education Development Co., Ltd. (廣州智蘅教育發展有限公司), the subsidiaries of the Company, Sichuan Runsheng Education Investment Co., Ltd. (四川潤生教育投資有限公司), a non-controlling shareholder of the Target Company, Wang Yi Nan (王以南), director of the Target Company, Shenzhen Hongtao Group Co., Ltd (深圳洪濤集團股份有限公司), former shareholder of the Target Company, and 眉山岷東開發投資有限公司, an independent third party, respectively, at no cost. As at 31 March 2021, the Enlarged Group's bank and other borrowings were denominated in RMB.

As at 31 March 2021, the Enlarged Group has amount due to a related party of approximately RMB0.3 million that is unsecured and unguaranteed.

As at 31 March 2021, the Enlarged Group, as a lessee, has outstanding unpaid contractual lease payments amounting to RMB19.9 million in aggregate. Except for RMB6.7 million which is secured by rental deposits of RMB1.4 million and RMB0.1 million which is guaranteed, all the remaining amount is unsecured and unguaranteed.

Save as aforesaid, the Enlarged Group did not have any outstanding indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other contingent liabilities as at 31 March 2021.

The Directors confirm that there was no material change in the indebtedness status of the Group since 31 March 2021 up to the Latest Practicable Date.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources presently available to the Enlarged Group, including internally generated funds and the currently available banking facilities and the effects of the Acquisition, and in the absence of unforeseen circumstances, the Enlarged Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 August 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the operation of private higher and vocational education institutions in the PRC and overseas.

Considering the brand, quality of provision of education, reputation and market position of the Schools, the Group is of the view that upon the Completion, it would bring attractive growth potential to the Group in the higher education and vocational education market in the PRC, thereby achieving more diversified and higher income growth for the Group.

The Group believes that the Acquisition will complement the existing school network of the Group. It would enable the Group to further expand the asset portfolio of the schools of the Group and further strengthen the financial performance of the Group, and thus maximize the value for its shareholders.

The following is the text of a report set out on pages II-1 to II-68, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SICHUAN NEW CONCEPT EDUCATION INVESTMENT CO., LTD. AND ITS SUBSIDIARIES TO THE DIRECTORS OF EDVANTAGE GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Sichuan New Concept Education Investment Co., Ltd. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-68, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2018, 2019 and 2020, the statements of financial position of the Target Company as at 31 December 2018, 2019 and 2020 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the three years ended 31 December 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-68 forms an integral part of this report, which has been prepared for inclusion in the circular of Edvantage Group Holdings Limited (the "**Company**") dated 26 May 2021 (the "**Circular**") in connection with the acquisition of the Target Group.

Directors' responsibility for the Historical Financial Information

The directors of Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 3 to the Historical Financial Information, and for such internal control as the directors of Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatements, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatements.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 3 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 December 2018, 2019 and 2020, of the Target Company's financial position as at 31 December 2018, 2019 and 2020 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 3 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the Company (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

No dividend was declared or paid by the Target Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
26 May 2021

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and were audited by Deloitte Touche Tohmatsu, certified public accountants registered in Hong Kong, in accordance with International Standards on Auditing issued by International Auditing and Assurance Standards Board ("**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December		
	NOTES	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
Revenue	*5*	215,898	226,169	252,780
Cost of revenue		(116,085)	(136,246)	(152,803)
Gross profit		99,813	89,923	99,977
Other income	*6*	46,710	66,911	56,888
Other gains and losses, net	*7*	(2,157)	(1,488)	600
Selling expenses		(4,302)	(13,008)	(14,020)
Administrative expenses		(68,979)	(59,931)	(59,394)
Finance costs	*8*	(5,643)	(8,519)	(8,258)
Profit before taxation		65,442	73,888	75,793
Taxation	*9*	(2,295)	(4,276)	(3,521)
Profit for the year	*10*	63,147	69,612	72,272
Other comprehensive income				
Items that will not be reclassified subsequently to profit or loss:				
Gain on revaluation of property, plant and equipment and right-of-use assets transferred to investment properties, net of deferred taxation		—	4,705	—
Total comprehensive income for the year		63,147	74,317	72,272

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 December		
	NOTES	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	900,097	954,511	1,132,609
Right-of-use assets	*15*	190,880	272,960	266,039
Deferred tax assets	*16*	416	1,653	1,580
Investment properties	*17*	—	30,700	31,300
Deposits paid for acquisition of property, plant and equipment		14,753	14,552	14,817
Deposits, prepayments and other receivables	*18*	19,350	26,350	30,000
Amounts due from related parties	*26*	56,231	54,959	63,051
		1,181,727	1,355,685	1,539,396
CURRENT ASSETS				
Inventories		804	768	—
Deposits, prepayments and other receivables	*18*	26,637	23,764	74,836
Amounts due from related parties	*26*	111,826	54,292	5,794
Bank balances and cash	*19*	76,037	64,471	35,854
		215,304	143,295	116,484
CURRENT LIABILITIES				
Contract liabilities	*20*	142,152	150,182	182,345
Trade payables	*21*	1,983	14,787	13,244
Other payables and accrued expenses	*22*	120,007	72,609	63,410
Deferred income	*23*	1,013	2,100	2,155
Bank and other borrowings	*24*	134,208	93,813	172,462
Income tax payable		2,709	8,194	11,480
		402,072	341,685	445,096

		As at 31 December		
	NOTES	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
NET CURRENT LIABILITIES		(186,768)	(198,390)	(328,612)
TOTAL ASSETS LESS CURRENT LIABILITIES		994,959	1,157,295	1,210,784
NON-CURRENT LIABILITIES				
Deferred income	*23*	5,357	44,595	57,369
Bank and other borrowings	*24*	204,410	251,597	212,466
Deferred tax liabilities	*16*	—	1,594	1,744
		209,767	297,786	271,579
NET ASSETS		785,192	859,509	939,205
CAPITAL AND RESERVES				
Paid-up capital	*25*	26,000	26,000	26,000
Reserves		759,192	833,509	913,205
TOTAL EQUITY		785,192	859,509	939,205

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		As at 31 December		
	NOTES	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*14*	8,658	7,344	6,511
Investments in subsidiaries	*36*	468,001	468,001	466,051
Amounts due from related parties	*26*	56,231	54,959	63,051
Amounts due from subsidiaries	*26*	37,533	106,792	102,229
		570,423	637,096	637,842
CURRENT ASSETS				
Deposits, prepayments and other receivables	*18*	12,116	2,762	2,439
Amounts due from related parties	*26*	45,000	—	—
Bank balances and cash	*19*	204	25,803	10,751
		57,320	28,565	13,190
CURRENT LIABILITIES				
Amounts due to subsidiaries	*26*	269,086	311,671	303,259
Other payables and accrued expenses	*22*	1,842	276	214
		270,928	311,947	303,473
NET CURRENT LIABILITIES		(213,608)	(283,382)	(290,283)
NET ASSETS		356,815	353,714	347,559
CAPITAL AND RESERVES				
Paid-up capital	*25*	26,000	26,000	26,000
Reserves	*35*	330,815	327,714	321,559
TOTAL EQUITY		356,815	353,714	347,559

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-up capital	Capital reserve	Property revaluation reserve	Other reserve	Statutory surplus reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
			(Note i)	*(Note ii)*	*(Note iii)*		
At 1 January 2018	26,000	397,816	—	—	90,388	207,841	722,045
Profit and total comprehensive income for the year	—	—	—	—	—	63,147	63,147
Transfer	—	—	—	—	17,369	(17,369)	—
At 31 December 2018	26,000	397,816	—	—	107,757	253,619	785,192
Profit and total comprehensive income for the year	—	—	4,705	—	—	69,612	74,317
Transfer	—	—	—	—	19,468	(19,468)	—
At 31 December 2019	26,000	397,816	4,705	—	127,225	303,763	859,509
Profit and total comprehensive income for the year	—	—	—	—	—	72,272	72,272
Disposal of subsidiaries *(note 32)*	—	—	—	7,424	—	—	7,424
Transfer	—	—	—	—	19,511	(19,511)	—
At 31 December 2020	26,000	397,816	4,705	7,424	146,736	356,524	939,205

Notes:

(i) The property revaluation reserve of the Target Group represents the gain on revaluation of certain properties and leasehold land which have been transferred from properties, plant and equipment and right-of-use assets to investment properties evidenced by end of owner-occupation.

(ii) The other reserve represents the effects of disposal of subsidiaries to a subsidiary of the Company, a fellow subsidiary of the Target Group.

(iii) For the People's Republic of China (the "**PRC**") subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before taxation	65,442	73,888	75,793
Adjustments for:			
Bank interest income	(948)	(673)	(659)
Finance costs	5,643	8,519	8,258
Depreciation of property, plant and equipment	35,098	35,811	37,619
Depreciation of right-of-use assets	5,157	6,165	6,921
Impairment losses under expected credit loss model, net of reversal	2,157	1,588	—
Fair value gain of investment properties	—	(100)	(600)
Assets related government grants	(1,013)	(1,795)	(2,101)
	111,536	123,403	125,231
Decrease (increase) in inventories	57	36	(111)
(Increase) decrease in deposits, prepayments and other receivables	(25,185)	2,991	(885)
(Decrease) increase in contract liabilities	(5,119)	8,030	32,163
Increase in trade and other payables	22,629	22,546	7,836
Cash generated from operations	103,918	157,006	164,234
Income tax paid	(2)	(3)	(12)
NET CASH FROM OPERATING ACTIVITIES	103,916	157,003	164,222

		Year ended 31 December		
	NOTE	**2018**	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
INVESTING ACTIVITIES				
Net cash outflow from disposal of subsidiaries	*32*	—	—	(7,971)
Payments for acquisition of property, plant and equipment		(147,927)	(156,660)	(199,715)
Payments for right-of-use assets		—	(90,628)	—
Payments for rental deposits		(19,350)	(7,000)	(3,650)
Government grants received for construction of property, plant and equipment		—	42,120	14,930
Interest income from banks		948	673	659
Withdrawal of pledged bank deposits		3,000	—	—
Advances to related parties		(169,278)	(98,698)	(32,524)
Repayments from related parties		63,411	155,798	24,054
NET CASH USED IN INVESTING ACTIVITIES		(269,196)	(154,395)	(204,217)
FINANCING ACTIVITIES				
Repayments of bank and other borrowings		(186,815)	(156,840)	(146,155)
Interest paid		(10,906)	(20,966)	(28,140)
New bank and other borrowings raised		370,493	163,632	185,673
NET CASH FROM (USED IN) FINANCING ACTIVITIES		172,772	(14,174)	11,378
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		7,492	(11,566)	(28,617)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		68,545	76,037	64,471
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH		76,037	64,471	35,854

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was established as a company with limited liability in Sichuan Province, the PRC, on 23 August 2002. The address of the registered office and the principal place of business of the Target Company is Sichuan Normal University Gymnasium, 3 Shizishan Road, Jinjiang District, Chengdu, Sichuan Province, the PRC. Its parent and ultimate holding company was Shenzhen Hongtao Education Group Co., Ltd ("**Shenzhen Hongtao**"). On 30 December 2020, Shenzhen Hongtao disposed its entire interest in the Target Company to the Company. Since then, the Company became become the parent and ultimate holding company of the Target Company.

The Target Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the provision of private higher education and secondary vocational education services in the PRC, which are detailed in note 36. The Historical Financial Information is presented in Renminbi ("**RMB**"), which is also the functional currency of the Target Company.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

For the purposes of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied the accounting policies which conform with IFRSs, which are effective for the accounting period beginning on 1 January 2020 throughout the Relevant Periods. Specifically, the Target Group has adopted IFRS 16 "Leases" ("**IFRS 16**") on a consistent basis throughout the Relevant Periods.

New and revised to IFRSs in issue but not yet effective

The Target Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17	*Insurance Contracts and the related Amendments*[1]
Amendment to IFRS 16	*Covid-19-Related Rent Concessions*[4]
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[6]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*[5]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[1]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Amendments to IFRSs Standards	*Annual Improvements to IFRS Standards 2018–2020*[2]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 June 2020
5 Effective for annual periods beginning on or after 1 January 2021
6 Effective for annual periods beginning on or after 1 April 2021

The directors of the Target Company anticipate that the application of all new and amendments to IFRSs will have no material impact on the Target Group's consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of Historical Financial Information

The Historical Financial Information has been prepared based on the accounting policies set out below which conform with IFRSs issued by IASB. For the purpose of preparation of the Historical Financial Information, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

At 31 December 2020, the Target Group and the Target Company had net current liabilities of RMB328,612,000 and RMB290,283,000, respectively. The Historical Financial Information of the Target Group has been prepared on a going concern basis as the Company has agreed to provide adequate fund for the Target Group and the Target Company until the Target Group and the Target Company have the financial ability to do so. In the opinion of the directors of the Company, the Target Group and the Target Company will be able to meet in full its financial obligations as and when they fall due in the foreseeable future.

The directors of the Target Company are satisfied that the Target Group and the Target Company will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account the Target Group's cash flow projection and financial support from the Company.

The Historical Financial Information has been prepared on the historical cost basis except for investment properties that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with of IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for asset or liability.

3.2 Significant accounting policies

Basis of consolidation

The Historical Financial Information incorporates the financial statements of the Target Company and entities controlled by the Target Company and its subsidiaries. Control is achieved when the Target Company:

(i) has power over the investee;

(ii) is exposed, or has rights, to variable returns from its involvement with the investee; and

(iii) has the ability to use its power to affect its returns.

The Target 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 listed above.

Consolidation of a subsidiary begins when the Target Group obtains control over the subsidiary and ceases when the Target Group loses control the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the Relevant Periods are included in the consolidated statements of profit or loss and other comprehensive income from the date the Target Group gains control until the date when the Target Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Target Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

Revenue from contract with customers

The Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customers.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Target Group's performance as the Target Group performs;
- the Target Group's performance creates or enhances an asset that the customer controls as the Target Group performs; or
- the Target Group's performance does not create an asset with an alternative use to the Target Group and the Target Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct goods or service.

A contract liability represents the Target Group's obligation to transfer services to the students for which the Target Group has received tuition fees and boarding fees from the students.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Target Group's performance in transferring control of goods or services.

The Target Group's revenue from major revenue-generating operations, representing income from tuition and boarding services (each being distinct performance obligation), and other income, representing income from non-regular training services and school campus ancillary service (each being distinct performance obligation), are recognised under output methods.

Output method is used when determining progress towards complete satisfaction of the performance obligation of the courses and programs, which is to recognise revenue on the basis of direct measurements of the value of services transferred to the customers to date relative to the remaining services promised under the contract, that best depict the Target Group's performance in transferring control of services. Accordingly, revenue is recognised on a straight-line basis during the service period.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Target Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Target Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- any lease payments made at or before the commencement date, less any lease incentives received.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Target Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statements of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 "Financial Instruments" ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The Target Group as a lessor

Classification and measurement of leases

Leases for which the Target Group is a lessor are classified as finance or operating leases. Whenever the terms of lease transfer substantially all the risk and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Target Group applied IFRS 15 "Revenue from Contracts with Customers" ("**IFRS15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sale and leaseback transactions

The Target Group applies the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Target Group.

The Target Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Target Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as other borrowings within the scope of IFRS 9.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Target Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statements of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Target Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

Payments to defined contribution retirement benefit plans (state-managed retirement benefit scheme) are charged as expenses when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Target Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodies in the investment property over time, rather than through sale, expect for freehold land, which is always presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income, in which case, the current and deferred tax are also recognised in other comprehensive income.

In assessing any uncertainty over income tax treatments, the Target Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Target Group makes payments for ownership interest of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statements of financial position except for those that are classified and accounted for as investment properties under the fair value model.

If a property becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land under classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

Depreciation is recognised so as to write off the cost of property, plant and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Impairment on property, plant and equipment and right-of-use assets

At the end of each reporting period, the Target Group reviews the carrying amounts of its property, plant and equipment and right-of-use assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment and right-of-use assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Target Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Interest income is recognised in profit or loss using the effective interest method and is included in "other income".

Impairment of financial assets

The Target Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including deposits and other receivables, amounts due from related parties and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of each reporting period as well as the forecast of future conditions.

For all instruments, the Target Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

The Target Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collaterals held by the Target Group).

Irrespective of the above, The Target Group considers that default has occurred when a financial assets is more than 90 days past due unless the Target Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Target Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Target Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Target Group in accordance with the contract and the cash flows that the Target Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities (including trade and other payables, bank and other borrowings, and amounts due to subsidiaries) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Target Group derecognises financial liabilities when, and only when, the Target Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 3, the directors of the Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and key sources of estimation uncertainty at the end of each reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of investment properties

Investment properties are stated at fair value based on the valuation performed by independent professional valuers. The determination of the fair value involves certain assumptions which are set out in note 17.

In relying on the valuation report, the directors of the Target Company has exercised their judgement and are satisfied that the method of valuation is reflective of the current market conditions. Changes to these assumptions, including potential risk of any policy, geopolitical and social changes or other unexpected incidents as a result of change in macroeconomic environment or changes in policy direction would result in changes in the fair values of the Target Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statements of profit or loss and other comprehensive income. As at 31 December 2018, 2019 and 2020, the carrying amounts of the investment properties are RMB Nil, RMB30,700,000 and RMB31,300,000, respectively.

Income taxes

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Target Group is subject to EIT. This assessment relies on estimates and assumptions about future events. New information may become available that causes the Target Group to change its estimation regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period in which such determination is made.

5. REVENUE AND SEGMENT INFORMATION

The Target Group is mainly engaged in the provision of private higher education and secondary vocational education services in Chengdu, Sichuan Province in the PRC.

Revenue represents income from tuition and boarding services, each being distinct performance obligation.

The directors of the Target Company, who are the chief operating decision makers, for the purpose of resource allocation and performance assessment, regularly reviewed the financial results and financial position of the Target Group as a whole. Accordingly, only entity-wide disclosures are presented.

Revenue from major services

The following is an analysis of the Target Group's revenue from its major service lines:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Tuition fees recognised overtime	203,837	213,073	239,843
Boarding fees recognised overtime	12,061	13,096	12,937
	215,898	226,169	252,780

The Target Group's contracts with students for private higher education and secondary vocational education programmes are normally with duration of 1 year renewed up to total duration of 2-4 years depending on the education programmes, while those for boarding fees are normally with duration of 1 year. Tuition and boarding fees that are paid by the students are determined before the start of the school year.

Geographical information

During the Relevant Periods, the Target Group operated only in the PRC. All the Target Group's revenue is derived from the PRC and all of the non-current assets of the Target Group are located in the PRC.

Information about major customers

No single customer contributes over 10% or more of total revenue of the Target Group during the Relevant Periods.

Transaction price allocated to the remaining performance obligation for contracts with customers

The contracts for tuition and boarding fees are generally for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

6. OTHER INCOME

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
School campus ancillary services income	22,163	30,451	29,302
Non-regular training fee income	18,155	22,757	16,113
Government grants *(note)*	3,132	4,966	4,480
Management fee income	1,047	5,015	3,151
Rental income	—	2,752	2,752
Interest income from banks	948	673	659
Donation income	302	24	33
Others	963	273	398
	46,710	66,911	56,888

Note: Government grants were received from the government of the PRC mainly for subsidising the campus construction and development, which will be recognised to profit or loss on a systematic basis over the estimated useful life of the property, plant and equipment that were related to the purpose of those government grants. RMB1,013,000, RMB1,795,000 and RMB2,100,000 of such government grants were recognised in other income for the year ended 31 December 2018, 2019 and 2020, respectively. The remaining government grants were received from the government of the PRC for staff re-training, which were received as compensation for expenses already incurred and recognised in other income in the year of receipt.

7. OTHER GAINS AND LOSSES, NET

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Impairment losses under expected credit losses model, net of reversal	(2,157)	(1,588)	—
Fair value gain of investment properties	—	100	600
	(2,157)	(1,488)	600

8. FINANCE COSTS

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Interest expenses on bank borrowings	7,510	3,424	3,044
Interest expenses on other borrowings	3,396	17,542	25,096
Less: amounts capitalised in construction in progress *(note)*	(5,263)	(12,447)	(19,882)
	5,643	8,519	8,258

Note: Borrowing costs capitalised during the Relevant Periods arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.30%, 4.70% and 5.48% per annum for the years ended 31 December 2018, 2019 and 2020, respectively, to expenditure on qualifying assets.

9. TAXATION

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current tax			
— Enterprise Income Tax ("**EIT**")	2,711	5,488	3,298
Deferred tax *(note 16)*	(416)	(1,212)	223
Total	2,295	4,276	3,521

The income tax expense for the Relevant Periods can be reconciled to the profit before taxation per the Target group's consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Profit before taxation	65,442	73,888	75,793
Tax at PRC EIT rate of 25%	16,361	18,472	18,948
Tax effect of income not taxable for tax purposes	(53,975)	(56,542)	(63,195)
Tax effect of expenses not deductible for tax purposes	38,326	40,279	46,316
Tax effect of tax losses not recognised	1,583	2,067	1,452
Tax charge for the year	2,295	4,276	3,521

Under the Law of the PRC on Enterprise Income Tax Law (the "**EIT Law**") and Implementation Regulations of the Law of the PRC, the statutory tax rate of PRC subsidiaries is 25% for the Relevant Periods.

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. In the opinion of the directors of the Target Company, the Target Group's education institutions would be granted enterprise income tax exemption for the tuition related income by relevant local tax authorities. During the years ended 31 December 2018, 2019 and 2020, the non-taxable tuition related income amounted to RMB215,898,000, RMB226,169,000 and RMB252,780,000, respectively, and the related non-deductible expense amounted to RMB151,031,000, RMB158,113,000 and RMB182,961,000, respectively.

10. PROFIT FOR THE YEAR

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Profit for the year has been arrived at after charging:			
Staff costs, including director's remuneration			
— salaries and other allowances	81,042	61,114	71,045
— retirement benefit scheme contributions	6,858	5,674	3,150
Total staff costs	87,900	66,788	74,195
Depreciation of property, plant and equipment	35,098	35,811	37,619
Depreciation of right-of-use assets	5,157	6,165	6,921
Auditor's remuneration	40	34	97

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors' emoluments

Name	**Position**
Wang Yi Nan	Executive director and chief executive
Tang Qing Li	Executive director

Name	Position
Liu Yung Chau	Executive director (appointed on 31 December 2020)
Liu Yi Man	Executive director (appointed on 31 December 2020)
Liu Zhi Xuan	Executive director (appointed on 31 December 2020)

Details of the emoluments paid or payable by the Target Group to the directors of the Target Company during the Relevant Periods are as follows:

	Salaries and other allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2018			
Wang Yi Nan	202	—	202
Tang Qing Li	—	—	—
	202	—	202
For the year ended 31 December 2019			
Wang Yi Nan	202	—	202
Tang Qing Li	—	—	—
	202	—	202
For the year ended 31 December 2020			
Wang Yi Nan	202	—	202
Tang Qing Li	—	—	—
Liu Yung Chau	—	—	—
Liu Yi Man	—	—	—
Liu Zhi Xuan	—	—	—
	202	—	202

During the Relevant Periods, no emoluments were paid by the Target Group to the directors as an inducement to join or upon joining the Target Group or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

The emoluments of Wang Yi Nan shown above were paid for the services in connection with the management of affairs of the Target Group during the Relevant Periods.

Employees

No director was included in the five highest paid individuals of the Target Group during the Relevant Periods. The emoluments of the five individuals for the years ended 31 December 2018, 2019 and 2020, respectively, are as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Salaries and other allowances	2,209	2,314	2,282
Retirement benefit scheme contributions	167	152	152
	2,376	2,466	2,434

The number of the highest paid individuals whose emoluments fell within the following bands is as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
Nil to Hong Kong dollar 1,000,000	5	5	5

During the Relevant Periods, no emoluments were paid by the Target Group to the five highest paid individuals as an inducement to join or upon joining the Target Group or as compensation for loss of office.

12. DIVIDENDS

No dividend was declared or paid by the Target Company in respect of the Relevant Periods.

13. EARNINGS PER SHARE

No earnings per share information is presented, for the purpose of this report as its inclusion, is not considered meaningful.

14. PROPERTY, PLANT AND EQUIPMENT

THE TARGET GROUP

	Owned properties	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
COST						
At 1 January 2018	503,226	18,790	178,266	12,189	288,334	1,000,805
Additions	106	165	24,811	371	66,647	92,100
At 31 December 2018	503,332	18,955	203,077	12,560	354,981	1,092,905
Additions	2,051	150	12,118	1,943	95,906	112,168
Transfer to owned properties	21,943	—	—	—	(21,943)	—
Transfer to investment properties	(21,943)	—	—	—	—	(21,943)
At 31 December 2019	505,383	19,105	215,195	14,503	428,944	1,183,130
Additions	2,795	7,150	21,087	—	184,816	215,848
Disposal of subsidiaries *(note 32)*	—	—	(531)	—	—	(531)
At 31 December 2020	508,178	26,255	235,751	14,503	613,760	1,398,447

	Owned properties	Leasehold improvements	Furniture, fixtures and office equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
ACCUMULATED DEPRECIATION						
At 1 January 2018	46,050	14,359	88,987	8,314	—	157,710
Provided for the year	9,562	529	23,784	1,223	—	35,098
At 31 December 2018	55,612	14,888	112,771	9,537	—	192,808
Provided for the year	9,592	557	24,401	1,261	—	35,811
At 31 December 2019	65,204	15,445	137,172	10,798	—	228,619
Provided for the year	9,670	1,036	25,838	1,075	—	37,619
Disposal of subsidiaries *(note 32)*	—	—	(400)	—	—	(400)
At 31 December 2020	74,874	16,481	162,610	11,873	—	265,838
CARRYING VALUES						
At 31 December 2018	447,720	4,067	90,306	3,023	354,981	900,097
At 31 December 2019	440,179	3,660	78,023	3,705	428,944	954,511
At 31 December 2020	433,304	9,774	73,141	2,630	613,760	1,132,609

THE TARGET COMPANY

	Owned properties	Furniture, fixtures and office equipment	Motor vehicles	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
COST				
At 1 January 2018	6,183	1,253	7,490	14,926
Additions	—	371	—	371
At 31 December 2018 and 2019	6,183	1,624	7,490	15,297
Transfer to a subsidiary	—	(44)	—	(44)
At 31 December 2020	6,183	1,580	7,490	15,253
ACCUMULATED DEPRECIATION				
At 1 January 2018	176	612	4,521	5,309
Provided for the year	118	230	982	1,330
At 31 December 2018	294	842	5,503	6,639
Provided for the year	117	228	969	1,314
At 31 December 2019	411	1,070	6,472	7,953
Provided for the year	117	112	602	831
Transfer to a subsidiary	—	(42)	—	(42)
At 31 December 2020	528	1,140	7,074	8,742
CARRYING VALUES				
At 31 December 2018	5,889	782	1,987	8,658
At 31 December 2019	5,772	554	1,018	7,344
At 31 December 2020	5,655	440	416	6,511

The above items of property, plant and equipment, other than construction in progress, after taking into account their estimated residual values, are depreciated on a straight-line basis during the following useful life:

Owned properties	over the shorter of 50 years or the terms of the leases
Leasehold improvements	over the shorter of 10 years or the terms of the leases
Furniture, fixtures and office equipment	4-5 years
Motor vehicles	4-5 years

At 31 December 2018, 2019 and 2020, the Target Group is in the process of obtaining the property certificates for certain owned properties with carrying value of approximately RMB2,808,000, RMB2,754,000 and RMB2,700,000, respectively which are located in the PRC. In the opinion of directors of the Target Company, the absence of formal title does not impair the value of the relevant owned property and the formal title of these owned properties will be granted to the Target Group in due course.

To better manage the Target Group's capital structure and financing needs, the Target Group has entered into sale and leaseback arrangements in relation to certain owned properties and equipments. The transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale of such owned properties and equipments. During the year ended 31 December 2018, 2019 and 2020, the Target Group has raised RMB215,000,000, RMB133,000,000, and RMB100,000,000 borrowings, respectively, under such sale and leaseback arrangements.

15. RIGHT-OF-USE ASSETS

	Leasehold land
	RMB'000
COST	
At 1 January 2018 and 31 December 2018	230,101
Additions	90,628
Transfer to investment properties	(2,478)
At 31 December 2019 and 2020	318,251

	Leasehold land
	RMB'000
ACCUMULATED DEPRECIATION	
At 1 January 2018	34,064
Provided for the year	5,157
At 31 December 2018	39,221
Provided for the year	6,165
Transfer to investment properties	(95)
At 31 December 2019	45,291
Provided for the year	6,921
At 31 December 2020	52,212
CARRYING VALUES	
At 31 December 2018	190,880
At 31 December 2019	272,960
At 31 December 2020	266,039

The Target Group is the registered user of these leasehold lands. Lump sum payments were made upfront to acquire these land use rights.

16. DEFERRED TAX ASSETS/LIABILITIES

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Deferred tax assets	416	1,653	1,580
Deferred tax liabilities	—	(1,594)	(1,744)
	416	59	(164)

The followings are the deferred tax assets (liabilities) recognised and movement during the Relevant Periods:

	Allowance for credit losses	Fair value adjustments on investment properties	Deferred income	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	—	—	—	—
Credit to profit or loss	416	—	—	416
At 31 December 2018	416	—	—	416
Credit (charge) to profit or loss	487	(25)	750	1,212
Charge to other comprehensive income	—	(1,569)	—	(1,569)
At 31 December 2019	903	(1,594)	750	59
Charge to profit or loss	—	(150)	(73)	(223)
At 31 December 2020	903	(1,744)	677	(164)

The Group has the unused tax losses of the approximately RMB8,134,000, RMB16,402,000 and RMB13,742,000 available for offset against future profits as at 31 December 2018, 2019 and 2020, respectively.

No deferred tax asset has been recognised due to unpredictability of future profit streams on the relevant subsidiaries. Included in the unrecognised tax losses are losses with expiry dates as disclosed in the following table:

	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
2020	375	375	—
2021	1,067	1,067	—
2022	360	360	—
2023	6,332	6,332	4,880
2024	—	8,268	4,400
2025	—	—	4,462
	8,134	16,402	13,742

17. INVESTMENT PROPERTIES

During the year ended 31 December 2019, the Target Group changed the use of certain premises for rental purpose. Certain property, plant and equipment and right-of-use assets have been transferred to investment properties. These properties are revalued at fair value with a gain on revaluation recognised in the property revaluation reserve. The premises are leased out under operating leases with rental payable annually. The lease runs for an initial period of ten years.

The Target Group is not exposed to foreign currency risk as a result of the lease arrangement as the lease is denominated in the respective functional currencies of the Target Group entities. The lease contract does not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

FAIR VALUE

	RMB'000
At 1 January 2018 and 31 December 2018	—
Transfer from property, plant and equipment at fair value at the date of transfer	24,600
Transfer from right-of-use assets at fair value at the date of transfer	6,000
Gain from changes in fair value recognised in profit or loss	100
At 31 December 2019	30,700
Gain from changes in fair value recognised in profit or loss	600
At 31 December 2020	31,300

The fair values of the Target Group's investment properties as at the date of transfer to investment properties, 31 December 2019 and 2020 have been arrived at on the basis of a valuation carried out on the respective date by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**"), independent qualified professional valuers not connected to the Target Group.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

Details of the Target Group's investment properties and information about the fair value hierarchy as at 31 December 2019 and 2020 are as follows:

	Valuation technique	**Significant unobservable inputs**	**Sensitivity**
School premises located in PRC - completed properties	Cost approach	For leasehold land: the valuer adopted the adjusted market value of RMB610 per m^2 in 2019 and RMB622 per m^2 in 2020, which has been taken into account the differences in size, location and lease terms of the land. For buildings: the valuer adopted replacement cost method of RMB1,968 per m^2 in 2019 and RMB2,006 per m^2 in 2020.	A significant increase in the market value used for leasehold land and replacement costs of the buildings would result in significant increase in fair value, vice versa.

	31 December 2019		**31 December 2020**	
	Carrying amount	**Fair value at Level 3 hierarchy**	**Carrying amount**	**Fair value at Level 3 hierarchy**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
School premises	30,700	30,700	31,300	31,300

There were no transfers into or out of Level 3 during the Relevant Periods.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

THE TARGET GROUP

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Deposits *(note i)*	19,350	26,350	30,000
Prepayments	17,392	19,497	17,496
Other receivables	8,502	2,403	4,323
Staff advances	840	914	243
Other tax recoverable	83	1,012	423
Amount due from a former shareholder *(note ii)*	—	—	54,000
	46,167	50,176	106,485
Less: allowance for credit losses	(180)	(62)	(1,649)
	45,987	50,114	104,836

Analysed for reporting purposes as:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Non-current	19,350	26,350	30,000
Current	26,637	23,764	74,836
	45,987	50,114	104,836

THE TARGET COMPANY

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	5,065	2,227	2,392
Other receivables	6,704	2	—
Staff advances	467	533	47
	12,236	2,762	2,439
Less: allowance for credit losses	(120)	—	—
	12,116	2,762	2,439

Notes:

i. As at 31 December 2018, 2019 and 2020, the amount represents deposits secured for other borrowings under sale and leaseback arrangements. As the Target Group has not transferred the significant risks and rewards relating to these deposits, the Target Group continues to recognise the full carrying amount of the deposits. These financial assets are carried at amortised cost in the Target Group's consolidated statements of financial position and are presented as non-current.

ii. The amount represents amount due from Shenzhen Hongtao, a former shareholder of the Target Company. The amount is non-trade related, non-interest bearing, and repayable on demand. During the year ended 31 December 2020, Shenzhen Hongtao had disposed its entire interest in the Target Company, the amount together with the credit losses provided have been reclassified to other receivables accordingly. Such amount has been fully settled in February 2021.

Details of impairment assessments on deposits and other receivables are set out in note 29.

19. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits with an original maturity of three months or less held by the Target Group and the Target Company. As at 31 December 2018, 2019 and 2020, the Target Group's and the Target Company's bank balances and bank deposits with an original maturity of three months or less carried weighted-average interest rates of 0.63%, 0.54% and 0.59% per annum, respectively.

20. CONTRACT LIABILITIES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Tuition fees	135,325	143,873	174,000
Boarding fees	6,827	6,309	8,345
	142,152	150,182	182,345

As at 1 January 2018, the contract liabilities amounted to RMB147,271,000.

The following table shows how much of the revenue relates to carried-forward contract liabilities:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Tuition fees	140,951	135,073	143,744
Boarding fees	5,984	6,811	6,305
	146,935	141,884	150,049

No revenue recognised during the Relevant Periods relates to performance obligations that were satisfied in prior periods.

Typical payment terms which impact on the amount of contract liabilities recognised related to tuition fees and boarding fees are as follows:

When the Target Group receives the prepayments before commencement of school terms, this will give rise to contract liabilities at the start of a contract. The Target Group typically receives the amounts in full before relevant services commence.

21. TRADE PAYABLES

The credit periods granted by suppliers on purchase of consumables and provision of services are normally for 30 to 60 days.

The following is an aged analysis of trade payables presented based on invoice date at 31 December 2018, 2019 and 2020.

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
0 to 60 days	665	11,598	3,217
61 to 180 days	134	1,092	1,567
181 to 365 days	1,146	1,930	2,858
Over 1 year	38	167	5,602
	1,983	14,787	13,244

22. OTHER PAYABLES AND ACCRUED EXPENSES

THE TARGET GROUP

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Construction cost payables for campus	63,042	5,902	2,418
Receipt on behalf of vendors *(note i)*	25,728	20,669	21,699
Accrued staff benefits and payroll	21,126	20,372	21,871
Deposits received	4,053	7,689	5,234
Receipt in advance from ancillary services	3,182	5,504	—
Government subsidies payable to students *(note ii)*	2,516	6,256	9,368
Rental receipt in advance	—	5,505	2,752
Other tax payables	360	712	68
	120,007	72,609	63,410

THE TARGET COMPANY

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Accrued staff benefits and payroll	1,444	—	—
Deposits received	336	275	213
Other tax payables	1	1	1
Others	61	—	—
	1,842	276	214

Notes:

i. The amounts represent teaching materials and uniform fees collected on behalf of relevant vendors from students.

ii. The amounts represent scholarships and government subsidies received from the government to be distributed to students.

23. DEFERRED INCOME

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Government grants			
— current portion	1,013	2,100	2,155
— non-current portion	5,357	44,595	57,369
	6,370	46,695	59,524

Deferred income represents government grants received from government of the PRC for subsidising campus construction and development, which will be recognised in profit or loss on a systematic basis over the estimated useful life of the property, plant and equipment that related to the purpose of those government grants.

24. BANK AND OTHER BORROWINGS

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Bank borrowings	89,678	13,000	62,497
Other borrowings	248,940	332,410	322,431
Total borrowings	338,618	345,410	384,928
Analysed as:			
— Fixed rate	261,940	345,410	384,928
— Variable rate	76,678	—	—
	338,618	345,410	384,928
— Secured	204,940	288,410	278,431
— Unsecured	133,678	57,000	106,497
	338,618	345,410	384,928
The carrying amounts of the above borrowings are repayable*:			
— Within one year	134,208	93,813	172,462
— More than one year, but not exceeding two years	41,488	80,798	93,300
— More than two years, but not exceeding five years	118,922	126,799	75,166
— More than five years	44,000	44,000	44,000
	338,618	345,410	384,928
Less: Amounts due within one year shown under current liabilities	(134,208)	(93,813)	(172,462)
Amounts shown under non-current liabilities	204,410	251,597	212,466

* The amounts due are based on scheduled repayment dates, set out in the loan agreements.

The Target Group has variable rate borrowings which carried interest with reference to the Benchmark Borrowing Rate of The People's Bank of China. The weighted average effective interest rates on the Target Group's borrowings are as follows:

	As at 31 December		
	2018	**2019**	**2020**
Effective interest rate:			
Fixed rate bank and other borrowings	3.81%	6.21%	6.69%
Variable rate bank borrowings	5.62%	—	—

All of the borrowings are denominated in RMB which is the same as the functional currency of the relevant Target Group entities.

Certain bank and other borrowings of the Target Group were secured by property, plant and equipment and deposits of the Target Group and the rights to receive the tuition fees and boarding fees of Urban Vocational College of Sichuan (四川城市職業學院), a subsidiary of the Target Company. Details of assets that have been pledged as collateral to secure borrowings are set out in note 34.

As at 31 December 2018, 2019 and 2020, bank borrowings amounting to approximately RMB294,618,000, RMB301,410,000 and RMB340,928,000, respectively, are guaranteed by the related parties.

25. PAID-UP CAPITAL OF THE TARGET COMPANY

	As at 1 January 2018, 31 December 2018, 2019 and 2020
	RMB'000
Registered and fully paid:	
Paid-up capital	26,000

26. AMOUNTS DUE FROM RELATED PARTIES/AMOUNTS DUE FROM (TO) SUBSIDIARIES

(a) During the Relevant Periods, the following parties are identified as related parties to the Target Group and the respective relationships are set out below:

Name of related party	**Relationship**
Sichuan Normal University Investment Management Co., Ltd (四川師範大學投資管理有限公司)	Shareholder of the Target Company
Sichuan Runsheng Education Investment Co., Ltd (四川潤生教育投資有限公司)	Shareholder of the Target Company
Sichuan Normal University (四川師範大學)	Shareholder of the Target Company
Shenzhen Hongtao Decoration Co., Ltd (深圳市洪濤裝飾股份有限公司)	Shareholder of the Target Company as at 1 January 2018, 31 December 2018 and 2019
Chengdu Yude Logistics Management Co., Ltd (成都育德後勤管理有限公司)	Former subsidiary of the Target Company, becoming a fellow subsidiary of the Target Company upon the disposal (see note 32)

(b) The Target Group had the following amounts due from related parties at the end of each reporting period.

	As at 1 January 2018	At 31 December 2018	2019	2020	Maximum amount outstanding during year ended 31 December 2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sichuan Normal University Investment Management Co., Ltd	51,053	56,231	54,959	63,051	57,053	57,053	65,453
Sichuan Runsheng Education Investment Co., Ltd	10,000	1,970	—	—	30,000	12,000	8,000
Sichuan Normal University	3,114	2,424	2,274	2,257	2,721	2,758	2,717
Shenzhen Hongtao Decoration Co., Ltd	—	107,432	52,018	N/A	109,000	107,432	54,000
Chengdu Yude Logistics Management Co., Ltd	N/A	N/A	N/A	3,537	—	—	3,537
	64,167	168,057	109,251	68,845			

The amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(c) The Target Company had the following amounts due from related parties at the end of each reporting period.

	As at 1 January 2018	At 31 December 2018	2019	2020	Maximum amount outstanding during year ended 31 December 2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Sichuan Normal University Investment Management Co., Ltd	51,053	56,231	54,959	63,051	57,053	57,053	65,453
Sichuan Runsheng Education Investment Co., Ltd	10,000	1,970	—	—	30,000	12,000	8,000
Shenzhen Hongtao Decoration Co., Ltd	—	43,030	—	—	43,000	43,000	—
	61,053	101,231	54,959	63,051			

(d) The amounts due from (to) subsidiaries are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(e) Details of impairment assessment on amounts due from related parties are set out in note 29.

27. RETIREMENT BENEFIT PLANS

The employees of the Target Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Target Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefits scheme is to make the specified contributions under the scheme.

The amounts of contributions made by the Target Group in respect of the retirement benefit scheme during the Relevant Periods are disclosed in note 10.

28. CAPITAL RISK MANAGEMENT

The Target Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance. The Target Group's overall strategy remains unchanged during the Relevant Periods.

The capital structure of the Target Group consists of net debt, which includes bank and other borrowings disclosed in note 24, net of cash and cash equivalent, and equity, comprising paid-up capital and reserves.

The management of the Target Group reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Target Group, the Target Group will balance its overall capital structure through the issue of new debts as well as the redemption of the existing debts.

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

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	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost	272,606	203,327	196,616
Financial liabilities			
Financial liabilities at amortised cost	433,767	401,811	436,648

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	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Financial assets at amortised cost	146,019	188,089	176,078
Financial liabilities			
Financial liabilities at amortised cost	269,147	311,671	303,259

(b) Financial risk management objectives and policies

The Target Group's major financial instruments include deposits and other receivables, amounts due from related parties, bank balances and cash, trade and other payables and bank and other borrowings. The Target Company's major financial instruments include other receivables, amounts due from (to) subsidiaries, amounts due from related parties, bank balances and cash and other payables. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Target Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (interest rate risk), credit risk and liquidity risk.

Market risk

Interest rate risk

The Target Group is exposed to fair value interest rate risk primarily in relation to its fixed rate borrowings. The Target Group is also exposed to cash flow interest rate risk in relation to its variable rate bank balances and bank borrowings. The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and Benchmark Borrowing Rate of the People's Bank of China arising from the Target Group's variable rate bank borrowings. The Target Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management of the Target Group will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank balances at 31 December 2018, 2019 and 2020 and variable rate bank borrowings at 31 December 2018 and assumed that the amount outstanding at 31 December 2018 were outstanding for the whole year. A 10 basis points increase or decrease for bank balances and 50 basis points increase or decrease for variable rate bank borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates of variable rate bank balances had been 10 basis points higher/lower and all other variables were held constant, the Target Group's post-tax profit for the years ended 31 December 2018, 2019 and 2020 would increase/decrease by RMB56,000, RMB48,000 and RMB26,000 respectively. If interest rates of the variable rate bank borrowings had been 50 basis points higher/lower and all other variables were held constant, the Target Group's post-tax profit for the years ended 31 December 2018 would decrease/increase by RMB288,000.

In the opinion of the management of the Target Group, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year end exposure does not reflect the exposure during the respective years.

Credit risk and impairment assessment

Credit risk refers to that the Target Group's and Target Company's counterparties default on their contractual obligations resulting in financial losses to the Target Group and Target Company, respectively. The Target Group's credit risk exposures are primarily attributable to deposits and other receivables, amounts due from related parties and bank balances. The Target Company's credit risk exposures are primarily attributable to other receivables, amounts due from related parties and subsidiaries and bank balances.

The Target Group does not hold any collateral or other credit enhancement associated with its financial assets.

Impairment assessment on deposits and other receivables and amounts due from related parties

In order to minimise the credit risk on deposits and other receivables and amounts due from related parties, management of the Target Group makes periodic individual assessment on the recoverability of receivables based on historical settlement records, reasons for extended repayment period and past experience. In addition, the Target Group performs impairment assessment under ECL model on the receivables based on 12m ECL. In this regard, the directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings, the Target Group does not have any other significant concentration of credit risk.

The Target Group assessed the loss allowance for its deposits and other receivables with gross carrying amounts of RMB28,692,000, RMB29,667,000 and RMB88,566,000, and amounts due from related parties with gross carrying amount of RMB170,513,000, RMB113,413,000 and RMB71,420,000 as at 31 December 2018, 2019 and 2020, respectively on 12m ECL basis. In determining the ECL for deposits and other receivables and amounts due from related parties, the management of the Target Group has taken into account the historical default experience and forward-looking information as appropriate. There had been no significant increase in credit risk since initial recognition.

The Target Group reviews the amount of each individual receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. At 31 December 2018, 2019 and 2020, the Target Group provided an impairment allowance on deposits and other receivables of RMB180,000, RMB62,000 and RMB1,649,000 respectively. At 31 December 2018, 2019 and 2020, the Target Group also provided an impairment allowance on amounts due from related parties of RMB2,456,000, RMB4,162,000 and RMB2,575,000 respectively.

The following tables show the movement in 12m ECL that has been recognised for deposits and other receivables and amounts due from related parties:

	Deposits and other receivables	**Amounts due from related parties**	**12m ECL**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	—	479	479
New financial assets originated	180	1,977	2,157
At 31 December 2018	180	2,456	2,636
Changes to financial instruments recognised as at 1 January 2019:			
— Impairment losses recognised	—	1,706	1,706
— Impairment losses reversed	(118)	—	(118)
At 31 December 2019	62	4,162	4,224
Reclassification *(note 18)*	1,587	(1,587)	—
At 31 December 2020	1,649	2,575	4,224

Impairment assessment on bank balances

The Target Group's bank balances RMB75,074,000, RMB64,402,000 and RMB34,155,000 and the Target Company's bank balances RMB204,000, RMB25,803,000 and RMB10,751,000 as at 31 December 2018, 2019 and 2020, are placed with the financial institutions in the PRC with high credit rating. The credit risks on bank deposits and bank balances are limited because the counterparties are reputable banks in the PRC with high credit ratings assigned by credit agencies. The management of the Target Group considers these bank balances are short-term in nature and the probability of default is negligible, and accordingly, loss allowance was considered as insignificant.

Liquidity risk

In management of the liquidity risk, the Target Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Target Group's and the Target Company's operations and mitigate the effects of fluctuations in cash flows. The Target Group relies on bank and other borrowings as a significant source of liquidity.

The following table details the Target Group's and Target Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group and Target Company can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at 31 December 2018, 2019 and 2020.

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	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018								
Trade and other payables	—	3,834	89,435	1,880	—	—	95,149	95,149
Bank borrowings								
— variable rate	5.62	355	710	78,852	—	—	79,917	76,678
— fixed rate	5.82	81	13,030	—	—	—	13,111	13,000
Other borrowings								
— fixed rate	3.70	1,287	5,652	51,892	189,146	50,864	298,841	248,940
		5,557	108,827	132,624	189,146	50,864	487,018	433,767

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019								
Trade and other payables	—	14,950	38,169	3,282	—	—	56,401	56,401
Bank borrowings								
— fixed rate	7.50	81	13,027	—	—	—	13,108	13,000
Other borrowings								
— fixed rate	6.16	203	9,860	91,458	235,034	50,336	386,891	332,410
		15,234	61,056	94,740	235,034	50,336	456,400	401,811

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020								
Trade and other payables	—	22,147	27,334	2,239	—	—	51,720	51,720
Bank borrowings								
— fixed rates	6.33	43,329	195	19,789	—	—	63,313	62,497
Other borrowings								
— fixed rate	6.76	652	10,042	120,282	185,472	49,808	366,256	322,431
		66,128	37,571	142,310	185,472	49,808	481,289	436,648

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	Weighted average effective interest rate	On demand or less than 1 month	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018					
Other payables	—	—	61	61	61
Amounts due to subsidiaries	—	269,086	—	269,086	269,086
		269,086	61	269,147	269,147

	Weighted average effective interest rate	On demand or less than 1 month	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019					
Amounts due to subsidiaries	—	311,671	—	311,671	311,671

	Weighted average effective interest rate	On demand or less than 1 month	3 months to 1 year	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020					
Amounts due to subsidiaries	—	303,259	—	303,259	303,259

30. CAPITAL COMMITMENTS

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of the acquisition of property, plant and equipment	289,037	221,981	81,618

Except as disclosed above, the Target Group did not have any significant commitments and contingent liabilities at the end of each period.

31. OPERATING LEASING ARRANGEMENTS

The Target Group as a lessor

The property held by the Target Group for rental purposes has committed lessees for the next ten years.

Undiscounted lease payments receivable on leases are as follows:

	As at 31 December	
	2019	2020
	RMB'000	*RMB'000*
Within one year	3,000	3,000
In the second year	3,000	3,000
In the third year	3,000	3,150
In the fourth year	3,150	3,150
In the fifth year	3,150	3,150
After five years	16,545	13,395
	31,845	28,845

32. DISPOSAL OF SUBSIDIARIES

During the year ended 31 December 2020, the Target Group disposed its interests in Chengdu Yude Logistics Management Co., Ltd. and Chengdu Chengyuan Technology Co., Ltd. to Guangzhou Huagang Enterprise Management Co., Ltd (廣州市華港企業管理有限公司), a subsidiary of the Company at a consideration of RMB1. The net liabilities of the disposed subsidiaries at the date of disposal were as follows:

	RMB'000
Consideration received	
Cash received	—*
Analysis of assets and liabilities over which the control was lost	
Property, plant and equipment	131
Bank balances and cash	7,971
Amounts due from subsidiaries of the Target Company	17,065
Deposits, prepayments and other receivables	2,226
Inventories	879
Other payables and accrued expenses	(15,094)
Amounts due to subsidiaries of the Target Company	(20,602)
Net liabilities disposed of	(7,424)
Gain on disposal recognised in other reserve:	
Consideration received	—*
Net liabilities disposed of	7,424
	7,424
Net cash outflow arising on disposal:	
Cash consideration received	—*
Less: bank balances and cash disposed of	(7,971)
	(7,971)

* Less than RMB1,000

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank and other borrowings
	RMB'000
At 1 January 2018	154,940
Financing cash flow *(note)*	172,772
Finance costs	10,906
At 31 December 2018	338,618
Financing cash flow *(note)*	(14,174)
Finance costs	20,966
At 31 December 2019	345,410
Financing cash flow *(note)*	11,378
Finance costs	28,140
At 31 December 2020	384,928

Note: The cash flows represent the addition of and repayment of bank and other borrowings and interest paid in the Target Group's consolidated statements of cash flows.

34. PLEDGED OF ASSETS

The Target Group's bank and other borrowings had been secured by the pledge of the Target Group's assets and the rights to receive the tuition fees and boarding fees of a subsidiary of the Target Company. The carrying amounts of the assets are as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	250,341	417,314	416,340
Deposits	19,350	26,350	30,000
	269,691	443,664	446,340

35. RESERVES OF THE TARGET COMPANY

	Capital reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	397,816	(60,835)	336,981
Loss for the year	—	(6,166)	(6,166)
At 31 December 2018	397,816	(67,001)	330,815
Loss for the year	—	(3,101)	(3,101)
At 31 December 2019	397,816	(70,102)	327,714
Loss for the year	—	(6,155)	(6,155)
At 31 December 2020	397,816	(76,257)	321,559

36. INVESTMENTS IN SUBSIDIARIES AND LIST OF SUBSIDIARIES

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Investment in subsidiaries	468,001	468,001	466,051

At the end of each reporting period and as at the date of this report, the particulars of the Target Company's subsidiaries are as follows:

Name of subsidiary	Date and place of establishment	Registered capital As at 31 December	Equity interests attributable to the Target Group 2018	2019	2020	As at date of this report	Principal activities
Sichuan City Vocational College* *(notes i & v)* 四川城市職業學院	8 May 2018 The PRC	RMB100,000	100%	100%	100%	100%	Provision of private higher education services
Sichuan City Technician College* *(notes i & vi)* 四川城市技師學院	22 May 2018 The PRC	RMB10,000,000	100%	100%	100%	100%	Provision of private secondary vocational education services

Name of subsidiary	Date and place of establishment	Registered capital As at 31 December	Equity interests attributable to the Target Group 2018	2019	2020	As at date of this report	Principal activities
Chengdu Yude Logistics Management Co., Ltd* *(notes ii & vi)* 成都育德後勤管理有限公司	7 July 2015 The PRC	RMB1,000,000	100%	100%	— *(note iii)*	—	Provision of business administrative services
Chengdu Chengyuan Technology Co., Ltd* *(notes ii & vi)* 成都市成苑科技有限責任公司	28 April 2019 The PRC	RMB1,000,000	100%	100%	— *(note iii)*	—	Provision of education consulting services
Sichuan Sida Garment Co., Ltd* *(notes ii & vi)* 四川絲達紡織有限公司	15 December 2010 The PRC	RMB1,000,000	100%	100%	— *(note iv)*	—	Inactive

* *For identification purpose only.*

Notes:

(i) These subsidiaries are schools established in the PRC.

(ii) These subsidiaries are companies with limited liability established in the PRC.

(iii) The subsidiaries were disposed during the year ended 31 December 2020.

(iv) The subsidiary was deregistered during the year ended 31 December 2020.

(v) The statutory financial statements of the subsidiary for each of the years ended 31 December 2018, 2019 and 2020 were prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprise in the PRC. For the years ended 31 December 2018 and 2020, the statutory financial statements were audited by 大華會計師事務所, certified public accountants registered in the PRC. For the year ended 31 December 2019, the statutory financial statements of the subsidiary were audited by 四川德邦會計師事務所, certified public accountants registered in the PRC.

(vi) No statutory audited financial statements have been prepared for the years ended 31 December 2018, 2019 and 2020 as there is no statutory audit requirement.

None of the subsidiaries had issued any debt securities during the Relevant Periods.

37. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Group, Target Company, or any of its subsidiaries have been prepared in respect of any period subsequent to 31 December 2020.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The following is the management discussion and analysis of the Target Group for the financial years ended 31 December 2018, 2019 and 2020.

The following management discussion and analysis should be read in conjunction with the financial information of the Target Group as set out in Appendix II to this circular.

BUSINESS REVIEW

For the years ended 31 December 2018, 2019 and 2020, the Target Company did not have any material business operation other than serving as an investment holding company. The Target Company did not have material assets other than the entire equity/school sponsor's interests in the Schools as at 31 December 2018, 2019 and 2020 and the entire equity interest in Chengdu Yude Logistics, which in turn held the entire equity interest in Chengdu Chengyuan Technology, as at 31 December 2018 and 2019. The Target Group focuses on the provision of higher education and vocational education services in the PRC. For further information of the Target Group, please refer to "Information about the other parties to the Acquisition Agreement" as stated in the Letter from the Board in this circular.

Segment information

During the years ended 31 December 2018, 2019 and 2020, all revenue of the Target Group was derived from the provision of higher education and vocational education services in the PRC.

Revenue

The Target Group's revenue primarily consists of income derived from tuition fees and boarding fees for the education services provided in the normal course of business at the Schools in the PRC.

For the year ended 31 December 2020, the Target Group's revenue was approximately RMB252.8 million, representing an increase of 17.1% as compared with the year ended 31 December 2018 of approximately RMB215.9 million, which was mainly attributable to the increase in the number of student enrolments over the school years.

Cost of Revenue

Cost of revenue primarily consists of staff costs, education expenses, depreciation and property management expenses.

Staff costs mainly include salaries, social insurance and other benefits provided to teaching staffs.

Education expenses mainly include (i) student subsidies, (ii) expenses incurred in connection with academic activities, course materials and repair and maintenance expenses for teaching equipment and facilities, (iii) office expenses, (iv) transportation expenses incurred in connection with academic and teaching activities, and (v) teaching staff training expenses.

Depreciation expenses primarily relate to the Target Group's long-term assets, land use rights (i.e. accounted for as right-of-use assets) and teaching buildings and equipment.

Property management expenses mainly comprise expenses incurred for the repair and maintenance of teaching buildings on the campus of the Schools and utility expenses.

For the year ended 31 December 2020, the Target Group's cost of revenue was approximately RMB152.8 million, representing an increase of 31.6% as compared with the year ended 31 December 2018 of approximately RMB116.1 million, which was mainly attributable to the increasing property management expenses as a result of the repair events of teaching buildings in the school campus.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue, and gross margin represents gross profit divided by revenue.

For the year ended 31 December 2020, the Target Group's gross profit was approximately RMB100.0 million, representing an increase of 0.2% as compared with the year ended 31 December 2018 of approximately RMB99.8 million. In addition, for the year ended 31 December 2020, the Target Group's gross margin was 39.6%, representing a decrease of 6.6 percentage points as compared with the year ended 31 December 2018 of 46.2%. It was mainly attributable to the fact that the increase in property management expenses outweigh the impact of revenue growth as a result of the repair events in the school campus.

Other income

Other income primarily consists of school campus ancillary services income, non-regular training fee income and management fee income.

The Target Group recorded other income of approximately RMB46.7 million, RMB66.9 million and RMB56.9 million for the years ended 31 December 2018, 2019 and 2020, respectively.

Other gains and losses

Other gains and losses primarily consist of fair value change on investment properties and recognition of impairment losses under expected credit losses model.

Selling expenses

Selling expenses primarily consist of advertising expenses, recruiting expenses and salary expenses.

Advertising expenses mainly include costs incurred for the advertising activities of the Schools in the PRC, such as advertisements and branding activities, conducted for branding.

Recruiting expenses mainly include costs incurred in relation to the student recruiting activities of the Schools in the PRC, such as travel expenses incurred by the staffs from internal student recruitment departments.

Salary expenses mainly include staff salaries, social insurance and other benefits provided to staffs from internal student recruitment departments.

The Target Group recorded selling expenses of approximately RMB4.3 million, RMB13.0 million and RMB14.0 million for the years ended 31 December 2018, 2019 and 2020, respectively.

Administrative expenses

Administrative expenses primarily consist of administrative payroll, property management expenses, office expenses and depreciation expenses.

Administrative payroll mainly includes administrative staff salaries, social insurance and other benefits provided to our administrative staffs, such as labour union costs and training fees.

Property management expenses mainly include property repair and maintenance of office buildings and utility expenses.

Office expenses mainly include general office expenses, travel expenses, professional consulting fees and entertainment expenses incurred by our administrative staffs and in connection with our administrative activities.

Depreciation expenses mainly include depreciation of owned properties, leasehold improvements, furniture, fixtures and office equipment and motor vehicles for the administrative purposes.

The Target Group recorded administrative expenses of approximately RMB69.0 million, RMB59.9 million and RMB59.4 million for the years ended 31 December 2018, 2019 and 2020, respectively.

Finance costs

Finance costs primarily consist of interest expenses on bank and other borrowings, which include amounts capitalised in the cost of property, plant and equipment.

The Target Group recorded finance costs of approximately RMB5.6 million, RMB8.5 million and RMB8.3 million for the years ended 31 December 2018, 2019 and 2020, respectively.

Profit before taxation

For the years ended 31 December 2018, 2019 and 2020, the Target Group recorded profit before taxation of approximately RMB65.4 million, RMB73.9 million and RMB75.8 million, respectively.

Taxation

For the years ended 31 December 2018, 2019 and 2020, the Target Group recorded approximately RMB2.3 million, RMB4.3 million and RMB3.5 million in taxation, respectively. As of 31 December 2020, the Group did not have any taxation related disputes with any authorities or any other unresolved taxation issues which are material to the Target Group.

Capital expenditures

Capital expenditures are comprised of payments for acquisition of property, plant and equipment and payments of right-of-use assets.

The Target Group recorded capital expenditures of approximately RMB147.9 million, RMB247.3 million and RMB199.7 million for the years ended 31 December 2018, 2019 and 2020, respectively. They were primarily incurred for maintaining and upgrading the existing school premises and purchasing additional educational facilities and equipment for the Schools in the PRC.

Bank balances and cash

Bank balances and cash were approximately RMB76.0 million, RMB64.5 million and RMB35.9 million as of 31 December 2018, 2019 and 2020, respectively, primarily consisting of cash and deposits in bank saving accounts.

Liquidity, Financial Resources and Gearing Ratio

As at 31 December 2018, 2019 and 2020, the Target Group had liquid funds (representing bank balances and cash) of approximately RMB76.0 million, RMB64.5 million and RMB35.9 million, respectively, and bank and other borrowings of approximately RMB338.6 million, RMB345.4 million and RMB384.9 million, respectively.

The Target Group's gearing ratio as of 31 December 2018, 2019 and 2020, represented by bank and other borrowings as a percentage of total assets, was 24.2%, 23.0% and 23.2%, respectively.

During the years ended 31 December 2018, 2019 and 2020, the Target Group's principal sources of fund were mainly generated from its operations and external borrowings. Meanwhile, its principal uses of cash were incurred for general working capital and expenditures on supporting campus expansion.

Foreign Exchange Risk Management

The principal operation, assets and liabilities of the Target Group were denominated in local currency (i.e. RMB) and were not exposed to any material foreign exchange risk. As such the Target Group did not have a foreign currency hedging policy.

The Target Group did not record any foreign exchange gain or losses for the years ended 31 December 2018, 2019 and 2020.

Material Acquisitions and Disposals

During the year ended 31 December 2020, the Target Group disposed its entire equity interest in Chengdu Yude Logistics, which in turn held the entire equity interest in Chengdu Chengyuan Technology; of which, 51% of the equity interest in Chengdu Yude Logistics was disposed to Guangzhou Huagang Enterprise Management Co., Ltd., a subsidiary of the Company, and the remaining 49% of the equity interest in Chengdu Yude Logistics was disposed to the non-controlling shareholders of the Target Group.

Save as disclosed above, the Target Group had no other material acquisitions or disposals of subsidiaries, jointly controlled entities and associated companies during the years ended 31 December 2018, 2019 and 2020.

Charge on the Target Group's Assets

As at 31 December 2018, 2019 and 2020, the Target Group pledged (i) certain property, plant and equipment of approximately RMB250.3 million, RMB417.3 million and RMB416.3 million, (ii) certain deposits of approximately RMB19.4 million, RMB26.4 million and RMB30.0 million, and (iii) the rights to receive the tuition fees and boarding fees of Sichuan Vocational College as securities for the banking facilities granted to the Target Group.

Save as disclosed above, there was no other material charge on the Target Group's assets as at 31 December 2018, 2019 and 2020.

Contingent Liabilities

As at 31 December 2018, 2019 and 2020, the Target Group had no significant contingent liabilities.

Significant investments held and future plans on material investments

As at 31 December 2018, 2019 and 2020, the Target Group did not have any significant investments. As of the Latest Practicable Date, there is no immediate plan on material investments by the Target Group.

Future plans

The Target Group focuses on the provision of higher education and vocational education services and the Company does not intend to change this focus. The Target Group had not identified any target for investment or acquisition as at the Latest Practicable Date.

Human Resources

The Target Group had approximately 1,300, 1,500 and 1,500 employees as at 31 December 2018, 2019 and 2020, respectively. The Target Group offers competitive remuneration packages to the employees, which are determined in accordance with the relevant laws and regulations of the local jurisdictions where the Target Group operates and the individual qualification, experience and performance of the relevant employees, as well as the prevailing salary levels in the market. In addition, the Group provides other comprehensive fringe benefits to the employees, including social insurance, complying with the applicable laws and regulations. For the years ended 31 December 2018, 2019 and 2020, the staff costs of the Target Group were approximately RMB87.9 million, RMB66.8 million and RMB74.2 million, respectively.

Besides, the Target Group provides relevant training programs for the employees based on their respective personal career development.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation of the property interests held by the Target Group as at 31 March 2021.

JLL®
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Licence No.: C-030171

26 May 2021

The Board of Directors
Edvantage Group Holdings Limited
Room 1115, 11/F, Wing On Plaza,
62 Mody Road, Tsim Sha Tsui, Kowloon,
Hong Kong

Dear Sirs,

On 4 December 2020, Guangzhou Zhiheng Education Consulting Co., Ltd. (廣州智蘅教育諮詢有限公司, the "**Guangzhou Zhiheng Education**", formerly named as Guangzhou Zhiheng Education Development Co., Ltd.) and Guangzhou Huagang Enterprise Management Co., Ltd. (廣州市華港企業管理有限公司, the "**Guangzhou Huagang**"), both indirect wholly-owned subsidiaries of Edvantage Group Holdings Limited (中滙集團控股有限公司, the "**Company**"), entered into the Acquisition Agreement with Nanning Zhuowen Education Consulting Services Co., Ltd. (南寧市卓文教育諮詢服務有限公司, the "**Nanning Zhuowen Education**" or "**OPCO**", a company established in the PRC with limited liability), Shenzhen Hongtao Education Group Co., Ltd. (深圳洪濤教育集團有限公司, the "**Shenzhen Hongtao Education**", a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Shenzhen Hongtao Group Co., Ltd. (深圳洪濤集團股份有限公司, the "**Shenzhen Hongtao**")), and Sichuan New Concept Education Investment Co., Ltd. (四川新概念教育投資有限公司, the "**Target Company**", a company established in the PRC with limited liability), Sichuan City Technician College (四川城市技師學院, the "**Sichuan Technician College**", which is wholly-owned by the Target Company), Sichuan City Vocational College (四川城市職業學院, the "**Sichuan Vocational College**", which is wholly-owned by the Target Company), Chengdu Yude Logistics Management Co., Ltd. (成都育德後勤管理有限公司, the "**Chengdu Yude Logistics**", a company established in the PRC with limited liability, an indirect non-wholly owned subsidiary of the Company) and Chengdu Chengyuan Technology Co., Ltd. (成都市成苑科技有限責任公司, the "**Chengdu Chengyuan**

Technology", a wholly-owned subsidiary of Chengdu Yude Logistics) (collectively, the "**Target Group**"), pursuant to which Guangzhou Zhiheng Education has conditionally agreed to acquire 51% of the entire equity interest in the Target Company, and Guangzhou Huagang has conditionally agreed to acquire 51% of the entire equity interest in Chengdu Yude Logistics.

In accordance with your instructions to value the property interests held by the Target Group in the People's Republic of China (the "**PRC**") for disclosure purpose, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 March 2021 (the "**valuation date**").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the buildings and structures of the property Nos. 1 and 2 in Group I and the property No. 5 in Group II and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interests have therefore been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have valued the property Nos. 3 and 4 in Group I by direct comparison approach assuming sale of the property interests in their existing states with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market. This approach rests on the wide acceptance of the market transactions in the market place can be extrapolated to similar properties, subject to allowances for variable factors.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Target Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Grant Contracts, Construction Land Planning Permit, State-owned Land Use Rights Certificates, Real Estate Title Certificates, Construction Work Planning Permits, Construction Work Commencement Permits, Building Ownership Certificate and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Commerce and Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in February 2021 by Ms. Cyndi Huang, who is a Chartered Surveyor and a China Real Estate Appraiser and has 9 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Target Group. We have also sought confirmation from the Target Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We are instructed to provide our opinion of value as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy has recovered and most business activities have been back to normal. We also note that market activity and market sentiment in these particular market sectors remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of these properties under frequent review.

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully, For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interests held and occupied by the Target Group in the PRC

No.	Property	Market value in existing state as at 31 March 2021 *RMB*
1.	Chengdu Campus of Sichuan City Vocational College (四川城市職業學院成都校區) located at No. 351 Honghe Middle Road, Damian Street, Longquanyi District, Chengdu City, Sichuan Province The PRC	No commercial value *(Refer to note 1)*
2.	Meishan Campus of Sichuan City Vocational College (四川城市職業學院眉山校區) (except for experimental building No. 3) located at No. 1 South Section of Mindong Avenue, Mindong New District, Meishan City, Sichuan Province The PRC	915,000,000 *(Refer to note 2)*
3.	Office Unit 1926, 19th Floor, Entrance 1, Block 8, New Century Global Center, No. 1700 North Section of Tianfu Avenue, High-tech Zone, Chengdu City, Sichuan Province The PRC	3,200,000
4.	A semi-detached villa located at Unit 2, Building 24, Meishu Peninsula, Tianxia Qingcheng B Area, Intersection of Shajie Road and Liangyan Road, Dujiangyan City, Chengdu City, Sichuan Province The PRC	No commercial value *(Refer to note 3)*
	Sub-total:	**918,200,000**

Group II — Property interest held for investment by the Target Group in the PRC

No.	Property	Market value in existing state as at 31 March 2021 *RMB*
5.	Experimental building No. 3 of Meishan Campus of Sichuan City Vocational College located at No. 1 South Section of Mindong Avenue, Mindong New District, Meishan City, Sichuan Province The PRC	6,000,000 *(Refer to note 4)*
	Sub-total:	**6,000,000**
	Grand total:	**924,200,000**

Notes:

1. According to the real estate title certificate of property No. 1, the land use rights of the property have been allocated to Sichuan Vocational College. In the valuation of property No. 1, we have attributed no commercial value to the buildings and structures and the land parcel due to the allocated land nature of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and structures (excluding the land) as at the valuation date would be RMB294,000,000.

2. In the valuation of the property No. 2, we have attributed no commercial value to 4 buildings with a total gross floor area of approximately 115,130.20 sq.m. which have not obtained relevant title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be RMB246,000,000.

3. In the valuation of property No. 4 with a gross floor area of approximately 300.31 sq.m., the Target Company has not obtained the relevant title certificate of the property. Therefore, we have attributed no commercial value to property No. 4. However, for reference purpose, we are of the opinion that the market value of property No. 4 as at the valuation date would be RMB2,200,000, assuming the relevant title certificate has been obtained by the Target Company and the Target Company is entitled to freely transfer, lease, mortgage or otherwise dispose of the property with no outstanding payable fees or monies.

4. In the valuation of the property No. 5, we have attributed no commercial value to the building with a gross floor area of approximately 12,543.92 sq.m. which has not obtained relevant title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of this building (excluding the land) as at the valuation date would be RMB25,000,000.

VALUATION CERTIFICATE

Group I — Property interests held and occupied by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021 *RMB*
1.	Chengdu Campus of Sichuan City Vocational College (四川城市職業學院成都校區) located at No. 351 Honghe Middle Road, Damian Street, Longquanyi District, Chengdu City, Sichuan Province, The PRC	Chengdu Campus of Sichuan City Vocational College is located at Damian Street, Longquanyi District, Chengdu City. The locality is an under development area where public facilities such as municipal facilities and amenities are under further improvement. The property comprises 20 buildings and various ancillary structures erected on a parcels of land with a site area of approximately 230,907.79 sq.m. Completed between 2003 and 2004, the buildings of the property mainly include academic buildings, administration building, library, gymnasium, dormitories and canteen. The buildings have a total gross floor area of approximately 176,478.78 sq.m. The structures mainly include guard room, public toilet, power distribution room, playground, swimming pool, boundary walls and roads. The land use rights of the property have been allocated to the Sichuan Vocational College for scientific and educational uses.	As at the valuation date, the property was occupied by the Target Group for educational and ancillary purposes.	No commercial value *(Refer to note 2)*

Notes:

1. Pursuant to a Real Estate Title Certificate — Chuan (2018) Long Quan Yi Qu Bu Dong Chan Quan Di No. 0012948, 19 buildings with a total gross floor area of approximately 168,846.79 sq.m. are owned by Sichuan City Vocational College (四川城市職業學院, the "**Sichuan Vocational College**", which is wholly-owned by the Target Company). The relevant land use rights of the buildings with a site area of approximately 230,907.79 sq.m. have been allocated to Sichuan Vocational College.

2. According to the real estate title certificate of the property, the land use rights of the property have been allocated to Sichuan Vocational College. In the valuation of the property, we have attributed no commercial value to the buildings and structures and the land parcel due to the allocated land nature of the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and structures (excluding the land) as at the valuation date would be RMB294,000,000.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Sichuan Vocational College has obtained the relevant title certificate of the aforementioned land. Sichuan Vocational College has the rights to occupy and use the land solely according to the planned uses stated on the title certificate mentioned in note 1, but shall not transfer or lease the land without approval;

   b. Sichuan Vocational College has obtained the relevant title certificate of the buildings mentioned in note 1. Sichuan Vocational College has the rights to occupy and use the buildings according to the planned usages stated on the title certificate, but shall not transfer or lease the buildings without approval;

   c. Sichuan Vocational College has not obtained the real estate title certificate of a building (Dormitory No. 10) with a gross floor area of approximately 7,631.99 sq.m., so it cannot be confirmed that Sichuan Vocational College has the legal ownership rights of this building: and

   d. according to Chinese legislation, the educational facilities of public welfare institutions and social organizations such as schools cannot be mortgaged, so the land and buildings of the property cannot be mortgaged.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021 *RMB*
2.	Meishan Campus of Sichuan City Vocational College (四川城市職業學院眉山校區) (except for experimental building No. 3) located at No. 1 South Section of Mindong Avenue, Mindong New District, Meishan City, Sichuan Province, The PRC	Meishan Campus of Sichuan City Vocational College is located at Mindong New District, Meishan City. There are several schools around the property, such as Meishan Campus of Sichuan Technology and Business University, Meishan Vocational and Technical College and Meishan First City No. 7 Development School. The locality is a newly developed area where public facilities such as municipal facilities and amenities are under further improvement. Meishan Campus of Sichuan City Vocational College occupies a total site area of approximately 491,071.60 sq.m. As advised by the Company and the Target Group, the development of these land parcels is divided into three phases. As at the valuation date, the development of land parcels of Phase I and Phase II with a total site area of approximately 358,920.89 sq.m. had almost been completed while the land parcel of Phase III with a site area of approximately 132,150.71 sq.m. was still bare land. The property comprises Phase I, a portion of Phase II (exclusive of experimental building No.3) and Phase III of Meishan Campus of Sichuan City Vocational College. As advised by the Company and the Target Group, the site area of the property is approximately 481,146.26 sq.m. (exclusive of the portion of land occupied by experimental building No.3). Experimental building No.3 which is erected on the land parcel of Phase II is not within the scope of this property.	As at the valuation date, portions of the property (Phase I and a portion of Phase II of Sichuan City Vocational College) were partly occupied by the Target Group for educational and ancillary purposes and partly vacant, whilst the remaining portion of the property (Phase III of Sichuan City Vocational College) was bare land.	915,000,000 *(Refer to note 8)*

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021 *RMB*
		Constructed between 2015 and 2020, the property comprises 14 buildings and various ancillary structures. The buildings of the property mainly include academic buildings, experimental buildings, administration building, library, innovation and entrepreneurship center, dormitories and canteen. The buildings have a total gross floor area of approximately 274,529.00 sq.m. As at the valuation date, academic buildings Nos. 3 and 4, library, innovation and entrepreneurship center with a total gross floor area of approximately 97,676.31 sq.m. were in bare-shell condition. The structures of the property mainly include ancillary facility rooms, playground, boundary walls and roads. The land use rights of the property have been granted for a term of 50 years with the expiry dates on 25 November 2063, 1 May 2067 and 30 January 2069 for scientific and educational uses.		

Notes:

1. Pursuant to 4 State-owned Land Use Rights Grant Contracts — Nos. 5112002013 (Pai) 48, 2016 (M)-18, 2016 (M)-19 and 2018 (M)-7 dated 25 November 2013, 8 July 2016 and 26 December 2018, the land use rights of 4 parcels of land with a total site area of approximately 491,071.60 sq.m. (including the land use rights of the property) were contracted to be granted to Sichuan City Vocational College (四川城市職業學院, the "**Sichuan Vocational College**", which is wholly-owned by the Target Company) for a term of 50 years for scientific and educational uses commencing from the land delivery date. The total land premium was RMB172,780,000.

2. Pursuant to 3 Construction Land Planning Permits — Di Zi Di Nos. MD2014-01, MD2016-03 and 2019-7, permissions towards the planning of the aforesaid land parcels with a total site area of approximately 491,071.60 sq.m. (including the land use rights of the property) have been granted to Sichuan Vocational College.

3. Pursuant to 2 State-owned Land Use Rights Certificates — Mei Shi Guo Yong (2014) Di Nos. 02481 and 02482, 3 Real Estate Title Certificates (Land) — Chuan (2017) Mei Shan Shi Bu Dong Chan Quan Di Nos. 0015584 and 0015585 and Chuan (2019) Mei Shan Shi Bu Dong Chan Quan Di No. 0012819, the land use rights of the aforesaid land parcels with a total site area of approximately 491,071.60 sq.m. (including the land use rights of the property) have been granted to Sichuan Vocational College for the terms expiring on 25 November 2063, 1 May 2067 and 30 January 2069 for scientific and educational uses.

4. Pursuant to 5 Construction Work Planning Permits — Jian Zi Di Nos. MD2014-3, MD2016-06, MD2016-16, MD2017-3 and MD2019-22, the buildings with a total gross floor area of approximately 317,850.49 sq.m. (including the property) have been approved for construction.

5. Pursuant to 11 Construction Work Commencement Permits — Nos. 513800201411180301, 513800201411180401, 513800201609190201, 513800201411030201, 513800201411180501, 513800201411180201, 513800201705270101, 513800201705050201, 513800201705170101, 513800201709220101 and 513800201905310101 in favour of Sichuan Vocational College, permissions by the relevant local authority were given to commence the construction of Phase I and Phase II of the property with a total gross floor area of approximately 284,753.84 sq.m. (including the property).

6. Pursuant to 14 Construction Work Completion and Inspection Reports in favour of Sichuan Vocational College, the construction of Phase I and Phase II of the property with a total gross floor area of approximately 274,325.05 sq.m. has been completed and passed the acceptance inspection.

7. Pursuant to 10 Real Estate Title Certificates — Chuan (2018) Mei Shan Shi Qu Bu Dong Chan Quan Di Nos. 0028503, 0028504, 0028505 and 0028506, Chuan (2020) Mei Shan Shi Qu Bu Dong Chan Quan Di Nos. 0002347, 0002348, 0002349, 0002350, 0002351 and 0002352, 10 buildings with a total gross floor area of approximately 159,398.80 sq.m. are owned by Sichuan Vocational College. The relevant land use rights of the buildings have been granted to Sichuan Vocational College.

8. In the valuation of the property, we have attributed no commercial value to 4 buildings with a total gross floor area of approximately 115,130.20 sq.m. which have not obtained relevant title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land) as at the valuation date would be RMB246,000,000.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Sichuan Vocational College has obtained the relevant title certificates of the aforementioned land. Within the remaining land use rights terms as stated on the relevant title certificates, Sichuan Vocational College can solely occupy, use, lease and transfer the land according to the planned uses stated on the title certificates mentioned in note 3;

   b. Sichuan Vocational College has obtained the relevant title certificates of the buildings mentioned in note 7. Within the remaining use rights terms as stated on the relevant title certificates, Sichuan Vocational College can solely occupy, use, lease and transfer the buildings according to the planned usages specified on the title certificates;

   c. Sichuan Vocational College has not obtained the real estate title certificate of the buildings mentioned in note 8, so it cannot be confirmed that Sichuan Vocational College has the legal ownership rights of the buildings: and

   d. according to Chinese legislation, the educational facilities of public welfare institutions and social organizations such as schools cannot be mortgaged, so the land and buildings of the property cannot be mortgaged.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021 *RMB*
3.	Office Unit 1926, 19th Floor, Entrance 1, Block 8, New Century Global Center, No. 1700 North Section of Tianfu Avenue, High-tech Zone, Chengdu City, Sichuan Province, The PRC	The property comprises an office unit located on 19th Floor, Entrance 1, Block 8 of a megacity complex known as New Century Global Center which was completed in around 2012. New Century Global Center is by far the world's largest building in terms of floor area. It is served by Metro Line 1 of Chengdu. The property has a gross floor area of approximately 217.04 sq.m. The land use rights of the property have been granted for a term of 40 years with the expiry date on 8 October 2048 for office use.	As at the valuation date, the property was vacant.	3,200,000

Notes:

1. Pursuant to a Real Estate Purchase and Sale Contract dated 22 February 2013 — No. 3122, Sichuan New Concept Education Investment Co., Ltd. (四川新概念教育投資有限公司, the "**Target Company**", a company established in the PRC with limited liability) (as purchaser) entered into this contract with Chengdu Century City New International Exhibition Center Co., Ltd (成都世紀城新國際會展中心有限公司, the "**Vendor I**"), whereby the Target Company agreed to acquire the property with a gross floor area of approximately 219.92 sq.m. from the Vendor I at the consideration of RMB3,252,947. Pursuant to the contract, the land use rights of the property have been granted for a term of 40 years with the expiry date on 8 October 2048 for office use.

2. Pursuant to a Building Ownership Certificate — Cheng Fang Quan Zheng Jian Zheng Zi Di No. 4608244, an office unit with a gross floor area of approximately 217.04 sq.m. is owned by the Target Company.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. the Target Company has obtained the relevant title certificate of the property. Within the remaining use rights terms as stated on the relevant title certificate, Sichuan Vocational College can solely occupy, use, lease and transfer the building according to the planned usage specified on the title certificate.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021 *RMB*
4.	A semi-detached villa located at Unit 2, Building 24, Meishu Peninsula, Tianxia Qingcheng B Area, Intersection of Shajie Road and Liangyan Road, Dujiangyan City, Chengdu City, Sichuan Province The PRC	The property comprises a semi-detached 3-storey (plus 1-storey basement) villa located at Unit 2, Building 24 of a villa community known as Meishu Peninsula, Tianxia Qingcheng B Area which was completed in 2007. The villa has a gross floor area of approximately 300.31 sq.m. The land use rights of the property have been granted for a term of 70 years with the expiry date on 13 August 2072 for residential use.	As at the valuation date, the property was occupied by the Target Company for residential purposes.	No commercial value *(Refer to note 2)*

Notes:

1. Pursuant to a Real Estate Purchase and Sale Contract dated 27 June 2014 — No. CH-01-0605, Sichuan New Concept Education Investment Co., Ltd. (四川新概念教育投資有限公司, the "**Target Company**", a company established in the PRC with limited liability) (as purchaser) entered into this contract with Chengdu Xinshiyu Industrial Co., Ltd (成都新世宇實業有限公司, the "**Vendor II**"), whereby the Target Company agreed to acquire the property with a gross floor area of approximately 300.31 sq.m. from the Vendor II at the consideration of RMB1,560,000. Pursuant to the contract, the land use rights of the property have been granted for a term of 70 years with the expiry date on 13 August 2072 for residential use.

2. In the valuation of the property, we have attributed no commercial value to the property which has not obtained the relevant title certificate. However, for reference purpose, we are of the opinion that the market value of the property as at the valuation date would be RMB2,200,000, assuming the relevant title certificate has been obtained by the Target Company and the Target Company is entitled to freely transfer, lease, mortgage or otherwise dispose of the property with no outstanding payable fees or monies.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. the Target Company has not obtained the real estate title certificate of the property, so it cannot be confirmed that the Target Company has the legal ownership rights of the property.

VALUATION CERTIFICATE

Group II — Property interest held for investment by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021 *RMB*
5.	Experimental building No. 3 of Meishan Campus of Sichuan City Vocational College located at No. 1 South Section of Mindong Avenue, Mindong New District, Meishan City, Sichuan Province The PRC	Experimental building No. 3 is located in the northeast of Meishan Campus of Sichuan City Vocational College. The college is located at Mindong New District, Meishan City. There are several schools around it, such as Meishan Campus of Sichuan Technology and Business University, Meishan Vocational and Technical College and Meishan First City No. 7 Development School. The locality is a newly developed area where public facilities such as municipal facilities and amenities are under further improvement. Completed in 2018, the property has a gross floor area of approximately 12,543.92 sq.m. As advised by the Company and the Target Group, the site area of the property is 9,925.34 sq.m. The land use rights of the property have been granted for a term of 50 years with the expiry date on 1 May 2067 for scientific and educational uses.	As at the valuation date, the property is wholly rented to an independent third party for office use.	6,000,000 *(Refer to note 8)*

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract — Nos. 2016 (M)-18 dated 8 July 2016, the land use rights of a parcel of land with a site area of approximately 59,719.40 sq.m. (including the land use rights of the property) were contracted to be granted to Sichuan City Vocational College (四川城市職業學院, the "**Sichuan Vocational College**", which is wholly-owned by the Target Company) for a term of 50 years for scientific and educational uses commencing from the land delivery date. The land premium was RMB14,500,000.

2. Pursuant to a Construction Land Planning Permit — Di Zi Di No. MD2016-03, permission towards the planning of the land parcel with a site area of approximately 150,838.89 sq.m. (including the land use rights of the property) has been granted to Sichuan Vocational College.

3. Pursuant to a Real Estate Title Certificate (Land) — Chuan (2017) Mei Shan Shi Bu Dong Chan Quan Di No. 0015585, the land use rights of the aforesaid land parcel with a site area of approximately 59,719.40 sq.m. (including the land use rights of the property) have been granted to Sichuan Vocational College for the term expiring on 1 May 2067 for scientific and educational uses.

4. Pursuant to a Construction Work Planning Permit — Jian Zi Di No. MD2017-3, the buildings with a total gross floor area of approximately 76,440.00 sq.m. (including the property) have been approved for construction.

5. Pursuant to a Construction Work Commencement Permit — Nos. 513800201709220101 in favour of Sichuan Vocational College, permissions by the relevant local authority was given to commence the construction of innovation and entrepreneurship center and experimental building No. 3 of Meishan Campus of Sichuan City Vocational College with a total gross floor area of approximately 48,232.83 sq.m. (including the property).

6. Pursuant to a Construction Work Completion and Inspection Reports in favour of Sichuan Vocational College, the construction of the property with a gross floor area of approximately 12,543.92 sq.m. has been completed and passed the inspection acceptance.

7. According to a Tenancy Agreement, the property and some ancillary facilities with a total gross floor area of approximately 14,900.00 sq.m. are rented to an independent third party for a term expiring on 19 April 2029. As at the valuation date, the annual rent is RMB3,000,000, exclusive of management fees, water, electricity, gas and telecommunication charges and inclusive of value added tax.

8. In the valuation of the property, we have attributed no commercial value to the building with a gross floor area of approximately 12,543.92 sq.m. which has not obtained relevant title certificate. However, for reference purpose, we are of the opinion that the depreciated replacement cost of this building (excluding the land) as at the valuation date would be RMB25,000,000.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Sichuan Vocational College has obtained the relevant title certificate of the aforementioned land. Within the remaining land use rights terms as stated on the relevant title certificate, Sichuan Vocational College can solely occupy, use, lease and transfer the land according to the planned uses stated on the title certificate mentioned in note 3;

   b. Sichuan Vocational College has not obtained the real estate title certificate of the building mentioned in note 8, so it cannot be confirmed that the Sichuan Vocational College has the legal ownership rights of the building; and

   c. according to Chinese legislation, the educational facilities of public welfare institutions and social organizations such as schools cannot be mortgaged, so the land and buildings of the property cannot be mortgaged.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised:		*US$*
1,500,000,000	Shares	15,000,000
Issued:		*US$*
1,071,662,000	Shares	10,716,620

3. DISCLOSURE OF INTERESTS

(a) Directors' interests in the Company and its associated corporations

As at the Latest Practicable Date, save as disclosed below, none of the Directors had any interests or short position in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions, if any, which any such Director was taken or deemed to have under such provisions of the SFO); or which (ii) were required to be entered into the register maintained by the Company, pursuant to section 352 of the SFO; or which (iii) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules:

Interest in Shares

Name of directors	Nature of Interest	Capacity	Number of Shares held/interested	Approximate percentage of Shares in issue
Mr. Liu Yung Chau	Long position	Interest of a controlled corporation	750,790,000	70.05%
(Note 1)		Beneficial owner	2,849,076	0.27%
		Interest of spouse	631,416	0.06%
		Other	308,008	0.03%
Ms. Chen Yuan Rita	Long position	Interest of a controlled corporation	750,790,000	70.05%
(Note 2)		Beneficial owner	569,814	0.05%
		Interest of spouse	3,157,084	0.29%
		Others	61,602	0.01%
Ms. Liu Yi Man	Long Position	Beneficial owner	2,742,691	0.26%
(Note 3)		Other	282,631	0.03%
Mr. Liu Yung Kan	Long Position	Beneficial owner	398,870	0.04%
(Note 4)		Other	43,122	0.00%

Name of directors	Nature of Interest	Capacity	Number of Shares held/interested	Approximate percentage of Shares in issue
Mr. Xu Gang	Long Position	Beneficial owner	113,812	0.01%
(Note 5)		Other	12,320	0.00%
Mr. Li Jiatong	Long Position	Beneficial owner	113,963	0.01%
(Note 6)		Other	12,320	0.00%

Note 1: Mr. Liu Yung Chau ("**Mr. Liu**") was deemed to be interested in (i) 750,790,000 Shares held by Debo Education Investments Holdings Limited which was owned as to 50% by Mr. Liu and 50% by Ms. Chen Yuan Rita ("**Ms. Chen**") (who is spouse to Mr. Liu) and (ii) 631,416 Shares beneficially interested by Ms. Chen. Mr. Liu was also interested in 308,008 Shares granted under the share award scheme adopted by the Company on 6 June 2019 ("**Share Award Scheme**") which remained unvested and held by the trustee as at the Latest Practicable Date (as set out against the capacity "Other" in the above table).

Note 2: Ms. Chen was deemed to be interested in (i) 750,790,000 Shares held by Debo Education Investments Holdings Limited which was owned as to 50% by Mr. Liu (who is spouse to Ms. Chen) and 50% by Ms. Chen and (ii) 3,157,084 Shares beneficially interested by Mr. Liu. Ms. Chen was also interested in 61,602 Shares granted under the Share Award Scheme which remained unvested and held by the trustee as at the Latest Practicable Date (as set out against the capacity "Other" in the above table).

Note 3: Ms. Liu Yi Man was interested in 282,631 Shares granted under the Share Award Scheme which remained unvested and held by the trustee as at the Latest Practicable Date (as set out against the capacity "Other" in the above table).

Note 4: Mr. Liu Yung Kan was interested in 43,122 Shares granted under the Share Award Scheme which remained unvested and held by the trustee as at the Latest Practicable Date (as set out against the capacity "Other" in the above table).

Note 5: Mr. Xu Gang was interested in 12,320 Shares granted under the Share Award Scheme which remained unvested and held by the trustee as at the Latest Practicable Date (as set out against the capacity "Other" in the above table).

Note 6: Mr. Li Jiatong was interested in 12,320 Shares granted under the Share Award Scheme which remained unvested and held by the trustee as at the Latest Practicable Date (as set out against the capacity "Other" in the above table).

(b) Substantial Shareholders and other persons' interest in the Company and its associated corporations

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Name of substantial shareholder	Nature of Interest	Capacity	Number of Shares held/interested	Approximate percentage of Shares in issue
Debo Education Investments Holdings Limited	Long position	Beneficial owner	750,790,000	70.06%

4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in a business which competes or may compete, either, directly or indirectly, with the business of the Group.

5. INTERESTS IN CONTRACTS OR ARRANGEMENT

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the date of this circular and which was significant in relation to the business of the Enlarged Group.

6. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which, since 31 August 2020, the date to which the latest published audited financial statements of the Group were made up, have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

7. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Enlarged Group which does not expire or is not determinable by the Enlarged Group within one year without payment of compensation (other than statutory compensation).

8. LITIGATION

As at the Latest Practicable Date, there was no litigation or arbitration of material importance in which any member of the Enlarged Group is engaged or pending or threatened against any member of the Enlarged Group.

9. MATERIAL CONTRACTS

The following contracts, not being contracts entered into in the ordinary course of business of the Enlarged Group, were entered into by the Enlarged Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) a construction agreement no. JS2019-065 dated 16 December 2019 entered into between Huashang College and Guangdong Zhongxin Construction Group Co., Ltd.* (廣東眾鑫建設集團有限公司), as the contractor, in relation to the construction work of certain teaching facilities, including but not limited to, three laboratory and practical training buildings, three student dormitories, two teaching buildings, roads and other civil constructions, on the campus of Huashang College located in Sihui, at the total consideration of approximately RMB343,300,000;

(b) a construction agreement no. JS2019-078 dated 16 December 2019 entered into between Huashang Vocational College and Guangzhou Jinda Construction Engineering Co., Ltd.* (廣州金大建築工程有限公司) ("**Jinda Construction**") in relation to the construction work of certain teaching facilities, including but not limited to three teaching buildings, carparks and other civil constructions, on the campus shared by Huashang College and Huashang Vocational College located in Zengcheng, Guangzhou, Guangdong Province, PRC, at the total consideration of approximately RMB165,400,000;

(c) a construction agreement no. JS2019-046 dated 16 December 2019 entered into between Huashang Vocational College and Jinda Construction in relation to the construction work of certain teaching facilities, including but not limited to two teaching buildings, carparks and other civil constructions, on the campus shared by Huashang College and Huashang Vocational College located in Zengcheng, Guangzhou, Guangdong Province, PRC, at the total consideration of approximately RMB135,600,000;

(d) a transfer contract dated 3 June 2020 entered into between Huashang Vocational College and Jiangmen Bureau of Natural Resources* (江門市自然資源局) in relation to the acquisition of the state-owned construction land use right* (國有建設用地使用權) of the a parcel of land located at land lot number JCR2020-53 (Xinhui 11)* (JCR2020-53 (新會11) 號) with a site area of approximately 455,652 sq. m. and gross floor area of approximately 318,956 sq. m. to 683,478 sq. m. which is located at Xiangshan, Shuibeicun, Yamen (崖門鎮水背村象山) of Xinhui District, Jiangmen City, Guangdong Province, the PRC for a term of 50 years in respect of educational use, at the total consideration of RMB190,010,000;

(e) a construction agreement dated 6 November 2020 entered into between Huashang Vocational College and Guangdong Wuchuan Construction and Installation Engineering Co., Ltd.* (廣東吳川建築安裝工程有限公司) in relation to the construction work of the teaching facilities at Phase I of the campus of Huashang Vocational College located in Xinhui District, Jiangmen City, Guangdong Province, the PRC, including but not limited to Teaching Building No. 2, Teaching Building No. 3, Student Dormitory No. 4, Teaching Building No. 5, Student Dormitory No. 6, Conference Centre No. 7, Staff Dormitory No. 8, Library No. 10, Student Dormitory No. 11, roads and other ancillary civil and fire protection constructions, at the total consideration of approximately RMB293,600,000;

(f) the Acquisition Agreement;

(g) the Structured Contracts; and

(h) the placing agreement dated 13 January 2021 entered into between the Company, UBS AG Hong Kong Branch and China International Capital Corporation Hong Kong Securities Limited in relation to the placing of up to a maximum of 53,300,000 placing Shares under general mandate, with the maximum gross proceeds and estimated net proceeds of approximately HK$465,309,000 and HK$459,772,421.

10. EXPERTS' QUALIFICATIONS AND CONSENTS

The following sets out the qualifications of the experts who have given an opinion or advice contained in this circular:

Name	Qualifications
Deloitte Touche Tohmatsu	Certified public accountants
Commerce and Finance Law Offices	Qualified PRC lawyers
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent valuer
Pelican Financial	a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, none of the above experts had any shareholding, direct or indirect, in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 August 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

As at the Latest Practicable Date, each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of the text of its report or opinion and/or references to its name in the form and context in which they respectively appear.

11. GENERAL

(i) The registered office of the Company is situated at Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(ii) The headquarters of the Company is situated at No. 1 Huashang Road, Licheng Street, Zengcheng, Guangzhou, the PRC.

(iii) The principal place of business of the Company in Hong Kong is situated at Room 1115, 11/F, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong.

(iv) The principal share registrar and transfer office of the Company in the Cayman Islands is situated at Maples Fund Services (Cayman) Limited, PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands.

(v) The branch share registrar and transfer office of the Company in Hong Kong is maintained by Computershare Hong Kong Investor Services Limited situated at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(vi) The company secretary of the Company is Mr. Wong Shing Mun. He is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

(vii) In case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Room 1115, 11/F, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. on any weekday (other than Saturday, Sunday and public holidays) for a period of 14 days from the date of this circular:

(a) the amended and restated memorandum and articles of association of the Company;

(b) the annual reports of the Company for each of the financial years ended 31 August 2019 and 31 August 2020;

(c) the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;

(d) the legal opinion from the PRC legal adviser of the Company in relation to the Structured Contracts;

(e) the accountant's reports of the Target Group, the text of which are set out in Appendix II to this circular;

(f) the valuation report of the Target Group, the text of which are set out in Appendix V to this circular;

(g) the written consents of experts referred to in the section headed ''10. Experts and Consents'' in this Appendix;

(h) the material contracts referred to in the section headed ''9. Material Contracts'' in this Appendix; and

(i) this circular.