

# China Oriented International Holdings Limited 向中國國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1871

## SHARE OFFER

Sponsor



**信達國際**  
CINDA INTERNATIONAL

Joint Bookrunners



**信達國際**  
CINDA INTERNATIONAL



**潮商證券有限公司**  
ChaoShang Securities Limited

Joint Lead Managers



**信達國際**  
CINDA INTERNATIONAL



**潮商證券有限公司**  
ChaoShang Securities Limited



**鼎豐金融證券有限公司**  
Differ Financial and Securities Limited

## IMPORTANT

*If you are in any doubt about any contents of this prospectus, you should obtain independent professional advice.*

# China Oriented International Holdings Limited 向中國國際控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

## SHARE OFFER

Number of Offer Shares	:	100,000,000 Shares (subject to the Over-allotment Option)
Number of Public Offer Shares	:	10,000,000 Shares (subject to reallocation)
Number of Placing Shares	:	90,000,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$1.42 per Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full upon application in Hong Kong dollars and subject to refund)
Nominal Value	:	HK\$0.01 each
Stock Code	:	1871

### Sponsor



Cinda International Capital Limited

### Joint Bookrunners



Cinda International Capital Limited



ChaoShang Securities Limited

### Joint Lead Managers



Cinda International Capital Limited



ChaoShang Securities Limited



Differ Financial and Securities Limited

### Co-Lead Managers



Bluemount Securities Limited



Central China International Capital Limited



Paragon Securities Limited

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents delivered to the Registrar of Companies" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above.

The Offer Price is currently expected to be fixed by an agreement between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or around Thursday, 17 October 2019, or such later date as may be agreed by the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, but in any event, no later than 12:00 noon (Hong Kong time) on Tuesday, 22 October 2019. The Offer Price is currently expected to be not more than HK\$1.42 per Offer Share and not less than HK\$1.28 per Offer Share. The Joint Bookrunners (for themselves and on behalf of the Underwriters) may, with the consent of our Company, reduce the indicative Offer Price range and/or the number of Offer Shares stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Public Offer. If this occurs, notice of reduction of the indicative Offer Price range and/or the number of Offer Shares will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the website of our Company at [www.china-oriented.com](http://www.china-oriented.com).

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities laws of the U.S. and may not be offered, sold, pledged, or transferred within the U.S., except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in accordance with any applicable U.S. securities law.

Prior to making an investment decision, prospective investors should carefully consider all the information set out in this prospectus, including the risk factors set out in the section headed "Risk factors" in this prospectus.

Prospective investors of the Offer Shares should note that the Joint Bookrunners (for themselves and on behalf of the Underwriters) are entitled, in their sole and absolute discretion, to terminate the Public Offer Underwriting Agreement with immediate effect by giving notice in writing to us if any of the events set forth under the section headed "Underwriting – Underwriting arrangements and expenses – The Public Offer – Grounds for termination" occurs at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) terminate the Public Offer Underwriting Agreement, the Share Offer will not proceed and will lapse. Further details of these termination provisions are set out in the section headed "Underwriting" in this prospectus. It is important that prospective investors refer to that section for further details.

---

## EXPECTED TIMETABLE

---

*If there is any change in the following expected timetable of the Share Offer, we will issue an announcement in Hong Kong to be posted on the website of our Company at [www.china-oriented.com](http://www.china-oriented.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*

2019

(Note 1)

- Public Offer commences and **WHITE** and **YELLOW**  
Application Forms available from . . . . . 9:00 a.m. on Friday, 11 October
- Latest time to complete electronic applications under  
**HK eIPO White Form** service through the designated  
website at [www.hkeipo.hk](http://www.hkeipo.hk) <sup>(2)</sup> . . . . . 11:30 a.m. on Wednesday, 16 October
- Application lists of the Public Offer open <sup>(3)</sup> . . . . . 11:45 a.m. on Wednesday, 16 October
- Latest time to: (1) lodge **WHITE** and **YELLOW** Application  
Forms; (2) complete payment of **HK eIPO White Form**  
applications by effecting internet banking transfer(s) or  
PPS payment transfer(s); and (3) give electronic application  
instructions to HKSCC <sup>(4)</sup> . . . . . 12:00 noon on Wednesday, 16 October
- Application lists of the Public Offer close <sup>(3)</sup> . . . . . 12:00 noon on Wednesday, 16 October
- Price Determination Date <sup>(5)</sup> . . . . . Thursday, 17 October
- Announcement of (i) the final Offer Price; (ii) the level of  
indications of interest in the Placing; (iii) the level of  
applications in the Public Offer; (iv) the basis of allotment  
of the Public Offer Shares; and (v) the number of Offer  
Shares reallocated, if any, between the Public Offer and  
the Placing to be published on the website of our Company  
at [www.china-oriented.com](http://www.china-oriented.com) <sup>(6)</sup> and  
the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) . . . . . Wednesday, 23 October
- Results of allocation in the Public Offer will be  
available at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) and [www.hkeipo.hk/iporesult](http://www.hkeipo.hk/iporesult)  
with a “search by ID” function from . . . . . Wednesday, 23 October
- Announcement of results of allotment of the Public Offer  
(with successful applicants’ identification document  
numbers, where applicable) available through a variety  
of channels as described in the section headed  
“How to apply for the Public Offer Shares –  
Publication of results” in this prospectus from . . . . . Wednesday, 23 October

---

## EXPECTED TIMETABLE

---

Despatch/Collection of **HK eIPO White Form** e-Auto Refund  
payment instructions/refund cheque in respect of  
wholly or partially successful applications on or before <sup>(7)</sup> . . . . . Wednesday, 23 October

Despatch of share certificates on or before <sup>(7)</sup> . . . . . Wednesday, 23 October

Dealings in the Shares on the Main Board to commence at 9:00 a.m. on . . . . . Thursday, 24 October

*Notes:*

1. All dates and times refer to Hong Kong local dates and times, except as otherwise stated. Details of the structure of the Share Offer, including its conditions, are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.
2. You will not be permitted to submit your application through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
3. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 16 October 2019, the application lists will not open or close on that day. Further information is set forth in the section headed “How to apply for the Public Offer Shares – Effect of bad weather and/or extreme conditions on the opening of the application lists” in this prospectus.
4. Applicants who apply for the Public Offer Shares by giving electronic application instructions to HKSCC should refer to the section headed “How to apply for the Public Offer Shares – Applying by giving electronic application instructions to HKSCC via CCASS” in this prospectus.
5. The Price Determination Date is expected to be on or around Thursday, 17 October 2019. If, for any reason, the Offer Price is not agreed by 12:00 noon on Tuesday, 22 October 2019 between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, the Share Offer will not proceed and will lapse accordingly.
6. None of our Company’s website or any of the information contained in our Company’s website forms part of this prospectus.
7. Share certificates for the Offer Shares are expected to be issued on Wednesday, 23 October 2019 but will only become valid certificates of title at 8:00 a.m. on Thursday, 24 October 2019 provided that (i) the Share Offer has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated. If the Public Offer does not become unconditional or either of the Underwriting Agreements is terminated, we will make an announcement as soon as possible.

Refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Public Offer, and in respect of successful applications if the Offer Price as finally determined is less than the price payable on application. Refund by cheque(s) will be made out to you, or if you are joint applicants, to the first-named applicant on your Application Form. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant provided by you may be printed on your refund cheque, if any. Such data may also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque, if any. Inaccurate completion of your Hong Kong identity card number/passport number may lead to a delay in encashment of, or may invalidate, your refund cheque.

---

## EXPECTED TIMETABLE

---

Applicants for 1,000,000 Public Offer Shares or more on **WHITE** Application Forms or through the **HK eIPO White Form** service may collect their refund cheques (where relevant) and/or share certificates (where relevant) personally from our Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 23 October 2019 or any other day as announced by us as the date of despatch of share certificates/refund cheques. Individuals who are eligible for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

Applicants for 1,000,000 Public Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not collect their share certificates personally which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriate. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply for Public Offer Shares by giving electronic application instructions to HKSCC via CCASS should refer to the section headed "How to apply for the Public Offer Shares – Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus for details.

Uncollected share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to apply for the Public Offer Shares – Despatch/collection of share certificates and refund monies" in this prospectus.

---

## CONTENTS

---

### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by our Company solely in connection with the Share Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Offer Shares offered by this prospectus pursuant to the Share Offer. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Share Offer have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person involved in the Share Offer. The contents of the website of our Company at [www.china-oriented.com](http://www.china-oriented.com) do not form part of this prospectus.*

	<i>Page(s)</i>
<b>Expected timetable</b> . . . . .	i
<b>Contents</b> . . . . .	iv
<b>Summary and highlights</b> . . . . .	1
<b>Definitions</b> . . . . .	11
<b>Glossary of technical terms</b> . . . . .	21
<b>Forward-looking statements</b> . . . . .	24
<b>Risk factors</b> . . . . .	25
<b>Waiver from strict compliance with the Listing Rules</b> . . . . .	35
<b>Information about this prospectus and the Share Offer</b> . . . . .	37
<b>Directors, senior management and parties involved in the Share Offer</b> . . . . .	41
<b>Corporate information</b> . . . . .	47
<b>Industry overview</b> . . . . .	49

---

## CONTENTS

---

	<i>Page(s)</i>
<b>Regulatory overview</b> . . . . .	62
<b>History and development</b> . . . . .	77
<b>Business</b> . . . . .	96
<b>Directors and senior management</b> . . . . .	167
<b>Substantial shareholders</b> . . . . .	179
<b>Relationship with Controlling Shareholders</b> . . . . .	181
<b>Share capital</b> . . . . .	184
<b>Financial information</b> . . . . .	188
<b>Future plans and use of proceeds</b> . . . . .	257
<b>Underwriting</b> . . . . .	262
<b>Structure and conditions of the Share Offer</b> . . . . .	272
<b>How to apply for the Public Offer Shares</b> . . . . .	282
<b>Appendices</b>	
<b>Appendix I – Accountants’ report</b> . . . . .	I-1
<b>Appendix II – Unaudited pro forma financial information</b> . . . . .	II-1
<b>Appendix III – Valuation report</b> . . . . .	III-1
<b>Appendix IV – Summary of the constitution of the Company and Cayman Islands Companies Law</b> . . . . .	IV-1
<b>Appendix V – Statutory and general information</b> . . . . .	V-1
<b>Appendix VI – Documents delivered to the Registrar of Companies and available for inspection</b> . . . . .	VI-1

## SUMMARY AND HIGHLIGHTS

*This summary aims to give you an overview of the information contained in this prospectus. Since this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.*

### OVERVIEW

Established in 2012, we are a provider of driving training services with two driving schools, namely, Shun Da School and Tong Tai School, in Zhumadian City, Henan Province, the PRC. We offer extensive driving courses for preparation for Driving Tests of Large Vehicles and Small Vehicles. According to the Frost & Sullivan Report, we ranked first among driving schools in Zhumadian City with a market share of approximately 7.2% in Zhumadian City in terms of revenue in 2018 and a market share of approximately 33.8% in Zhumadian City in terms of revenue generated from the provision of driving courses for Large Vehicles in 2018. According to the Frost & Sullivan Report, we had a market share of approximately 0.8% in Henan Province in terms of revenue in 2018.

Shun Da School is our first driving school established in 2012. It is a qualified level II driving school. During the Track Record Period, it offered driving training services for preparation for Driving Tests of Small Manual Cars (C1). Tong Tai School is our second driving school established in 2014. It is a qualified level I driving school. During the Track Record Period, it offered driving training services for preparation for Driving Tests of both Large Vehicles and Small Vehicles.

The following table sets out the breakdown of our revenue by schools and types of vehicles during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<b>Tong Tai School</b>										
- Large Vehicles	30,385	65.6	48,760	79.3	64,438	82.9	14,265	83.3	23,596	83.4
- Small Vehicles	9,521	20.6	5,640	9.2	4,738	6.1	1,103	6.4	1,349	4.8
<b>Shun Da School</b>										
- Small Vehicles	6,379	13.8	7,109	11.5	8,523	11.0	1,759	10.3	3,334	11.8
Total Small Vehicles	15,900	34.4	12,749	20.7	13,261	17.1	2,862	16.7	4,683	16.6
<b>Total</b>	<b>46,285</b>	<b>100.0</b>	<b>61,509</b>	<b>100.0</b>	<b>77,699</b>	<b>100.0</b>	<b>17,127</b>	<b>100.0</b>	<b>28,279</b>	<b>100.0</b>

For further information, please refer to the section headed “Business – Our schools” in this prospectus.

The following table sets out the breakdown of our revenue by types of driving courses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April								
	2016		2017		2018		2018		2019						
	Number of trainees <sup>(Note)</sup>	RMB'000	Number of trainees <sup>(Note)</sup>	RMB'000	Number of trainees <sup>(Note)</sup>	RMB'000	Number of trainees <sup>(Note)</sup>	RMB'000	Number of trainees <sup>(Note)</sup>	RMB'000	%				
<b>Large Vehicles</b>															
Standard courses	2,004	15,816	34.2	2,311	16,325	26.6	776	4,618	5.9	400	1,887	11.0	243	1,047	3.7
Premium courses	663	9,844	21.3	2,451	29,783	48.4	5,074	59,071	76.0	1,699	12,064	70.4	2,258	22,451	79.4
Additional training services	N/A	4,725	10.2	N/A	2,652	4.3	N/A	749	1.0	N/A	314	1.8	N/A	98	0.4
<b>Small Vehicles</b>															
Standard courses	10,308	11,896	25.7	7,822	7,498	12.2	4,249	2,901	3.7	2,526	1,277	7.5	624	375	1.3
Premium courses	1,110	2,494	5.3	2,075	3,639	5.9	5,225	9,733	12.5	1,659	1,418	8.3	2,899	4,214	14.9
Additional training services	N/A	1,510	3.3	N/A	1,612	2.6	N/A	627	0.9	N/A	167	1.0	N/A	94	0.3
<b>Total</b>	<b>14,085</b>	<b>46,285</b>	<b>100.0</b>	<b>14,659</b>	<b>61,509</b>	<b>100.0</b>	<b>15,324</b>	<b>77,699</b>	<b>100.0</b>	<b>6,284</b>	<b>17,127</b>	<b>100.0</b>	<b>6,024</b>	<b>28,279</b>	<b>100.0</b>

## SUMMARY AND HIGHLIGHTS

*Note:* Refers to such trainees who have contributed to the revenue in the relevant year/period.

The following table sets out our gross profit and gross profit margin by types of vehicles during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Large Vehicles										
- Standard courses (Note)	16,112	78.4	17,036	89.8	4,635	86.4	1,830	83.1	993	86.8
- Premium courses	7,797	79.2	20,255	68.0	39,471	66.8	7,161	59.4	14,654	65.3
Sub-total:	23,909	78.7	37,291	76.5	44,106	68.4	8,991	63.0	15,647	66.3
Small Vehicles										
- Standard courses (Note)	8,372	62.4	6,217	68.2	2,176	61.7	714	49.4	290	61.8
- Premium courses	1,212	48.6	484	13.3	4,209	43.2	152	10.7	2,122	50.4
Sub-total:	9,584	60.3	6,701	52.6	6,385	48.1	866	30.3	2,412	51.5
Total:	33,493	72.4	43,992	71.5	50,491	65.0	9,857	57.6	18,059	63.9

*Note:* The gross profit of standard courses includes the gross profit generated from the provision of additional training services, which was insignificant to our Group during the Track Record Period.

The gross profit margin of our premium courses for both Large Vehicles and Small Vehicles was in general lower than that of our standard courses for each of the two years ended 31 December 2018 and the four months ended 30 April 2018 and 30 April 2019. This was mainly attributable to the lower hourly rates of our premium courses compared to those of our standard courses for each of the two years ended 31 December 2018 and the four months ended 30 April 2018 and 30 April 2019.

In order to meet different customer needs, we offer standard courses and premium courses to our trainees. For the three years ended 31 December 2018 and the four months ended 30 April 2019, we had 14,085, 14,659, 15,324 and 6,024 trainees who attended our driving courses, respectively. Trainees for both standard courses and premium courses can make advance bookings for driving lessons according to their own learning schedules, subject to confirmations by our teaching affair office.

Our course fees are determined after having considered, among others, market conditions, utilisation of our capacities, demand for our training services, costs of our services, prices of driving courses of comparable service providers and our positioning in the local market and are subject to review and adjustment by our management from time to time.

During the Track Record Period, we entered into standard agreements with our trainees and collected course fees from them when they were enrolled in our courses. According to our standard agreements, our trainees shall complete the driving training within three years after they are registered for our driving courses.

During the Track Record Period, we recorded a significant growth in revenue from approximately RMB46.3 million for the year ended 31 December 2016 to approximately RMB61.5 million for the year ended 31 December 2017 and then to approximately RMB77.7 million for the year ended 31 December

---

## SUMMARY AND HIGHLIGHTS

---

2018. Our Directors believe that such growth was mainly attributable to our then business strategies such as (i) the expansion of our business to include the provision of driving training services of Large Vehicles when we set up Tong Tai School in 2014 which timely caught up the rapid development of the logistics industry in Henan Province and the increasing demand for commercial drivers in the PRC; (ii) the adjustments of our course fees to a level comparable to other market players as our sale and marketing efforts to increase the competitiveness of our driving courses; (iii) the provision of a variety of courses to meet different customer needs; (iv) our continuing effects in recruiting and retaining high-quality driving instructors; and other market factors such as (i) the market competition of driving training services for Large Vehicles is less intense than that of Small Vehicles in Zhumadian City; and (ii) our competitive advantages for having advanced training facilities and sufficient driving instructors and training vehicles while being one of the only five level I driving schools in Zhumadian City according to the Frost & Sullivan Report. Our Directors also believe that such growth was also attributable to the vision and dedication of our Directors and senior management which have outweighed the fact that they did not have any experience in operating driving schools before establishing or joining our Group (other than Mr. Sun Tao who had certain business management experience).

### OUR SCHOOLS

We provide driving training services for preparation for Driving Tests of Large Vehicles and Small Vehicles through our two driving schools, namely, Shun Da School and Tong Tai School which were established and commenced operation in 2012 and 2014, respectively.

If trainees select our training services, such trainees shall attend our off-school registration centre or our driving schools for course enrolment. As at the Latest Practicable Date, we had one off-school registration centre which generally handled the course enrolment work and collected course fees from our trainees.

If our trainees pass the Driving Skill Written Test, they will then be able to take our on-site driving training. Our trainees will have to take the test again if they cannot pass the Driving Skill Written Test. We provide driving training to our trainees at our training fields for them to acquire necessary driving skills required for taking the On-site Driving Test.

After our trainees have satisfied the minimum training hour requirements specified in the Driving Training Curriculum and have acquired necessary on-site driving skills, we will arrange for our trainees to be registered for the On-site Driving Test. Alternatively, our trainees can apply for the On-site Driving Test by themselves. Moreover, our trainees can select whether to take the On-site Driving Test or On-road Driving Test first after they pass the Driving Skill Written Test but before they take the Road Safety Written Test. We provide on-road driving training to our trainees to practise on-road driving skills on public roads and acquire necessary driving skills required for taking the On-road Driving Test. After our trainees have satisfied the minimum training hours requirements specified in the Driving Training Curriculum and have acquired necessary on-road driving skills, we will arrange our trainees to be registered for the On-road Driving Test. Trainees will be eligible to obtain the driving licences if they pass all of the four Driving Tests, and our schools will also issue graduation certificates to the trainees.

### COMPETITIVE STRENGTHS

We believe we have the following competitive strengths: (i) our well-equipped driving schools enable our trainees to acquire necessary driving skills in an effective way; (ii) we offer different types of driving courses with well-trained driving instructors to meet different customer needs; (iii) with a centralised and standardised management system, we operate our business in a scalable manner; and (iv) we have a visionary management team. For details of our competitive strengths, please refer to the section headed “Business – Our competitive strengths” in this prospectus.

### BUSINESS STRATEGIES

We intend to pursue the following key business strategies: (i) expand our existing training fields for Large Vehicles by acquiring and developing a new parcel of land; (ii) expand our operational capacity by acquiring new training vehicles; (iii) continue to provide high-quality training services and maintain a strong team of driving instructors; and (iv) strengthen our market position in Zhumadian City by expansion of our

---

## SUMMARY AND HIGHLIGHTS

---

marketing efforts in Zhumadian City and other nearby cities in Henan Province with a focus on potential corporate customers across the PRC; (v) continue the parallel development of our driving training business for Large Vehicles and Small Vehicles.

As at the Latest Practicable Date, our Group has not identified any specific target in respect of such land acquisition.

The table below sets forth the expected timeline of the land acquisition by our Group:–

<b>The stages of the land acquisition by our Group</b>	<b>Expected commencement time</b>
(i) Identifying the acquisition target by our Group	November 2019
(ii) Announcement by the relevant government authorities in the PRC of the information related to the parcel of land available for bidding, auction and quotation <sup>(Note)</sup>	November 2019
(iii) Bidding, auction and quotation of the relevant parcel of land <sup>(Note)</sup>	December 2019
(iv) Signing of the sale and purchase agreement in respect of the parcel of land with the relevant government authorities in the PRC <sup>(Note)</sup>	February 2020
(v) Commencement of full operation	November 2020

*Note:* Their respective expected commencement time is subject to the arrangement of bidding, auction and quotation to be announced by the relevant government authorities in the PRC.

For details of our business strategies, please refer to the section headed “Business – Our strategies” in this prospectus.

### USE OF PROCEEDS AND REASONS FOR LISTING

We estimate that we will receive net proceeds from the Share Offer of approximately HK\$108.4 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$1.35 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus and the Over-allotment Option is not exercised.

We currently intend to apply these net proceeds for the following purposes (assuming an Offer Price of HK\$1.35 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus and the Over-allotment Option is not exercised):

- approximately 58.0%, or approximately HK\$62.9 million, will be used to finance the expansion of our training fields for Large Vehicles. We plan to spend:
  - (a) approximately HK\$49.6 million will be used for acquiring a parcel of land of site area of approximately 80,000 sq.m. in Zhumadian City of a consideration of approximately RMB71.6 million (of which approximately RMB44.6 million will be funded by proceeds from the Share Offer and approximately RMB27.0 million will be funded by internal resources);
  - (b) approximately HK\$13.3 million will be used for constructing the training fields;
- approximately 9.6%, or approximately HK\$10.4 million, will be used as recruiting and training costs for 40 new driving instructors for Large Vehicles;
- approximately 9.7%, or approximately HK\$10.5 million, will be used for purchasing new training vehicles, which are Large Vehicles;

---

## SUMMARY AND HIGHLIGHTS

---

- approximately 12.7%, or approximately HK\$13.8 million, will be used for repayment of bank loans;
- approximately 10.0%, or approximately HK\$10.8 million, will be used for our working capital and general corporate purposes.

For details of our use of proceeds and implementation plans, please refer to the section headed “Future plans and use of proceeds – Use of proceeds” in this prospectus.

### CUSTOMERS AND SUPPLIERS

Our customers are mainly individuals who have the needs to apply for driving licences for occupation and personal use. Due to the nature of our business, there were no customers accounted for more than 5% of our revenue for each of the three years ended 31 December 2018 and the four months ended 30 April 2019. For details, please refer to the section headed “Business – Customers” in this prospectus.

During the Track Record Period, the major suppliers of our Group comprised (i) contractors for construction works; (ii) suppliers for building facilities; (iii) fuel suppliers; (iv) suppliers for training and test vehicles; and (v) landlords of our leased land and property. For the three years ended 31 December 2018 and the four months ended 30 April 2019, purchases from our Group’s largest supplier amounted to approximately RMB9.1 million, RMB5.9 million, RMB6.4 million and RMB1.8 million, respectively, representing approximately 39.5%, 34.6%, 28.9% and 35.7% of the total purchases, respectively and the purchases from five largest suppliers of our Group amounted to approximately RMB18.6 million, RMB14.5 million, RMB18.1 million and RMB4.7 million, respectively, representing approximately 80.9%, 84.8%, 82.2% and 93.5% of the total purchases, respectively. The payments to our major suppliers are generally settled by way of telegraphic transfer. For details, please refer to the section headed “Business – Suppliers” in this prospectus.

### SHAREHOLDERS’ INFORMATION

Our Controlling Shareholders are Mr. Qi and Alpha Leap. Immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), our Controlling Shareholders will together be entitled to exercise or control the exercise of approximately 51.6% of the issued share capital of our Company. We have not entered into any connected transaction with our Controlling Shareholders or their respective close associates that will continue after Listing. Neither of our Controlling Shareholders, our Directors nor their respective close associate has any interest in any business, apart from the business operated by members of our Group, competes or is likely to compete, directly or indirectly, with the business of our Group and would require disclosure pursuant to Rule 8.10 of the Listing Rules. For details of our Controlling Shareholders, please refer to the section headed “Relationship with Controlling Shareholders – Our Controlling Shareholders” in this prospectus.

### Pre-IPO Investments

On 18 September 2016, Mr. Ling, through Maxi Access, a company incorporated in Hong Kong with limited liability and wholly owned by Mr. Ling, acquired 20% equity interests in Tongtai Cultural from Tengda Education at a total consideration of RMB5,000,000. Subsequently, on 23 May 2017, Mr. Ling transferred the entire issued share capital of Maxi Access and the outstanding amount of HK\$5,669,553.67 owing by Maxi Access to him to Ample Best in exchange for the allotment and issue of one Share, credited as fully paid, to Cosmic Hero, at Mr. Ling’s direction.

On 8 June 2018, China Internet, through Greater Sino, entered into a subscription agreement with our Company, pursuant to which Greater Sino agreed to subscribe for, and our Company agreed to allot and issue to Greater Sino, 140 Shares in our Company at the consideration of HK\$16,000,000. On the same day, 140 Shares were allotted and issued nil paid to Greater Sino. On 28 June 2018, the consideration was fully settled and our Company credited the 140 nil paid Shares as fully paid.

For details, please refer to the section headed “History and development – Pre-IPO Investments” in this prospectus.

## SUMMARY AND HIGHLIGHTS

### KEY OPERATIONAL AND FINANCIAL DATA

The following is a summary of our operational and financial information for the Track Record Period and should be read in conjunction with our financial information in the Accountants' Report set out in Appendix I to this prospectus.

#### Highlights of our consolidated statements of profit or loss and other comprehensive income

	For the year ended 31 December			For the four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	46,285	61,509	77,699	17,127	28,279
Gross profit	33,493	43,992	50,491	9,857	18,059
Profit before tax	24,750	25,841	31,938	6,788	11,952
Profit and total comprehensive income for the year/period	18,119	16,902	21,275	4,971	8,367

#### Highlights of our consolidated statements of cash flows

	For the year ended 31 December			For the four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net cash from operating activities	38,489	40,539	50,721	11,936	14,009
Net cash used in investing activities	(24,605)	(8,756)	(10,597)	(5,147)	(6,959)
Net cash (used in)/from financing activities	(14,451)	(6,227)	5,722	(1,840)	(3,332)
Net (decrease)/increase in cash and cash equivalents	(567)	25,556	45,846	4,949	3,718
Cash and cash equivalents at the beginning of the year/period	6,652	6,085	31,641	31,641	77,487
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	6,085	31,641	77,487	36,590	81,205

#### Highlights of our statements of financial position

	At 31 December			At 30 April
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
Non-current assets	106,337	113,456	123,054	124,742
Current assets	8,789	33,495	83,419	86,943
Current liabilities	(89,141)	(91,193)	(65,462)	(60,179)
Net current (liabilities)/assets	(80,352)	(57,698)	17,957	26,764
Non-current liabilities	(9,186)	(2,057)	(52,968)	(55,096)
Total equity	16,799	53,701	88,043	96,410

We recorded net current liabilities of approximately RMB80.4 million and RMB57.7 million as at 31 December 2016 and 31 December 2017, respectively, and net current assets of approximately RMB18.0 million and RMB26.8 million as at 31 December 2018 and 30 April 2019, respectively. We recorded net current liabilities primarily attributable to the fact that we used short-term bank loans to finance our capital

## SUMMARY AND HIGHLIGHTS

expenditures such as prepaid land lease, purchases of motor vehicles and construction costs for our office building and dormitory building. Our net current liabilities position was significantly improved to net current assets position of approximately RMB18.0 million as at 31 December 2018, which was primarily attributable to (i) the increase in bank balances and cash of approximately RMB45.8 million; (ii) the increase in trade and other receivables, deposits and prepayments of approximately RMB4.1 million attributable to the increase in prepayment for Listing expenses and the increase in other receivables from the local authority for the rental income received from the lease of the test venue; and (iii) reclassification of the short term bank loans to long term bank loans of approximately RMB50.2 million, which were partially offset by (i) the increase in contract liability of approximately RMB10.0 million of course fees received from the significant increase in the number of course enrolment; (ii) the increase in trade and other payables and accruals of approximately RMB10.6 million mainly in relation to the accrued Listing expenses; and (iii) the increase in current portion of obligations under finance leases of approximately RMB1.1 million for the purchase of training vehicles for the expansion of business.

### Cost structure

#### *Cost of services rendered*

The following table sets out the breakdown of our cost of services rendered during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Employee benefit expenses	6,175	48.3	8,990	51.3	11,778	43.3	3,563	49.0	3,817	37.3
Depreciation charges	2,687	21.0	2,756	15.7	3,027	11.1	711	9.8	2,307	22.6
Fuel expenses	1,476	11.5	2,384	13.6	7,730	28.4	1,557	21.4	2,372	23.2
Others	2,454	19.2	3,387	19.4	4,673	17.2	1,439	19.8	1,724	16.9
<b>Total</b>	<b>12,792</b>	<b>100.0</b>	<b>17,517</b>	<b>100.0</b>	<b>27,208</b>	<b>100.0</b>	<b>7,270</b>	<b>100.0</b>	<b>10,220</b>	<b>100.0</b>

*Note:* Others mainly include depreciation of right-of-use assets, amortization charges, rental charges, insurance charges, catering expenses and other expenses.

### Key financial ratios

	For the year ended 31 December			For the four months ended
	2016	2017	2018	30 April 2019
<b>Profitability</b>				
Gross profit margin	72.4%	71.5%	65.0%	63.9%
Net profit margin	39.1%	27.5%	27.4%	29.6%
Return on equity	107.9%	31.5%	24.2%	N/A
Return on total assets	15.7%	11.5%	10.3%	N/A
	As at 31 December			As at 30 April
	2016	2017	2018	2019
<b>Liquidity</b>				
Current ratio	0.10 times	0.37 times	1.28 times	1.44 times
<b>Capital adequacy</b>				
Gearing ( <i>Note</i> )	4.27 times	0.94 times	0.59 times	0.55 times

---

## SUMMARY AND HIGHLIGHTS

---

*Note:* Gearing ratio is the quotient of total debt divided by total equity as at the end of the respective year/period. Total debt includes all interest-bearing loans, obligations under finance lease/lease liabilities and amount due to a director.

Our current ratio increased from approximately 0.10 times for the year ended 31 December 2016 to 0.37 times for the year ended 31 December 2017, and further increased to approximately 1.28 times for the year ended 31 December 2018 as a result of the increase in current assets, which were mainly attributable to the significant increase in bank balances and cash of approximately RMB25.6 million and RMB45.8 million for the years ended 31 December 2017 and 2018, respectively. Our current ratio then increased from approximately 1.28 times for the year ended 31 December 2018 to approximately 1.44 times for the four months ended 30 April 2019 which was mainly attributable to the decrease in accrued construction costs and accrued Listing expenses.

Our gearing ratio decreased from approximately 4.27 times as at 31 December 2016 to approximately 0.94 times as at 31 December 2017, which was mainly attributable to the partial settlement of the amount due to a director and the increased equity from operation resulting from the increase in net profit from the provision of driving training services of Large Vehicles and Small Vehicles. Our gearing ratio further decreased from approximately 0.94 times as at 31 December 2017 to approximately 0.59 times as at 31 December 2018 and further decreased to approximately 0.55 times as at 30 April 2019 which was mainly attributable to the increased equity from operation resulting from the increase in net profit from the provision of driving training services of Large Vehicles and Small Vehicles.

For further details of the key financial ratios, please refer to the section headed “Financial information – Summary of key financial ratios” in this prospectus.

The decrease in gross profit margin for the two years ended 31 December 2018 was resulted from the combined effect of (i) our gross profit margin from the provision of driving training services for Large Vehicles decreased by approximately 2.2 and 8.1 percentage points for the two years ended 31 December 2018, respectively, from approximately 78.7% for the year ended 31 December 2016, mainly attributable to the greater portion of revenue received from the trainees of premium courses of Large Vehicles compared to that for standard courses of Large Vehicles; and (ii) our gross profit margin from the provision of driving training services for Small Vehicles decreased by approximately 7.7 and 4.5 percentage points for the two years ended 31 December 2018, respectively, from approximately 60.3% for the year ended 31 December 2016, mainly attributable to the greater portion of revenue received from the trainees of premium courses of Small Vehicles compared to that received from trainees of standard courses of Small Vehicles.

### RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Our business operations have been stable after the Track Record Period. It was recorded that (i) the revenue of the Group during the two months ended 30 June 2019 increased by approximately 51.3% compared to that during the two months ended 30 June 2018; (ii) the revenue of Large Vehicles during the two months ended 30 June 2019 increased by approximately 39.0% compared to that during the two months ended 30 June 2018; (iii) the number of course enrolments in our premium courses for Small Vehicles during the two months ended 30 June 2019 increased by approximately 147.3% compared to that during the two months ended 30 June 2018; and (iv) the amount of course fees received for our standard courses and premium courses for Small Vehicles during the two months ended 30 June 2019 increased by approximately 91.0% compared to that during the two months ended 30 June 2018. To the best of our Director’s knowledge, up to the date of this prospectus, there was no material change in the general market conditions that had affected or would affect our Group’s business operations or financial condition materially and adversely.

As at the Latest Practicable Date, our Directors expected a lower overall gross profit margin of our Group for the two years ending 31 December 2020 compared to the overall gross profit margin for the year ended 31 December 2018, being 65.0%. This is mainly because our Directors believe that for the two years ending 31 December 2020, our premium courses of Large Vehicles are expected to contribute a significant portion of our Group’s revenue and that the gross profit margin of our premium courses of Large Vehicles will be relatively lower than that of our standard courses of Large Vehicles for the two years ending 31 December 2020. Our Directors expect that the profit of our Group for the year ending 31 December 2019 may be lower than that for the year ended 31 December 2018 mainly due to the estimated slight increase in Listing expenses.

---

## SUMMARY AND HIGHLIGHTS

---

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for the Listing expenses as disclosed in the section headed “Financial information – Listing expenses” in this prospectus and the renovation costs in connection with our dormitory building, we did not have any significant non-recurrent items in our consolidated statement of profit or loss and other comprehensive income.

Our Directors confirm that, save for the Listing expenses and the expected lower overall gross profit margin of our Group for the two years ending 31 December 2020 as disclosed above, as far as they are aware, there had been no material adverse change in our financial or trading position or prospects since 30 April 2019, being the date to which our latest audited consolidated financial statements were made up, up to the date of this prospectus.

### PREVIOUS LISTING APPLICATION

On 26 May 2017, we submitted an application to the Stock Exchange for the listing of the Shares on GEM (the “**GEM Application**”). However, on 20 October 2017, the former sponsor of the Company informed the Stock Exchange that they would cease to act for the Company in relation to the GEM Application due to the departure of the relevant responsible officers, and after evaluating the proposed listing timetable and the possibility of submitting a listing application on the Main Board, the Company withdrew the GEM Application.

### LISTING EXPENSES

The total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB35.9 million (equivalent to approximately HK\$40.0 million) assuming an Offer Price of HK\$1.35 per Offer Share being the mid-point of the indicate Offer Price range and the Over-allotment Option is not exercised. Among the estimated total Listing expenses, (i) approximately RMB15.5 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately RMB20.4 million is expected to be recognised as expenses in our consolidated statements of comprehensive income, of which approximately RMB10.3 million and RMB2.1 million had been recognised for the year ended 31 December 2018 and the four months ended 30 April 2019, respectively and the remaining of approximately RMB8.0 million is expected to be recognised for the eight months ending 31 December 2019 and following the Listing.

### DIVIDENDS

Prior to the completion of the Reorganisation, our subsidiaries now comprising our Group declared and paid dividends of RMB16.2 million to their then equity owners during the year ended 31 December 2016. No dividend has been paid or declared by our Company since its date of incorporation. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. Currently, we do not have any dividend policy, nor do we have any predetermined dividend distribution ratio.

For details, please refer to the section headed “Financial information – Dividends” in this prospectus.

### STATISTICS OF THE SHARE OFFER

	Based on the minimum Offer Price of HK\$1.28	Based on the maximum Offer Price of HK\$1.42
Market capitalisation <sup>(Note)</sup>	HK\$512 million	HK\$568 million
Unaudited pro forma adjusted net tangible assets per Share <sup>(Note)</sup>	HK\$0.528	HK\$0.561

*Note:* Please refer to Appendix II to this prospectus for details regarding the assumptions and calculation basis used.

---

## SUMMARY AND HIGHLIGHTS

---

### RISK FACTORS

There are certain risks involved in our Group's operations, many of which are beyond our Group's control, including but not limited to those relating to our business, industry, conducting business in the PRC and the Share Offer. A detailed discussion of the risk factors that our Directors believe are particularly relevant to our Group is set out in the section headed "Risk factors" in this prospectus. Some of the major risks we face include the following:

- Our business and results of operations depend on the number of course enrolments and the level of course fees we are able to charge
- If we fail to recruit or retain capable driving instructors, we may be unable to maintain efficiency in our operations and service quality and our reputation, operations and expansion plans may be materially and adversely affected
- We may not be able to maintain all necessary or renew licences and permits for our services in the PRC
- Our Group's business plans may not be materialised within the expected time frame or within the estimated budget
- Our limited operating history may make it difficult for potential investors to evaluate our business and future prospects
- We operate in a highly competitive market in Henan Province, the PRC, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of experienced employees and increased capital expenditures
- The PRC legal system has inherent uncertainties regarding the interpretation and enforcement of PRC laws and regulations which could limit the legal protections available to investors
- There has been no prior public market for the Shares and an active trading market may not develop

### NON-COMPLIANCE OF OUR GROUP

During the Track Record Period, our Group was involved in certain incidents of historical non-compliance with applicable regulations. In particular, we failed to register for social insurance within the prescribed time and to make full contribution to social insurance, failed to make contribution on time and in full to the housing provident funds for employees and failed to obtain the construction permit from the relevant local authority for certain structures erected on the land occupied by our Group. For a summary of such incidents, please refer to the section headed "Business – Non-compliance" in this prospectus.

---

## DEFINITIONS

---

*Unless the context otherwise requires, the following expressions have the following meanings in this prospectus. Certain other terms are explained in the section headed “Glossary of technical terms” in this prospectus.*

“Alpha Leap”	Alpha Leap Holdings Limited (首躍控股有限公司), a company incorporated in the BVI with limited liability on 5 May 2016, whose entire issued share capital is owned by Mr. Qi
“Ample Best”	Ample Best International Limited (溢佳國際有限公司), a company incorporated in the BVI with limited liability on 15 December 2016 and a direct wholly-owned subsidiary of our Company
“Ample Star”	Ample Star Global Limited (裕星環球有限公司), a company incorporated in the BVI with limited liability on 21 March 2014, whose entire issued share capital is owned by China Internet
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any of them, for the Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company conditionally adopted on 19 September 2019 and to become effective on the Listing Date, a summary of which is contained in Appendix IV to this prospectus, and as supplemented, amended or otherwise modified from time to time
“Assessment Framework Adjustment”	the adjustment to the assessment framework of the Driving Tests promulgated by the Ministry of Public Security on 15 August 2017 and effective on 1 October 2017
“associates”	has the meaning ascribed to it in the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“business day(s)”	any day (other than a Saturday, Sunday or public holidays) on which banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“Capitalisation Issue”	the issue of 299,999,000 new Shares to be made upon capitalisation of certain sums standing to the credit of the share premium account of our Company referred to in the section headed “A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 19 September 2019” in Appendix V to this prospectus

---

## DEFINITIONS

---

“CCASS”	the Central Clearing and Settlement System established and carried on by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman”	the chairman of the Board
“ChaoShang Securities”	ChaoShang Securities Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 2 (dealing in futures contracts) regulated activities under the SFO, acting as one of the Joint Bookrunners and Joint Lead Managers for the Share Offer
“China Internet”	China Internet Investment Finance Holdings Limited (中國互聯網投資金融集團有限公司)(Stock code: 810), a company listed on the Main Board of the Stock Exchange
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“Co-lead Managers”	Bluemount Securities Limited, Central China International Capital Limited and Paragon Securities Limited
“Companies Law” or “Cayman Companies Law”	Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	China Oriented International Holdings Limited (向中國國際控股有限公司), an exempted company incorporated in the Cayman Islands on 22 February 2017

---

## DEFINITIONS

---

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and, for the purpose of this prospectus, refers to Mr. Qi and Alpha Leap
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Cosmic Hero”	Cosmic Hero Investments Limited (普雄投資有限公司), a company incorporated in the BVI with limited liability on 6 June 2016, the entire issued share capital of which is owned by Mr. Ling
“Deed of Indemnity”	the deed of indemnity dated 19 September 2019 given by each of our Controlling Shareholders in favour of our Company, details of which are set forth in the section headed “E. Other information – 1. Indemnity on estate duty, taxation and other indemnities” in Appendix V to this prospectus
“Director(s)”	director(s) of the Company
“Frost & Sullivan”	Frost & Sullivan International Limited, a global market research and consulting company, which is an Independent Third Party
“Frost & Sullivan Report”	an independent market research report commissioned by our Company on the driving training services market in the PRC and prepared by Frost & Sullivan
“GDP”	gross domestic product
“GEM”	the GEM operated by the Stock Exchange
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include CCASS Operational Procedures
“ <b>GREEN</b> Application Form”	the application form(s) to be completed by the <b>HK eIPO White Form</b> Service Provider designated by our Company
“Group”, “Our Group”, “we”, “our” or “us”	our Company and its subsidiaries or, where the context refers to any time prior our Company became the holding company of its present subsidiaries, include the present subsidiaries of our Company or the businesses carried on by such subsidiaries or (as the case may be) their predecessors or any of them
“HK\$” or “Hong Kong dollars”	Hong Kong dollars and cents, the lawful currency of Hong Kong

---

## DEFINITIONS

---

“ <b>HK eIPO White Form</b> ”	the application for the Public Offer Shares to be issued in the own name of the applicant by submitting application online at the designated website of the <b>HK eIPO White Form</b> at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HK eIPO White Form Service Provider</b> ”	the <b>HK eIPO White Form</b> service provider designated by our Company, as specified on the designated website of the <b>HK eIPO White Form</b> at <a href="http://www.hkeipo.hk">www.hkeipo.hk</a>
“ <b>HKSCC</b> ”	Hong Kong Securities Clearing Company Limited
“ <b>HKSCC Nominees</b> ”	HKSCC Nominees Limited, a subsidiary of Hong Kong Exchanges and Clearing Limited
“ <b>Hong Kong</b> ” or “ <b>HK</b> ”	the Hong Kong Special Administrative Region of the PRC
“ <b>Hong Kong Share Registrar</b> ”	Tricor Investor Services Limited
“ <b>Independent Third Party(ies)</b> ”	an individual or a company which is independent from and not connected with (within the meaning of the Listing Rules) any directors, chief executive, substantial shareholders of our Company, our subsidiaries or any of their respective associates
“ <b>Joint Bookrunners</b> ”	Cinda Capital and ChaoShang Securities
“ <b>Joint Lead Managers</b> ”	Cinda Capital, ChaoShang Securities and Differ Financial and Securities Limited, a corporation licensed under the SFO and permitted to carry out Type 1 (dealing in securities) regulated activities under the SFO.
“ <b>Latest Practicable Date</b> ”	2 October 2019, being the latest practicable date prior to the date of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“ <b>Listing Committee</b> ”	the Listing Committee of the Stock Exchange
“ <b>Listing</b> ”	the listing of and the commencement of dealings in the Shares on the Main Board of the Stock Exchange
“ <b>Listing Date</b> ”	the date, expected to be on or about Thursday, 24 October 2019, on which our Shares are listed and from which dealings therein are permitted to take place on the Main Board of the Stock Exchange
“ <b>Listing Rules</b> ”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

---

## DEFINITIONS

---

“Main Board”	the stock market operated by the Stock Exchange, which excludes GEM and the options market
“Maxi Access”	Maxi Access Limited (凝泰有限公司), a company incorporated in Hong Kong with limited liability on 28 January 2016 and an indirect wholly-owned subsidiary of the Company. Maxi Access was wholly-owned by Mr. Ling immediately prior to the completion of Pre-IPO Investment I
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 19 September 2019, as supplemented, as amended or otherwise modified from time to time
“Ministry of Public Security”	Ministry of Public Security of the PRC (中華人民共和國公安部)
“Ministry of Transport”	Ministry of Transport of the PRC (中華人民共和國交通運輸部)
“MOFCOM”	Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Qi”	Mr. Qi Xiangzhong (齊向中), our founder, executive Director, Chairman and Controlling Shareholder
“Notice of Suiping Greening Plan 2019”	the Notice of Suiping County 2019 Land Greening Implementation Plan (《遂平縣2019年國土綠化實施方案》) issued by the People’s Government of Suiping County on 4 December 2018
“Offer Price”	the final offer price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) which is expected to be not more than HK\$1.42 and not less than HK\$1.28 and is expected to be determined on the Price Determination Date
“Offer Shares”	the Placing Shares and the Public Offer Shares
“Over-allotment Option”	the option to be granted by our Company to the Placing Underwriters, exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters), at its sole and absolute discretion, whereby our Company may be required to allot and issue up to 15,000,000 additional new Shares, representing 15% of the Offer Shares initially available under the Share Offer, at the Offer Price to cover over-allocations in the Placing, if any, as described in the section headed “Structure and conditions of the Share Offer” in this prospectus

---

## DEFINITIONS

---

“Placing”	the conditional placing of the Placing Shares by the Placing Underwriters on behalf of our Company for cash at the Offer Price with selected professional, institutional and/or other investors in Hong Kong as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Shares”	the 90,000,000 new Shares initially being offered by our Company at the Offer Price for subscription under the Placing, subject to reallocation and the Over-allotment Option as described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Placing Underwriters”	the underwriters of the Placing Shares who are expected to enter into the Placing Underwriting Agreement to underwrite the Placing Shares
“Placing Underwriting Agreement”	the conditional underwriting agreement relating to the Placing to be entered into between, among others, our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Placing Underwriters, particulars of which are summarised in the section headed “Underwriting – Underwriting arrangements and expenses” in this prospectus
“PRC” or “China”	the People’s Republic of China and for the sole purpose of this prospectus shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Government”	the government of the PRC
“PRC Legal Advisers”	Jingtian & Gongcheng, the legal advisers to our Company as to PRC law
“Pre-IPO Investment I”	the acquisition of the 20% equity interests in Tongtai Cultural by Mr. Ling through Maxi Access from Tengda Education for a consideration of RMB5,000,000
“Pre-IPO Investment II”	the subscription for 140 Shares by Greater Sino for a consideration of HK\$16,000,000
“Pre-IPO Investments”	Pre-IPO Investment I and Pre-IPO Investment II
“Pre-IPO Investor I” or “Mr. Ling”	Mr. Ling Wai Leung (凌偉良)

---

## DEFINITIONS

---

“Pre-IPO Investor II” or “Greater Sino”	Greater Sino Ventures Limited (偉華創投有限公司), a company incorporated in the BVI with limited liability on 13 June 2014, the entire issued share capital of which is directly owned by Ample Star
“Pre-IPO Investors”	Pre-IPO Investor I and Pre-IPO Investor II
“Price Determination Date”	the date, expected to be on or about Thursday, 17 October 2019 or such other date as may be agreed between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company, on which the final Offer Price is fixed for the purposes of the Share Offer
“Property Valuation Report”	the property valuation report commissioned by our Company and prepared by LCH (Asia-Pacific) Surveyors Limited
“Public Offer”	the issue and offer of the Public Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price on and subject to the terms and conditions stated in this prospectus and in the Application Forms as further described in the section headed “Structure and conditions of the Share Offer” in this prospectus
“Public Offer Shares”	the 10,000,000 new Shares (subject to reallocation) initially being offered by our Company for subscription in the Public Offer, as described under the section headed “Structure and conditions of the Share Offer” in this Prospectus
“Public Offer Underwriters”	the underwriters of the Public Offer Shares whose names are set out in the section headed “Underwriting – Public Offer Underwriters” in this prospectus
“Public Offer Underwriting Agreement”	the conditional underwriting agreement dated 10 October 2019 relating to the Public Offer entered into between, among others, our Company, our Controlling Shareholders, our executive Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters, details of which are set forth in the section headed “Underwriting – Underwriting arrangement and expenses – The Public Offer – Public Offer Underwriting Agreement” in this prospectus
“Regulation S”	Regulation S under the U.S. Securities Act
“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing, as described in the section headed “History and development” in this prospectus

---

## DEFINITIONS

---

“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental authority responsible for matters relating to foreign exchange administration
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of our Company, which are to be traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
“Share Offer”	the Public Offer and the Placing
“Share Option Scheme”	the share option scheme conditionally adopted by our Company, a summary of the principal terms are set out in the section headed “D. Share Option Scheme” in Appendix V to this prospectus
“Shareholders”	holders of the Shares
“Shareholders’ Agreement”	the shareholders’ agreement dated 8 June 2018 entered into between our Company, Alpha Leap, Cosmic Hero and Greater Sino in connection with the Pre-IPO Investment II and in relation to the arrangement regarding their participation in and their respective holdings of shares in our Company
“Shun Da School”	Suiping County Shunda Driver Training Company Limited* (遂平縣順達駕駛員培訓有限公司), a company established in the PRC with limited liability on 25 December 2012 and an indirect wholly-owned subsidiary of our Company
“Sponsor” or “Cinda Capital”	Cinda International Capital Limited, a licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the sponsor to the Listing
“Stabilising Manager”	ChaoShang Securities
“State Council”	State Council of the People’s Republic of China

---

## DEFINITIONS

---

“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between Alpha Leap and the Stabilising Manager on or about the Price Determination Date
“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers and Share Buy-backs issued by SFC, as amended, supplemented or otherwise modified from time to time
“Tengda Education”	Suiping County Tengda Education Services Company Limited* (遂平縣騰達教育服務有限公司), a company established in the PRC with limited liability on 18 May 2016, the equity interests of which are owned by Mr. Qi as to 99% and Ms. Gao Dongju as to 1% on trust for Mr. Qi
“Tong Tai School”	Zhumadian Tongtai Large Vehicles Driver Training Company Limited* (駐馬店通泰大型機動車駕駛員培訓有限公司), a company established in the PRC with limited liability on 24 April 2014 and an indirect wholly-owned subsidiary of our Company
“Tongtai Cultural”	Zhumadian Tongtai Cultural Media Company Limited* (駐馬店通泰文化傳媒有限公司), a company established in the PRC with limited liability on 2 June 2016 and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	the period comprising the three financial years ended 31 December 2018 and the four months ended 30 April 2019
“Traffic Management Department”	the Traffic Management Department (交通管理局) of the Ministry of Public Security
“Trial Regulations”	the Regulations on the Venue of Motor Vehicle Driving Test of Henan Province (Trial Version) (《河南省機動車駕駛人考場管理規定(試行)》), which was promulgated by the Traffic Police Battalion of the Public Security Bureau of Henan Province (河南省公安廳交警總隊) and was implemented on 13 April 2017
“Underwriters”	the Public Offer Underwriters and the Placing Underwriters

---

## DEFINITIONS

---

“Underwriting Agreements”	the Public Offer Underwriting Agreement and the Placing Underwriting Agreement
“U.S.” or “United States”	the United States of America
“U.S. Securities Act”	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the applicant’s or applicants’ own name(s)
“Wincox”	Wincox Limited (穎斯有限公司), a company incorporated in Hong Kong with liability on 28 December 2016 and an indirect wholly-owned subsidiary of our Company
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS
“sq.m.” or “m <sup>2</sup> ”	square metres
“%”	per cent.

*Certain figures set out in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as the currency conversion or percentage equivalents may not be an arithmetic sum of such figures.*

*The English names of the Chinese nationals, companies, entities, departments, facilities, certificates, titles and the like are translation of their Chinese names and are included in this prospectus for identification purpose only and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

*The asterisk mark “\*” indicates that the English name is for identification purpose only and the official name should be in Chinese.*

*For the purpose of illustration only and unless otherwise specified in this prospectus, amounts denominated in RMB have been translated into HK\$ at the rate of RMB0.90 = HK\$1.00. No representation is made that the RMB amounts could have been, or could be, converted into HK\$ at such rates or at any other rate on such date or on any other date.*

---

## GLOSSARY OF TECHNICAL TERMS

---

*This glossary contains explanations of certain terms used in this prospectus in connection with us and our business. These terminologies and their given meanings may not correspond to those standard meanings and usage adopted in the industry.*

“A1 Licence”	a permit or licence issued by the Ministry of Public Security in order to drive A1 Vehicles. A holder of A1 Licence is also allowed to drive, among others, A3, B1, B2, C1 and C2 Vehicles
“A1 Vehicles” or “Large Buses”	large vehicles of 6m or longer; or with a capacity for 20 or more passengers, being a type of vehicles classified by the Ministry of Public Security
“A2 Licence”	a permit or licence issued by the Ministry of Public Security in order to drive A2 Vehicles. A holder of A2 Licence is also allowed to drive, among others, B1, B2, C1 and C2 Vehicles
“A2 Vehicles” or “Towing Vehicles”	large and medium full-trailers or half-trailer vehicles, being a type of vehicles classified by the Ministry of Public Security
“A3 Licence”	a permit or licence issued by the Ministry of Public Security in order to drive A3 Vehicles. A holder of A3 Licence is also allowed to drive, among others, C1 and C2 Vehicles
“A3 Vehicles” or “City Buses”	vehicles for carrying 10 or more passengers as city buses, being a type of vehicles classified by the Ministry of Public Security
“B1 Licence”	a permit or licence issued by the Ministry of Public Security in order to drive B1 Vehicles. A holder of B1 Licence is also allowed to drive, among others, C1 and C2 Vehicles
“B1 Vehicles” or “Medium Buses”	medium sized vehicles shorter than 6m; and with a capacity for 10–19 passengers, being a type of vehicles classified by the Ministry of Public Security
“B2 Licence”	a permit or licence issued by the Ministry of Public Security in order to drive B2 Vehicles. A holder of B2 Licence is also allowed to drive, among others, C1 and C2 Vehicles
“B2 Vehicles” or “Large Trucks”	large and medium sized trucks and large and medium sized working vehicles, being a type of vehicles classified by the Ministry of Public Security
“C1 Licence”	a permit or licence issued by the Ministry of Public Security in order to drive C1 Vehicles. A holder of C1 Licence is also allowed to drive, among others, C2 Vehicles

---

## GLOSSARY OF TECHNICAL TERMS

---

“C1 Vehicles” or “Small Manual Cars”	small manual vehicles, light-goods manual vehicles and light-duty manual working vehicles, being a type of vehicles classified by the Ministry of Public Security
“C2 Licence”	a permit or licence issued by the Ministry of Public Security in order to drive C2 Vehicles. A holder of C2 Licence is not allowed to drive other class of vehicles
“C2 Vehicles” or “Small Automatic Cars”	small automatic vehicles, light-goods automatic vehicles and light-duty automatic working vehicles, being a type of vehicles classified by the Ministry of Public Security
“CAGR(s)”	compound annual growth rate(s), representing the year-over-year growth rate of a value over a specified period of time, taking into account the effects of compounding
“Driving Skill Written Test”	the written test organised by the Vehicles Management Office (車管所) of the Traffic Management Department, being the prerequisite for the grant of driving licence in the PRC. A trainee shall pass such test before he or she can take the On-road Driving Test, the On-site Driving Test and/or the Road Safety Written Test
“Driving Tests”	Driving Skill Written Test, On-site Driving Test, On-road Driving Test and Road Safety Written Test
“Driving Training Curriculum”	the Driving Training Curriculum (機動車駕駛培訓教學大綱), being a part of the Outline of the Motor Vehicle Driver Training, Education and Examination (《機動車駕駛培訓教學與考試大綱》) issued by the Ministry of Transport and the Ministry of Public Security on 18 August 2016 specifying, among others, the minimum training hours required for preparation of each of the Driving Tests for driving training for various vehicle types in the PRC
“Driving Training Service Platform”	Driving Training Supervision Service Platform (駕駛培訓監管服務系統), an online system maintained and provided by the Ministry of Transport for the purposes of maintaining the training records of driving trainees
“Large Vehicles”	A1, A2, A3, B1 and B2 Vehicles, which are generally used as commercial vehicles
“National Vocational Qualification List”	the National Vocational Qualification List (國家職業資格目錄) formulated by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) and promulgated by the State Council on 12 September 2017

---

## GLOSSARY OF TECHNICAL TERMS

---

“On-road Driving Test”	the driving test organised by the Vehicles Management Office (車管所) of the Traffic Management Department on public roads, being the prerequisite for the grant of driving licence in the PRC. A trainee shall pass such test before he or she can take the Road Safety Written Test
“On-site Driving Test”	the driving test organised by the Vehicles Management Office (車管所) of the Traffic Management Department at a specific site, being the prerequisite for the grant of driving licence in the PRC. A trainee shall pass such test before he or she can take the Road Safety Written Test
“qualified level I driving school”	a driving school possessing, among others, more than 80 training vehicles, and is qualified under the Qualifications of Motor Vehicle Driving Training Institutions (機動車駕駛員培訓機構資格條件) to provide driving training services in the PRC
“qualified level II driving school”	a driving school possessing, among others, more than 40 driving vehicles, and is qualified under the Qualifications of Motor Vehicle Driving Training Institutions (機動車駕駛員培訓機構資格條件) to provide driving training services in the PRC
“Road Safety Written Test”	the written test organised by the Vehicles Management Office (車管所) of the Traffic Management Department, being the prerequisite for the grant of driving licence in the PRC. A trainee shall pass the Driving Skill Written Test, the On-road Driving Test and the On-site Driving Test before he or she can take the Road Safety Written Test
“Road Transport Business Licence”	Road Transport Business Licence (道路運輸經營許可證), a licence which must be obtained by an organisation from the Ministry of Transport for the purposes of carrying on transportation business in the PRC
“Small Vehicles”	C1 Vehicles and C2 Vehicles, which are generally used as private and/or commercial vehicles
“test venues”	such parts of the training fields of driving schools used by the Traffic Management Department for conducting the On-site Driving Test
“Traffic Safety Management Platform”	Ministry of Public Security Internet Traffic Safety Consolidated Service Management Platform (公安互聯網交通安全綜合服務管理平台), an integrated online platform provided by the Traffic Management Department for the purposes of, among others, managing the registrations of trainees and advance bookings of Driving Tests by trainees

---

## FORWARD-LOOKING STATEMENTS

---

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this prospectus, the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “might”, “ought to”, “plan”, “potential”, “predict”, “project”, “seek”, “shall”, “should”, “will”, “would” and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialise or may change. These statements are subject to certain risks, uncertainties and assumptions, including but not limited to the risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospect;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic trends and conditions;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- certain statements in the section headed “Financial information” with respect to trend in prices, volumes, operations, margins, overall market trends, risk management and exchange rates.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking statements. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

---

## RISK FACTORS

---

*Potential investors should consider carefully all the information set out in this prospectus and should consider and evaluate the following risks associated with an investment in our Company before making any investment decision in relation to our Company. Additional risks and uncertainties not presently known to our Group or that our Group currently deems immaterial could also harm the business, financial condition and operating results of our Group. The trading prices of our Shares could decline due to any of these risks, and you may lose all or part of your investment.*

### RISKS RELATING TO OUR BUSINESS

**Our business and results of operations depend on the number of course enrolments and the level of course fees we are able to charge.**

Our revenue and profits are greatly affected by the level of course fees that we are able to charge. Our course fees are primarily determined based on, among others, the market conditions, utilisation of our capacities, demand for our training services, costs of our services and our positioning in the market and are subject to review and adjustment by the Group's management from time to time. The number of course enrolments would be affected primarily by our course fees, demand for our services and the prices of driving courses provided by comparable service providers. There can be no assurance that we will be able to maintain the level of our course fees and the number of course enrolments in the future due to various reasons. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain the level of our course fees or attract sufficient new trainees.

**If we fail to recruit or retain capable driving instructors, we may be unable to maintain efficiency in our operations and service quality and our reputation, operations and expansion plans may be materially and adversely affected.**

The efficiency in our operations and quality of our driving courses are, to a significant extent, attributable to our driving instructors, as we rely substantially on them for the provision of training services to our trainees. Therefore, our driving instructors are the key to maintaining the quality of our courses and services and to upholding our reputation.

As at 30 April 2019, we had a total of 275 driving instructors. We must continue to recruit driving instructors who are able to meet our standards in order to cope with our planned business expansion. We seek to recruit driving instructors with driving experience and driving qualification necessary for the required type of vehicles. We provide comprehensive training, which generally last for one week, to our driving instructors to ensure that our driving instructors possess necessary knowledge and teaching skills for delivering driving training to trainees efficiently and in accordance with our requirements and the relevant laws and regulations. We also provide continuing training to our driving instructors so that they can maintain and improve their techniques and skills. Further, according to the Frost & Sullivan Report, it is expected that the average monthly income of driving instructors in Zhumadian City will be increased steadily in the future, reaching RMB6,525 by 2023, representing a CAGR of 4.9% from 2019 to 2023. Although we offer competitive remuneration package to our driving instructors, there is no guarantee that our remuneration package is always as competitive as other industry players in Zhumadian City or we can

---

## RISK FACTORS

---

recruit and retain our driving instructors in the future. If we are unable to recruit and retain an appropriate number of driving instructors, the quality of our services may decrease, which may have a material adverse effect on our reputation, business and results of operations.

**Our business involves safety risks and the materialisation of such risks will affect our business operations and financial results.**

Our business involves inherent safety risks, which may not be eliminated through implementing risk management policy or other control measures. Our driving courses may present risks and dangers, among which are mal-manipulation of the vehicles, vehicle or equipment failure and other issues arising from the driving training. The materialisation of any of the aforesaid risks may result in personal injury and/or disrupt our business and our reputation being negatively impacted, which may also affect the validity and renewal of our relevant licences and permits, and hence our business operations and results of operations.

**We may not be able to maintain all necessary or renew licences and permits for our services in the PRC.**

We are required to obtain, maintain or renew various licences and permits and fulfill necessary requirements in order to operate our schools. For details, please refer to the section headed “Business – Licences and permits“ in this prospectus. While we intend to obtain or renew all requisite licences and permits on a timely basis and maintain our licences and permits for our schools, there is no assurance that we will be able to do so. Any failure or delay in obtaining or renewal of such licences or permits may result in fines or suspension of our operations, which in turn will materially and adversely affect our business and results of operations.

**Our business is heavily dependent on the market recognition of our brand and reputation.**

According to the Frost & Sullivan Report, brand image plays a significant role in driving training service market. Our ability to maintain our reputation depends on the level of trainee satisfaction with our courses, service quality of our driving instructors, our trainees’ passing rates of Driving Tests and negative press coverage, some of which are beyond our control. If we cannot maintain our reputation or the quality of services we offer, our reputation will be negatively affected, as a result of which we may not be able to attract new trainees and our business and results of operations could be materially and adversely affected.

**Our revenue is highly reliant on our driving courses at Tong Tai School.**

A significant portion of our revenue during the Track Record Period was generated from the provision of training services at Tong Tai School. For the three years ended 31 December 2018 and the four months ended 30 April 2019, the revenue derived from the provision of training services at Tong Tai School amounted to approximately RMB39.9 million, RMB54.4 million, RMB69.2 million and RMB24.9 million, respectively, representing approximately 86.2%, 88.5%, 89.0% and 88.2% of our total revenue, respectively. Therefore, should the revenue from the provision of training services at Tong Tai School drop significantly, the profit of our Group may be adversely affected.

---

## RISK FACTORS

---

**Our net current liabilities may expose us to certain liquidity risks and could constrain our operational flexibility.**

Our Group recorded net current liabilities in the amount of approximately RMB80.4 million and RMB57.7 million as at 31 December 2016 and 2017, respectively. Our Group recorded net current liabilities position as at 31 December 2016 and 2017, respectively, because (i) the use of short term bank loans to finance our capital expenditures such as payment of prepaid land lease, purchases of motor vehicles, payment of construction costs for our office building and dormitory building; (ii) trade and other payables and accruals in relation to the accrued construction costs for construction of dormitory building, accrued salaries, other tax payables and examination fees payable to local authority received on behalf of our trainees; and (iii) the contract liability in relation to course fees received from the course enrolments. For further details, please refer to the section headed “Financial information – Net current liabilities/assets” in this prospectus.

Although our Group’s net current liabilities position was significantly improved to become net current assets position as at 31 December 2018 and 30 April 2019, respectively, there is no guarantee that such net current assets position will be maintained in the future. Net current liabilities position may expose us to certain liquidity risks and could constrain our operational flexibility. Our future liquidity, the payment of trade and other payables, will primarily depend on our ability to maintain adequate cash inflows from our operating activities, which will be affected by our future operating performance, prevailing economic conditions and other factors, which may fall beyond our control. If we do not have sufficient working capital to meet our present and future financial needs, we may need to resort to external funding. Our inability to obtain additional external borrowings on a timely basis or on acceptable terms, or at all, may materially and adversely affect our business, our financial condition and our results of operations.

**Our current insurance coverage may not be sufficient to cover the risks related to our operations.**

We currently maintain insurance policies in respect of our operations and social insurance for our employees in the PRC, which we believe are consistent with the industry norm in our industry in the PRC. Please refer to the section headed “Business – Insurance” for further details. We may have to pay for any uninsured financial or other losses, damages and liabilities, litigation or business disruption out of our own resources. Besides, the occurrence of certain incidents, including earthquake, fire, severe weather, war, floods, power outages, terrorist attacks or other disruptive events and the consequences, damages and disruptions resulting from such events may not be fully covered by our insurance policies. The occurrence of any of these events may result in interruption of our operations and subject us to significant losses or liabilities. Any losses or liabilities that are not covered by our current insurance policies may have a material adverse effect on our business, financial condition and results of operations.

**Any failure to protect our trainees’ personal information may materially and adversely affect our reputation and business.**

We collect, receive, store and process personal information and other data of our trainees when they enrol in our driving courses. We also keep personal data and information of the trainees, including the identification information, physical conditions and check-up results of our trainees as part of our course

---

## RISK FACTORS

---

enrolment procedure. Please refer to the section headed “Business – Our operations – Enrolment” in this prospectus for further details. Our internal control procedures aim to ensure proper collection, use and storage of the personal data of our trainees.

Despite our efforts to employ security measures to safeguard the personal data of our trainees, there is no guarantee that there will be no security breach. Any failure by us to prevent such security breach may result in government enforcement actions, penalties or claims against us by our trainees, which would materially and adversely affect our reputation and business.

**Our Group’s business plans may not be materialised within the expected time frame or within the estimated budget.**

Our Group’s business plans include the acquisition of a new parcel of land, purchase of training vehicles and test vehicles, maintenance of a strong team of driving instructors, and enhancing marketing activities in the PRC. Please refer to the section headed “Future plans and use of proceeds – Use of proceeds” in this prospectus for further details. There is no assurance that our Group will be able to expand our business successfully within the expected time frame or within the estimated budget. Our Group may also need to finance additional amount required, on top of the net proceeds from the Share Offer, for further implementation of our Group’s business objectives and strategies, as well as additional working capital requirement, by internal resources and/or obtaining external financings. There is no assurance that our Group’s internally generated funds will be adequate, or that our Group is able to obtain adequate external financings to finance such business plans in a timely manner if so required. In the event that our Group fails to implement our business plans, or our Group fails to obtain adequate financings in a timely manner if so required, our Group’s business operations, financial performance and results of operations could be materially and adversely affected.

**We plan to expand our existing training field for Large Vehicles by acquiring and developing a new parcel of land and purchase new training vehicles. Such expansion may result in increase in amortisation and depreciation expenses and may affect our financial results and conditions.**

We plan to expand our existing training fields for Large Vehicles by acquiring and developing a new parcel of land and purchase new training vehicles. The amortisation and depreciation expenses may increase due to the purchase of new land, additional equipment and facilities and additional training vehicles. For the three years ended 31 December 2018 and the four months ended 30 April 2019, we recorded (i) depreciation expenses of approximately RMB3.5 million, RMB3.7 million, RMB4.9 million and RMB2.6 million, respectively, and (ii) amortisation expenses and depreciation of right-of-use assets of approximately RMB1.3 million, RMB1.3 million, RMB1.3 million and RMB0.6 million, respectively. In the event that our depreciation expenses increase substantially as a result of such expansion, our business and financial performance may be adversely affected.

**Any loss of service of our Directors or senior management could affect our operations and growth prospects.**

The vision and leadership of our Directors and senior management team are critical to our business and have made significant contributions to our growth and success. Please refer to the section headed “Directors and senior management” in this prospectus for further details. The unexpected loss of services of

---

## RISK FACTORS

---

any of these individuals could also have a materially adverse effect on us. Consequently, we may not be able to easily and quickly replace lost personnel and we may incur additional expenses to recruit, train and retain new hires.

**Our limited operating history may make it difficult for potential investors to evaluate our business and future prospects.**

Our Group was established in December 2012 and we, through Shun Da School, have provided driving courses for Small Manual Cars (C1) in Zhumadian City, Henan Province, the PRC. In April 2014, we established our Tong Tai School which offers driving training services for both Large Vehicles and Small Vehicles. Potential investors should be aware that there is a limited track record on which an evaluation of our business could be based. Potential investors should consider the future prospects of our Group in light of the risks and challenges encountered by a company with a limited operating history.

**Our historical financial and operating results may not be indicative of our future performance.**

We have experienced growth in revenue during the Track Record Period. Our historical growth was driven by the increase in the number of course enrolments for our courses. Our financial condition and results of operations may fluctuate due to a number of other factors, of which many are beyond our control, including, our ability to maintain and increase the number of course enrolments and our ability to control our cost of services rendered and other operating costs. In addition, we may not sustain our past growth rates in future periods, and we may not sustain profitability on a quarterly, interim or annual basis in the future. Our historical results, growth rates and profitability may not be indicative of our future performance.

**We may not pay any dividends in the foreseeable future.**

Our subsidiaries now comprising our Group declared and paid dividends of RMB16.2 million, nil, nil and nil for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively. Our historical dividend payment is not indicative of any plan to declare dividend in the future. After completion of the Share Offer, our priority will be to retain our earnings in order to fund our growth and expansion. For more details regarding our future plans for expansion, please refer to the section headed “Future plans and use of proceeds” in this prospectus. Consequently, there can be no assurance that we will be able to declare or distribute any dividend in the future. The payment and amount of dividends paid or payable depend on various factors, including but not limited to, the results of business and operations, future prospectus, cash flows, financial position, statutory, legal and regulatory restrictions on the payment of dividends and other factors as our Board may deem relevant and will be at the absolute discretion of our Board.

**Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may cause damage, loss or disruption to our business.**

Natural disasters, acts of war, political unrest and epidemics, which are beyond our control, may materially and adversely affect the economy, infrastructure and livelihood of our customers in the PRC. In particular, some cities in the PRC are susceptible to flood, earthquakes, sandstorms, snowstorms and droughts. Our business, financial condition, results of operation and prospects may be materially and adversely affected if such natural disasters occur in places where we operate, whether directly or indirectly. Political unrest, acts of war and terrorists attacks may cause damage or disruption to us, our employees, our

---

## RISK FACTORS

---

customers and service provider network, any of which could materially and adversely affect our sales, cost of sales, overall results of operations and financial condition. The potential for war or terrorists attack may also cause uncertainty and cause our business to suffer in ways which are beyond our prediction.

### **RISKS RELATING TO OUR INDUSTRY**

**We operate in a highly competitive market in Henan Province, the PRC, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of experienced employees and increased capital expenditures.**

The driving training service market in Henan Province, the PRC is highly fragmented and competitive, and we expect competition in this market to persist and intensify. According to Frost & Sullivan Report, the number of driving training organisations in Zhumadian City and Henan Province is expected to expand at CAGRs of approximately 9.5% and 8.7%, respectively from 2019 to 2023, and to reach 125 and 2,441, respectively in 2023. We compete with other driving schools across a range of factors, including course fee levels, school location, facilities, quality of driving instructors and service packages. Our competitors may have similar school facilities and adopt similar marketing approaches, with different pricing and service packages that may have greater appeal than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can for the development and promotion of their schools and respond more quickly than we can to changes in the market and to pursue new market opportunities. If we are unable to successfully compete for new trainees, maintain or increase our course fee level, attract and retain experienced employees, enhance the quality of our services or control our costs, our business and results of operations may be materially and adversely affected.

**Fluctuations in the domestic economy and financial market and associated decline in demand for driving training services in the PRC could adversely affect our revenue and profitability.**

We derive our revenue from the provision of driving training services in the PRC. The demand for driving training services in the PRC depends on a number of factors outside of our control. A decline in the demand could substantially reduce our revenue and profitability and may consequently have a material adverse effect on our business, financial condition and results of operations.

There can be no assurance that projected growth rates of the PRC economy will be realised or that there will not be any future deterioration of economic conditions in the PRC. In the event that our competitors react to any decline by introducing more competitive prices or packages for driving courses, our ability to maintain our market share may be adversely affected, and we may have to intensify our marketing efforts in order to compete with them effectively. If we are required to conduct more aggressive promotions or to reduce our prices or improve our packages to respond to price competition, our business, financial condition and results of operations may be adversely affected.

---

## RISK FACTORS

---

### RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

**Fluctuations in consumer spending caused by changes in economic, political and legal developments in the PRC may significantly affect our business, financial condition, result of operations and prospects.**

We derive our revenue from the provision of driving training services in the PRC. Our business, financial condition, result of operations and prospects are therefore subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of numerous developed countries in different respects, including but not limited to, social structure, growth rate, control of foreign exchange and allocation of resources. The PRC economy has been transitioning from a planned economy to a more market-oriented economy. In the past decades, the PRC Government has implemented economic reform measures to emphasise the importance in utilisation of market forces for economic development. The PRC's political and social conditions may also affect the implementation of economic reform by the PRC Government. There can be no assurance that there will be no changes in the PRC's political, economic and social conditions that will have material adverse effects on our business, financial condition, result of operations and prospects.

**The PRC legal system has inherent uncertainties regarding the interpretation and enforcement of PRC laws and regulations which could limit the legal protections available to investors.**

All of our operations are conducted in the PRC and are governed by the PRC laws, regulations and rules. The PRC legal system is a civil law system based on written statutes, and prior court decisions can only be cited as reference and have limited precedential value. As many of these laws, regulations and rules are relatively new, and the published court decisions are scarce and of non-binding nature, the interpretation and enforcement of the laws, rules and regulations in the PRC may involve uncertainties and may not be consistent or predictable as in other more developed jurisdictions. The legal protections available to us under these laws, regulations and rules may be limited. Any litigation or regulatory enforcement action in the PRC may be protracted and could result in substantial costs and diversion of resources and management attention. In addition, we cannot predict the effect of future developments in the PRC legal system, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national laws. Any changes to such laws and regulations may materially increase our costs and regulatory exposure in complying with them. Please refer to the section headed "Regulatory overview" in this prospectus for further details.

### RISKS RELATING TO THE SHARE OFFER

**There has been no prior public market for the Shares and an active trading market may not develop.**

Prior to the Listing, there has not been a public market for the Shares. Our Company has applied for listing of the Shares on the Main Board. However, there is no assurance that the Listing will result in the development of an active public market for the Shares or that the market price of the Shares will not decline below the Offer Price. The Offer Price may not be indicative of the market price of the Shares after the Share Offer is completed. You may be unable to resell your Shares at or above the Offer Price, and as a result, may lose all or part of your investment in such Shares.

---

## RISK FACTORS

---

### **The trading price of the Shares may be volatile.**

The price at which the Shares will trade after the Share Offer may fluctuate substantially as a result of many factors, some of which are beyond our control, including:

- actual or anticipated fluctuations in our results of operations;
- changes in securities analysts' estimates, if any, of our financial performance;
- acquisitions, strategic partnerships, joint ventures or capital commitments;
- fluctuations of exchange rates between the HK dollars, RMB and other foreign currencies; and
- general market conditions or other developments affecting us or our industry.

In addition, shares of the companies listed on the Stock Exchange has from time to time experienced significant price and volume fluctuations which are not related to the operating performance of the companies listed on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of the Shares and a decrease in the value of the Shares, regardless of our operating performance or prospects.

### **Issue of new Shares under the Share Option Scheme or issue of additional Shares will have a dilution effect and may affect our Group's profitability.**

The holders of the Offer Shares may experience dilution to the extent that the Shares are issued upon exercise of options pursuant to the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance expansions of our operations or new acquisitions. If additional funds are raised through issuance of new Shares or other securities that may be converted into the Shares other than on a pro rata basis to our existing Shareholders, the percentage ownership of the existing Shareholders may be reduced and Shareholders may experience subsequent dilutions. In addition, any such new securities may have preferred rights, options or pre-emptive rights that make them more valuable than or senior to the Shares.

### **Sale or perceived sale of substantial amounts of the Shares in the public market after the Share Offer could adversely affect the prevailing market price of the Shares.**

The Shares beneficially owned by the Controlling Shareholders are subject to certain lock-up periods under the Listing Rules. There is no assurance that the Controlling Shareholders will not dispose of their Shares following the expiration of the lock-up periods. Sale of substantial amounts of the Shares in the public market, or the perception that such sale may occur, could adversely affect the prevailing market price of the Shares.

---

## **RISK FACTORS**

---

**Investors may experience difficulties in enforcing Shareholder rights because our Company is incorporated in the Cayman Islands as the laws of Cayman Islands may provide different remedies to minority Shareholders when compared with the laws of Hong Kong or other jurisdictions.**

Our Company is an exempted company incorporated in the Cayman Islands with limited liability. The corporate affairs of the Company are governed by the Memorandum and the Articles, the Companies Law and the common law of the Cayman Islands. The rights of Shareholders to take legal action against our Company and/or our Directors, actions by minority Shareholders and the fiduciary responsibilities of the Directors to our Company under Cayman Islands laws are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which is persuasive, but not binding authority to a court in the Cayman Islands.

The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in Hong Kong and other jurisdictions where investors may be located. Such differences mean that the remedies available to our minority Shareholders may be different from those they would have under the laws of Hong Kong or other jurisdictions. For detailed information, please refer to the section headed “3. Cayman Islands company law” in Appendix IV to this prospectus.

### **RISK RELATING TO THE STATEMENTS MADE IN THIS PROSPECTUS**

**Statistics and facts in this prospectus have not been independently verified.**

This prospectus includes certain statistics and facts that have been extracted from government official sources and publications or other sources. We believe that the sources of these statistics and facts are appropriate for such statistics and facts and have taken reasonable care in extracting and reproducing such statistics and facts. We have no reason to believe that such statistics and facts are false or misleading or that any material information has been omitted that would render such statistics and facts false or misleading. These statistics and facts from these sources have not been independently verified by us, our Controlling Shareholders, the Sponsor, the Underwriters, any of their respective directors or any other party involved in the Share Offer and therefore, we make no representation as to the accuracy or completeness of these statistics and facts, as such these statistics and facts should not be unduly relied upon.

Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics from official government publications referred to or contained in this prospectus could be inaccurate or there is a risk that they are not comparable to statistics produced for other economies and should not be relied upon. Furthermore, we cannot assure you that the facts and other statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere.

In all cases, investors should give consideration as to how much weight or importance they should attach to, or place on, such facts or other statistics.

---

## RISK FACTORS

---

**Forward-looking statements in this prospectus could prove inaccurate.**

This prospectus contains certain forward-looking statements relating to the plans, objectives, expectations and intentions of our Directors. Such forward-looking statements are based on numerous assumptions as to our present and future business strategies and the development of the environment in which we operate. Our actual financial results, performance or achievements could differ materially from those discussed in this prospectus. Investors should be cautioned against placing undue reliance on any forward-looking statements as these statements involve known and unknown risks, uncertainties and other factors which could cause our actual financial results, performance or achievements to be materially different from our anticipated financial results, performance or achievements expressed or implied by these statements. We are not obliged to update or revise any forward-looking statements in this prospectus, whether by reason of new information, future events or otherwise.

**You should read this entire prospectus and we strongly caution you not to place any reliance on any information contained in press articles or media regarding us or the Share Offer.**

There may be press and media coverage regarding us or the Share Offer, which may include certain events, financial information, financial projections and other information about us that do not appear in this prospectus. We have not authorised the disclosure of any other information not contained in this prospectus. We do not accept any responsibility for any such press or media coverage and we make no representation as to the accuracy or completeness or reliability of any such information or publication. To the extent that any such information appearing in publications other than this prospectus is inconsistent or conflicts with the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors should not rely on any such information. In making your decision as to whether to subscribe for the Shares, you should rely only on the financial, operational and other information included in this prospectus.

---

## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

In preparation for the Listing, we have sought the following waiver from strict compliance with the relevant provisions of the Listing Rules.

### WAIVER IN RELATION TO MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily residents in Hong Kong.

Since the business operations of our Group are substantially carried out in the PRC, members of our senior management team are and will be expected to continue to be based in the PRC. In addition, it would be practically difficult and commercially unnecessary for us to relocate our executive Directors to Hong Kong or appoint additional executive Directors who are ordinarily residents in Hong Kong.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules on the following conditions:

- (a) we have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication at all times with the Stock Exchange. The two authorised representatives are Mr. Qi and Mr. Tsang Chi Hon. We will ensure that the authorised representatives will comply with the Listing Rules at all times. The authorised representatives will provide their usual contact details to the Stock Exchange and will be readily contactable by telephone, facsimile and/or email address by the Stock Exchange, if necessary, to deal with enquiries from the Stock Exchange from time to time;
- (b) each of the authorised representatives has the means to contact all the Directors (including the independent non-executive Directors) and our senior management team promptly at all times, as and when the Stock Exchange wishes to contact the Directors on any matters. We will implement a policy whereby our Directors (including the independent non-executive Directors) will provide to the authorised representatives (i) their respective mobile phone numbers, residential phone numbers, fax numbers and email addresses; and (ii) valid phone numbers or other means of communication when they are travelling;
- (c) all the Directors who are not ordinarily residents in Hong Kong possess or can apply for valid travel documents to visit Hong Kong for business purposes and would be able to come to Hong Kong and, when required, meet with the Stock Exchange upon reasonable notice;
- (d) Cinda Capital, the compliance adviser of our Company (“**Compliance Adviser**”), will act as an additional channel of communication with the Stock Exchange for a period commencing from the Listing Date and ending on the date on which our Company distributes the annual report for the first full financial year after the Listing Date in accordance with Rule 13.46 of the Listing Rules. The Compliance Adviser will provide professional advice to us on continuous compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our authorised representatives and our Directors who will provide the

---

## WAIVER FROM STRICT COMPLIANCE WITH THE LISTING RULES

---

Compliance Adviser with such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties;

- (e) all the Directors will provide their respective mobile phone numbers, office phone numbers, e-mail addresses and facsimile numbers to the Stock Exchange; and meetings between the Stock Exchange and our Directors could be arranged through our authorised representatives or the Compliance Adviser, or directly with our Directors within a reasonable time. We will inform the Stock Exchange as soon as practicable in respect of any change in our authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules; and
- (f) the Company will retain Hong Kong legal advisers to advise on on-going compliance requirements, any amendment or supplement to and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after the Listing.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

---

### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purposes of giving information with regard to our Company. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief:

- the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive;
- there are no other matters the omission of which would make any statement herein or this prospectus misleading; and
- all opinions expressed in this prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

The Offer Shares are offered for subscription solely on the basis of the information contained and the representations made in this prospectus. No person is authorised in connection with the Share Offer to give any information, or to make any representation, not contained in this prospectus. Any information or representation not contained herein shall not be relied upon as having been authorised by our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers, agents, employees, affiliates and/or representatives or any other person or parties involved in the Share Offer.

### **OFFER SHARES ARE FULLY UNDERWRITTEN**

This prospectus is published solely in connection with the Share Offer which is sponsored by the Sponsor and managed by the Joint Lead Managers. The Offer Shares will be fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreements (including but not limited to the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company agreeing on the Offer Price). For further information about the Underwriters and underwriting arrangements, please refer to the section headed "Underwriting".

### **RESTRICTIONS ON SALE OF THE OFFER SHARES**

No action has been taken to permit any offering of the Offer Shares or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, any offer or invitation nor is it taken as an invitation or solicitation of offers in any jurisdiction or under any circumstances where such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

---

The distribution of this prospectus and/or the related Application Forms and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable laws, rules and regulations of such jurisdictions pursuant to registration with or authorisation by the relevant regulatory authorities or as an exemption therefrom.

Each person acquiring the Offer Shares will be required to confirm, or by his or her acquisition of the Offer Shares be deemed to confirm, that he or she is aware of the restrictions on the offer of the Offer Shares described in this prospectus and/or the related Application Forms and that he or she is not acquiring, and has not been offered, any such shares in circumstance that contravenes any such restrictions.

Prospective investors for the Offer Shares should consult their financial advisers and take legal advice as appropriate, to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction.

### **PROCEDURE FOR APPLICATION FOR THE PUBLIC OFFER SHARES**

The procedure for application for the Public Offer Shares is set out in the section headed “How to apply for the Public Offer Shares” in this prospectus and on the relevant Application Forms.

### **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

Details of the structure and conditions of the Share Offer are set out in the section headed “Structure and conditions of the Share Offer” in this prospectus.

### **APPLICATION FOR LISTING**

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (including Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any option which may be granted under the Share Option Scheme) on the Stock Exchange. Save as disclosed herein, no part of the share or loan capital of our Company is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

Pursuant to Rule 8.08(1) of the Listing Rules, at least 25% of the total issued share capital of our Company must at all times be held by the public. A total of 100,000,000 Offer Shares, representing 25% of the enlarged issued share capital of our Company, will be in the hands of the public immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme) and upon Listing. Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on the Main Board unless the Stock Exchange otherwise agrees.

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

---

Under section 44B(1) of the Companies (WUMP) Ordinance, if the permission for the Shares to be listed on the Main Board pursuant to this prospectus has been refused prior to the expiration of three weeks from the date of the closing of the Public Offer or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the approval of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus on the Stock Exchange and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### **HONG KONG SHARE REGISTRAR AND STAMP DUTY**

Our Company's principal register of members will be maintained by our principal share registrar, Conyers Trust Company (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong branch register of members will be maintained by our Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Shares in issue will be registered in our Company's branch register of members to be maintained in Hong Kong. Only Shares registered on our Company's branch register of members maintained in Hong Kong may be traded on the Main Board. Dealings in Shares registered in the branch register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

Unless determined otherwise by our Company, dividends payable in Hong Kong dollars in respect of our Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong by cheque sent, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder or if joint Shareholders, to the first-named therein in accordance with the Articles.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Share Offer are recommended to consult their professional advisers if they are in any doubt as to taxation implications of the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Shares. None of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, advisers, officers,

---

## **INFORMATION ABOUT THIS PROSPECTUS AND THE SHARE OFFER**

---

employees, agents or representatives (where applicable) or any other persons or parties involved in the Share Offer accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealings in, or the exercise of any rights in relation to, the Shares.

### **DEALINGS AND SETTLEMENT**

Dealings in the Shares on the Main Board are expected to commence at 9:00 a.m. (Hong Kong time) on or about Thursday, 24 October 2019.

Shares will be traded in board lots of 4,000 Shares each and are freely transferable.

The stock code for the Shares is 1871.

The Company will not issue any temporary document of title.

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Names of any laws and regulations, governmental authorities, institutions, natural persons or other entities which have been translated into English and included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

### **EXCHANGE RATE CONVERSION**

Unless otherwise specified, this prospectus contains translations for the convenience of the readers the following rates: Hong Kong dollars into US dollars at the rate of HK\$7.80 = US\$1.00 and Hong Kong dollars into RMB at the rate of HK\$1.00 = RMB0.90 as at the Latest Practicable Date. These translations are provided for reference and convenience only, and no representation is made, and no representation should be construed as being made, that any amounts in HK\$ or US\$ can be or could have been at the relevant dates converted at the above rates or any other rates at all.

Unless the Company determines otherwise, dividends payable in Hong Kong dollars in respect of the Shares will be paid to the Shareholders listed on our Company's Hong Kong branch register of members to be maintained in Hong Kong by cheque sent, by ordinary post, at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder in accordance with the Articles.

### **ROUNDING**

Any discrepancies in any table or chart between the totals and the sums of the amounts listed therein are due to rounding.

---

**DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER**

---

**DIRECTORS**

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
-------------	----------------------------	--------------------

**Executive Directors**

Qi Xiangzhong (齊向中)	No. 2 Villa Yujing Mingcheng Pedestrian Street East Suiping County Henan Province PRC	Chinese
---------------------	---	---------

Zhao Yuxia (趙玉霞)	31 Yinghua Road Suiping County Henan Province PRC	Chinese
------------------	--	---------

**Non-executive Director**

Yeung Cheuk Kwong (楊卓光)	Room E, 60/F Tower 5 Sorrento Tsimshatsui Kowloon Hong Kong	Chinese
-------------------------	--	---------

**Independent Non-executive Directors**

Chan Siu Wah (陳小華)	Flat B, 55/F Tower 6 Metro Town 8 King Ling Road Tseung Kwan O New Territories Hong Kong	Chinese
--------------------	--	---------

Cheng Chun Shing (鄭鎮昇)	Flat F, 66/F Tower 1 Grand Promenade 38 Tai Hong Street Sai Wan Ho Hong Kong	Chinese
------------------------	---	---------

---

**DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER**

---

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
Goh Teng Hwee (吳挺飛)	Flat E, 16/F Block 2 Tsuen Kam Centre 328 Castle Peak Road Tsuen Wan New Territories Hong Kong	Chinese

**SENIOR MANAGEMENT**

<b>Name</b>	<b>Business Address</b>	<b>Nationality</b>
Sun Tao (孫濤)	No. 50 Guangming Road Yicheng District Zhumadian City Henan Province PRC	Chinese
Zhang Changling (張長嶺)	73-9 Quyang Main Road Quyang Town Suiping County Henan Province PRC	Chinese

See the section headed “Directors and senior management” in this prospectus for further details of our Directors and senior management.

---

## DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER

---

### PARTIES INVOLVED IN THE SHARE OFFER

#### Sponsor

##### **Cinda International Capital Limited**

*A licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on securities) regulated activities*

45th Floor, COSCO Tower

183 Queen's Road Central

Hong Kong

#### Joint Bookrunners

##### **Cinda International Capital Limited**

*A licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on securities) regulated activities*

45/F, COSCO Tower

183 Queen's Road Central

Hong Kong

##### **ChaoShang Securities Limited**

*A licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 2 (dealing in future contracts) regulated activities*

Rooms 2206–2210, 22nd Floor

China Resources Building

26 Harbour Road

Wanchai, Hong Kong

#### Joint Lead Managers

##### **Cinda International Capital Limited**

*A licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on securities) regulated activities*

45/F, COSCO Tower

183 Queen's Road Central

Hong Kong

##### **ChaoShang Securities Limited**

*A licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 2 (dealing in future contracts) regulated activities*

Room 2206–2210, 22nd Floor

China Resources Building

26 Harbour Road

Wanchai, Hong Kong

---

## DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER

---

### **Differ Financial and Securities Limited**

*A licensed corporation under the SFO to conduct Type 1 (dealing in securities) regulated activities*

Unit 03, 16/F  
Euro Trade Centre  
13 Connaught Road Central  
Central, Hong Kong

### **Co-lead Managers**

### **Bluemount Securities Limited**

*A licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 4 (advising on securities) regulated activities*

Room 2403-05  
Jubilee Centre  
18 Fenwick Street  
Wan Chai, Hong Kong

### **Central China International Capital Limited**

*A licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities*

Suite 3108, Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

### **Paragon Securities Limited**

*A licensed corporation under the SFO to conduct Type 1 (dealing in securities) regulated activities*

Unit No.7, 11/F  
Commercial Emperor Group Centre  
No.288 Hennessy Road  
Hong Kong

### **Legal advisers to our Company**

*As to Hong Kong law:*

Ma Tang & Co.  
Rooms 1508-1513, Nan Fung Tower  
88 Connaught Road Central  
Central  
Hong Kong

---

## DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER

---

*As to the PRC law:*

Jingtian & Gongcheng  
34th Floor, Tower 3  
China Central Place  
77 Jianguo Road  
Chaoyang District  
Beijing  
PRC

*As to Cayman Islands law:*

Conyers Dill & Pearman  
Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

**Legal advisers to the Sponsor and  
the Underwriters**

*As to Hong Kong law:*

TW Partners  
Units 1705-06, 17th Floor  
Tai Tung Building  
8 Fleming Road  
Wanchai  
Hong Kong

*As to the PRC law:*

Commerce & Finance Law Offices  
2301, Building A  
Aerospace Science and Technology Plaza  
Haide 3rd Road  
Nanshan District  
Shenzhen  
PRC

**Auditors and reporting accountants**

Deloitte Touche Tohmatsu  
*Certified Public Accountants*  
35/F, One Pacific Place  
88 Queensway  
Hong Kong

**Property valuer**

LCH (Asia-Pacific) Surveyors Limited  
17th Floor  
Champion Building  
287-291 Des Voeux Road Central  
Hong Kong

---

**DIRECTORS, SENIOR MANAGEMENT AND PARTIES INVOLVED IN THE SHARE OFFER**

---

**Industry consultant**

Frost & Sullivan International Limited  
1706, One Exchange Square  
8 Connaught Place  
Central  
Hong Kong

**Internal control consultant**

Moore Stephens Advisory Services Limited  
812 Silvercord, Tower 1  
30 Canton Road  
Tsimshatsui, Kowloon  
Hong Kong

**Receiving bank**

Bank of China (Hong Kong) Limited  
1 Garden Road  
Hong Kong

---

## CORPORATE INFORMATION

---

<b>Registered office in the Cayman Islands</b>	Cricket Square Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands
<b>Headquarters, head office and principal place of business in the PRC</b>	Baililiu Village Zhutang Township, Suiping County Zhumadian City Henan Province PRC
<b>Principal place of business in Hong Kong</b>	Rooms 1508-1513 Nan Fung Tower 88 Connaught Road Central Central, Hong Kong
<b>Company's website</b>	<u><a href="http://www.china-oriented.com">www.china-oriented.com</a></u> (information contained in this website does not form part of this prospectus)
<b>Company secretary</b>	Mr. Tsang Chi Hon (曾志漢) (HKICPA) Flat H, 4/F Hang Yue Building 334-350 Des Voeux Road West Sai Ying Poon Hong Kong
<b>Authorised representatives</b>	Mr. Tsang Chi Hon (曾志漢) Flat H, 4/F Hang Yue Building 334-350 Des Voeux Road West Sai Ying Poon Hong Kong  Mr. Qi Xiangzhong (齊向中) No. 2 Villa Yujing Mingcheng Pedestrian Street East Suiping County Henan Province PRC
<b>Audit Committee</b>	Mr. Cheng Chun Shing (鄭鎮昇) (chairman) Mr. Chan Siu Wah (陳小華) Mr. Goh Teng Hwee (吳挺飛)

---

## CORPORATE INFORMATION

---

<b>Nomination Committee</b>	Mr. Qi Xiangzhong (齊向中) ( <i>chairman</i> ) Mr. Chan Siu Wah (陳小華) Mr. Cheng Chun Shing (鄭鎮昇) Mr. Goh Teng Hwee (吳挺飛)
<b>Remuneration Committee</b>	Mr. Chan Siu Wah (陳小華) ( <i>chairman</i> ) Mr. Cheng Chun Shing (鄭鎮昇) Mr. Goh Teng Hwee (吳挺飛) Mr. Qi Xiangzhong (齊向中)
<b>Principal share registrar</b>	Conyers Trust Company (Cayman) Limited
<b>Hong Kong Share Registrar</b>	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
<b>Compliance Adviser</b>	Cinda International Capital Limited
<b>Principal bankers</b>	Henan Suiping Rural Commercial Bank Corporation Limited (河南遂平農村商業銀行股份有限公司) No. 187 Construction Road Suiping County Henan Province PRC  Central Bank Corporation Limited, Suiping Branch (中原銀行股份有限公司遂平支行) South Quyang Avenue Zhumadian City Henan Province PRC  Ping Yu County Rural Credit Cooperative (平輿縣農村信用合作聯社) Yong Le Community Committee Suiping County Henan Province PRC

---

## INDUSTRY OVERVIEW

---

*The information and statistics contained in this section and elsewhere in this prospectus has been derived from various official government and other publications generally believed to be reliable and the market research report prepared by Frost & Sullivan which we commissioned.*

*Our Directors believe that the sources of such information and statistics are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors have no reason to believe that such information is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. Such information has not been independently verified by us or any of the Joint Bookrunners, the Joint Lead Managers, the Sponsor, the Underwriters or any of our or their respective directors, officers or representatives or any other person involved in the Share Offer and no representation is given as to its accuracy, completeness or fairness of such information.*

*The information extracted from the commissioned report from Frost & Sullivan reflects estimate of market conditions based on samples, and is prepared primarily as a market research tool. References to Frost & Sullivan Report should not be considered as the opinion of Frost & Sullivan as to the value of any security or the advisability of investing in our group. Our Directors believe that the source of information extracted from the commissioned report from Frost & Sullivan are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. Our Directors confirm that after taking reasonable case, there is no adverse change in the market information since that the date of the Frost & Sullivan report.*

### SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market researcher and consultant, to conduct market research and analysis on the driving training services market in Zhumadian City and Henan Province in PRC at a fee of HK\$400,000. Frost & Sullivan is an independent global consulting firm founded in 1961. It offers industry research, market strategies and provides growth consulting and corporate training. Its industry coverage includes automotive and transportation, chemicals, materials and food, commercial aviation, consumer products, energy and power systems, environment and building technologies, healthcare, industrial automation and electronics, industrial and machinery, and technology, media and telecom. The Frost & Sullivan Report includes information on data of the driving training services market in Zhumadian City and Henan Province in PRC.

Frost & Sullivan has conducted detailed primary research which involved discussing the status of the industry with certain leading industry participants and exclusive interviews with industry experts for the insights into future trends. Frost & Sullivan has also conducted secondary research which involved the review of audited financial statements of listed companies where available, as well as public, independent research reports. Frost & Sullivan has obtained the figures for the estimated total market size from historical data analysis plotted against macroeconomic data as well as considering certain industry key drivers. The data sources include the publication from National Bureau of Statistics of PRC, public secondary database and the database of Frost & Sullivan. Frost & Sullivan reviews and cross-checks all of available sources and independent analyses to build final estimates including the market size, entry barriers, future trends of the driving training services market in Zhumadian City and Henan Province in PRC.

In compiling and preparing its report, Frost & Sullivan has adopted the following assumptions:

- (i) the social, economic and political environment is likely to remain stable in the forecast period, which ensures the stable and healthy development of the driving training services market in Zhumadian City and Henan Province in PRC; and
- (ii) the related industry key drivers are likely to drive Zhumadian City and Henan Province in PRC driving training services market in the forecast period, such as sustainable growth of macro economy, increasing demand for large car drivers, etc..

Our Directors, after taking reasonable care, are of the view that there has been no adverse change in the market information since the date of Frost & Sullivan Report which may qualify, contradict or have an impact on the information in this section.

### OVERVIEW OF MACRO ECONOMY OF CHINA AND HENAN PROVINCE

#### Nominal GDP and per capita nominal GDP of China and Henan Province

Driven by a series of economic stimulus policies including “Revitalisation Plans of Ten Key Industries”\* (十大產業振興計劃) and “The Belt and Road Initiative”\* (一帶一路), China’s nominal GDP maintained a relatively robust growth at a CAGR of 8.7% between 2014 and 2018, expanding from

## INDUSTRY OVERVIEW

approximately RMB64.4 trillion in 2014 to approximately RMB90.0 trillion 2018. Simultaneously, per capita nominal GDP in China increased from approximately RMB47,203 in 2014 to approximately RMB64,644 in 2018, representing a CAGR of 8.2%.

Along with the solid growth of China macro-economic conditions, nominal GDP in Henan Province also maintained stable growth in the past years, increasing from approximately RMB3.5 trillion in 2014 to approximately RMB4.8 trillion in 2018 at a CAGR of 8.4%. In the future, Henan Province's nominal GDP is expected to experience a further expansion, growing at a lower yet sustainable CAGR of 6.6% from 2019 to 2023, reaching approximately RMB6.6 trillion by 2023. In respect of the per capita nominal GDP in Henan Province, it increased from approximately RMB37,071 in 2014 to approximately RMB50,152 in 2018, and it is forecasted to reach approximately RMB67,266 by 2023.

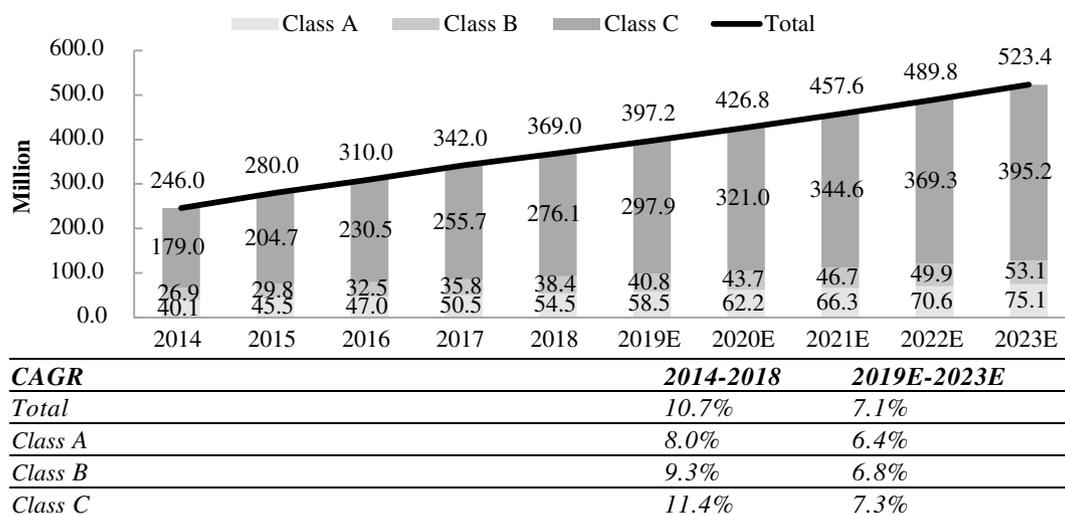
### Number of vehicles and vehicle drivers in China

Due to increase in income level and improved living standard, there was an increase in the demand for vehicles in the past years. From 2014 to 2018, the number of vehicles in China experienced rapid growth, increasing from approximately 146.0 million to approximately 240.3 million at a CAGR of 13.3%. Driven by continuous increase of Chinese consumers' purchasing power together with the gradual decrease of vehicle prices, the number of vehicles in China is expected to reach approximately 387.7 million by 2023.

Henan Province is one of the largest provinces in terms of the number of vehicles in China. As of 2018, the total number of vehicles in Henan Province reached approximately 14.6 million. Benefited from the fast growth of the number of vehicles in Henan Province, the number of vehicles in Zhumadian City increased from approximately 0.7 million in 2014 to approximately 1.4 million in 2018 at a CAGR of 18.6%. By 2023, the number of vehicles in Zhumadian City is forecasted to reach approximately 2.4 million.

Not only there has been a significant increase in the number of vehicles in China, but the number of vehicle drivers also experienced rapid growth in the past years. Between 2014 and 2018, the number of vehicle drivers increased from approximately 246.0 million to approximately 369.0 million, attaining a CAGR of 10.7%. In respect of the number of vehicle drivers breakdown in China in 2018, Class C drivers (Class C drivers refer to small manual car/small automatic car/low-speed truck/three-wheel car/handicapped electric car drivers) constituted approximately 74.8% of the total number of drivers while the remaining 25.2% is attributed to class A and class B drivers (class A and class B drivers refer to large bus/towing vehicle/city bus/medium bus/large truck drivers).

**Number of Vehicle Drivers and Breakdown by Class of Drivers (China), 2014–2023E**

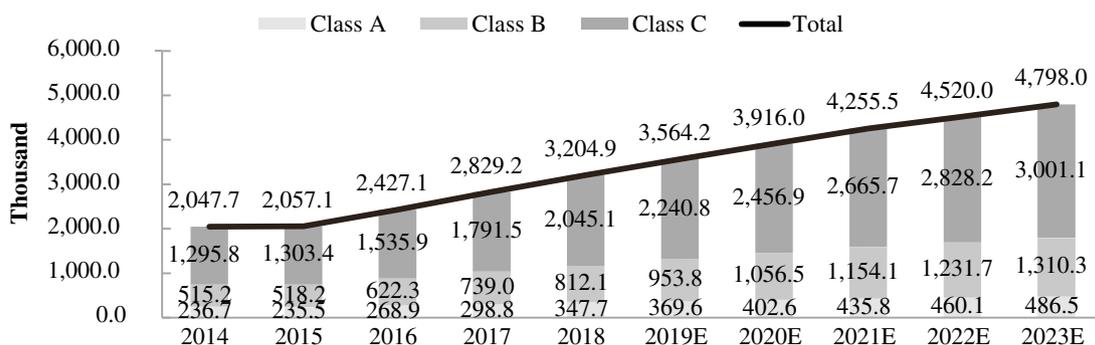


*Note:* The figures do not include the number of drivers of motorcycles, scooters, electric mobiles, trolleys, and tramcars.

*Source:* Ministry of Public Security of the PRC; Frost & Sullivan estimated based on primary and secondary research

## INDUSTRY OVERVIEW

### Number of Vehicle Drivers and Breakdown by Class of Drivers (Zhumadian City), 2014–2023E



<b>CAGR</b>	<b>2014-2018</b>	<b>2019E-2023E</b>
Total	11.9%	7.7%
Class A	10.1%	7.1%
Class B	12.0%	8.3%
Class C	12.1%	7.6%

Source: Frost & Sullivan estimated based on primary and secondary research.

### OVERVIEW OF CHINA DRIVING TRAINING SERVICES MARKET

#### Definition and classification

Driving training schools refer to the driving training schools that offer trainees driving skills training, driving test preparation, and driving test registration services. The driving training schools in China usually operate vehicle drivers training sites for on-site training.

According to the latest national standard, Qualification for Vehicle Driver Training Organizations\* (《機動車駕駛員培訓機構資格條件》), there are three levels of driving training schools in China, namely level I, II, and III. Different levels of driving training schools vary in teaching capacity and the scale of driving training services. Apart from providing the basic driving skills training, comprehensive driving training schools also provide additional services such as driving test registration services, safe driving education, etc. Shun Da School is a qualified level II driving school with training fields on two parcels of land an aggregate site area of approximately 47,995 sq.m at two different locations in Suiping County of Zhumadian City. Tong Tai School is a qualified I driving school with training fields on two adjoining parcels of land of an aggregate site area of approximately 105,261 sq.m in Suiping County of Zhumadian City.

	No. of training vehicles	No. of driving test simulators	Organisations have Class A or B vehicles training Size of training site <sup>(note)</sup> (m <sup>2</sup> )	Organisations have no Class A or B vehicles training training (m <sup>2</sup> )
Level I	>=80	>=20	>=70,000	>=33,000
Level II	>=40	>=10	>=57,000	>=17,000
Level III	>=20	>=5	>=47,000	>=10,000

Note: Office premises and other service facilities such as canteens and registration centres shall not form part of the training site for the purpose of determining the size of the training site.

Source: General Administration of Quality Supervision, Inspection and Quarantine of the PRC; Standardization Administration of the PRC

---

## INDUSTRY OVERVIEW

---

Driving training services can be classified based on the types of vehicles. According to the Ministry of Public Security\* (公安部), there are nine types of motor vehicles, in which class A, B and C refer to the most common types of vehicles for driving training services. Class A and B vehicles are considered as large vehicles, while class C vehicles mainly include private cars and they are considered as small vehicles.

	Type of Vehicle	Code	Specification
class A	Large Bus	A1	Length ≥6m, or Passengers ≥20
	Towing Vehicle	A2	Large and medium full-trailer or semi-trailer vehicles
class B	City Bus	A3	Passengers >10
	Medium Bus	B1	Length <6m; and 9 <Passengers <20
	Large Truck	B2	Large and Mid-size trucks and working vehicles
class C	Small Manual Car	C1	Small manual vehicles, light-goods manual vehicles, light-duty manual working vehicles
	Small Automatic Car	C2	Small automatic cars, light-goods automatic vehicles and light-duty automatic working vehicles
	Low-speed Truck	C3	Speed <70km/h
	Three-wheel car	C4	Three-wheel car
	Handicapped electric car	C5	Handicapped electric car
class D	Tri-motorcycle	D	Displacement >50ml, or max speed >50km/h
class E	Motorcycle	E	Displacement >50ml, or max speed >50km/h
class F	Scooter	F	Displacement <50ml, or max speed ≤50km/h
class M	Electric Bike	M	Electric Bike
class N	Trolley	N	Trolley
class P	Tramcar	P	Tramcar

Source: Frost & Sullivan

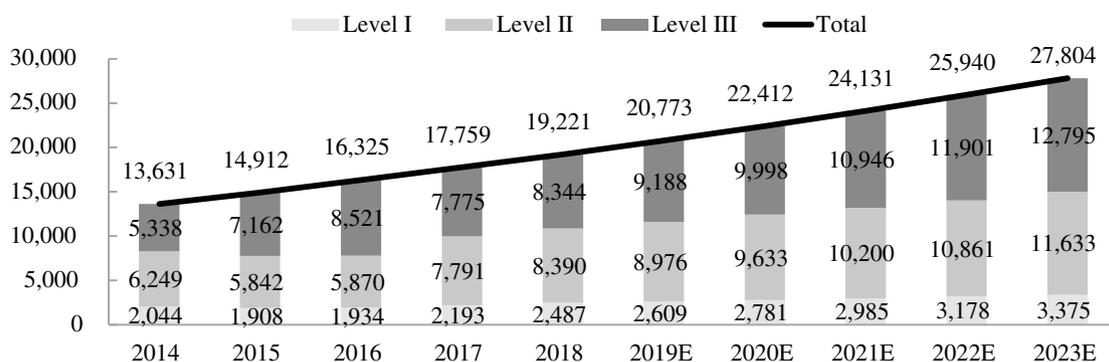
### China driving training services market

The data and statistics about the driving training services market in China, Henan Province and Zhumadian City were from the Ministry of Public Security of the People's Republic of China \* (中華人民共和國公安部), China Transportation Development Report 2017\*(《中國道路運輸發展報告2017》) issued by Ministry of Transport of the People's Republic of China\*(中華人民共和國交通運輸部) and were analyzed and estimated by Frost & Sullivan team through in-depth primary and secondary research by taking into account factors including but not limited to macro-economic condition, industry-wide concentration level and data of market players. In 2018, the total number of driving training schools in China reached 19,221, in which 2,487 and 8,390 were level I and level II driving training schools, respectively. Level II and III driving training schools comprised the majority of the market, representing 87.1% of total number of driving training schools in 2018. The growth rate of the number of large driving training schools with premium service quality and teaching capacities tends to surpass that of small market players due to the strengthened regulations and standards for the driving training services market.

## INDUSTRY OVERVIEW

By 2023, it is expected to have 3,375 level I and 11,633 level II driving training schools in China, respectively.

**Number of driving training schools (China), 2014–2023E**

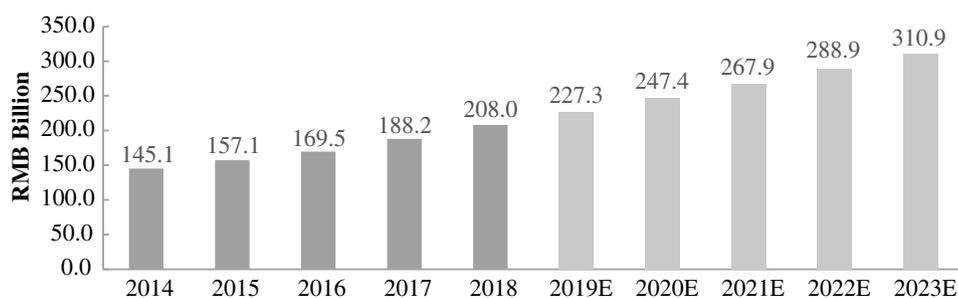


<b>CAGR</b>	<b>2014-2018</b>	<b>2019E-2023E</b>
<i>Total</i>	9.0%	7.6%
<i>Level I</i>	5.0%	6.7%
<i>Level II</i>	7.6%	6.7%
<i>Level III</i>	11.8%	8.6%

Source: The Ministry of Transport of the People's Republic of China; Frost & Sullivan estimated based on primary and secondary research.

The overall China driving training services market experienced significant growth over the past few years, increasing from approximately RMB145.1 billion in 2014 to approximately RMB208.0 billion in 2018 at a CAGR of approximately 9.4%. The major driving forces for the market are increasing number of private vehicles during the process of urbanization and thriving development of transportation industry. In 2018, total number of driving trainees reached approximately 30.9 million, increasing from approximately 25.0 million in 2014. Benefited from sustainable growth of demands for high-quality driving training services, the market size of driving training services market is forecasted to reach approximately RMB310.9 billion by 2023, yielding a CAGR of 8.2% between 2019 and 2023.

**Market size of driving training services market (China), 2014–2023E**



<b>CAGR</b>	<b>2014-2018</b>	<b>2019E-2023E</b>
<i>Driving training service market in China</i>	9.4%	8.2%

Source: Frost & Sullivan estimated based on primary and secondary research

### OVERVIEW OF HENAN PROVINCE AND ZHUMADIAN CITY DRIVING TRAINING SERVICES MARKET

#### Demands for Training Services from Corporate and Governmental Departments

As the result of the economic growth and improvement in living standard in the PRC, there will be an increasing demand for high-quality driving training services from corporates and governmental departments with professional fleet, for example logistic companies, city bus companies, travel companies and disciplinary forces, such as fire service department, requiring their personnel to attend driving courses for preparation for the Driving Tests. Attributed to the central location, Henan Province serves as a significant transportation hub of road transportation in China. In 2017, the government of Henan Province formulated Henan Province Logistic Industry Transformation and Development Plan\*(《河南省物流業轉型發展計劃

## INDUSTRY OVERVIEW

(2018-2020年)》), aiming to further enhance the development of the logistic industry. In this case, the total value of social logistics goods in Henan Province reached approximately RMB13.1 trillion in 2018, representing a CAGR of 11.1% between 2014 and 2018, which is higher than the national average level of 7.3% over the same period. Besides, attributed to the rapid urbanization in Henan Province, the total city bus passenger traffic reached approximately 1,302.8 million in 2017. Under such conditions, there is sustainable growth of demands for vocation drivers from corporate customers such as logistic companies and city bus companies. They tend to cooperate with well-organized driving training schools which could provide the high-quality and comprehensive driving training services to help their personnel prepare for the Driving Tests.

### Henan Province and Zhumadian City driving training schools

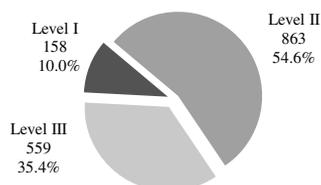
There are 1,580 driving training schools in Henan Province in 2018, registering a five-year growth rate of 11.4% from 2014 to 2018. The increase of driving training schools in Henan Province was mainly due to the fast growth in vehicle ownership as well as the increasing demand for driving training services of various types of vehicles. Benefiting from the large population base in Henan Province and continuously increasing number of vehicles, the number of driving training schools in Henan Province is expected to further increase at a moderate growth rate in the forthcoming years.

In 2018, the number of driving training schools in Zhumadian City reached 76, accounting for approximately 4.8% of Henan Province. As a prefectural level city in Henan Province, Zhumadian City is considered as a newly emerged regional market which will go through increasing market competition and challenges due to increasing market players and improving regulatory environment in the market.

The number of driving training organisations in Zhumadian City and Henan Province is expected to expand at CAGRs of approximately 9.5% and 8.7%, respectively from 2019 to 2023, and to reach 125 and 2,441, respectively in 2023.

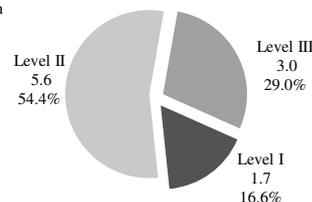
### Number of driving training organisations and market size of driving training services market breakdown by level (Henan Province), 2018

**Total number in Henan Province in 2018: 1,580**



**Market size of driving training services market in Henan Province in 2018: RMB10.2 billion**

Unit: RMB billion



Source: Frost & Sullivan estimated based on primary and secondary research

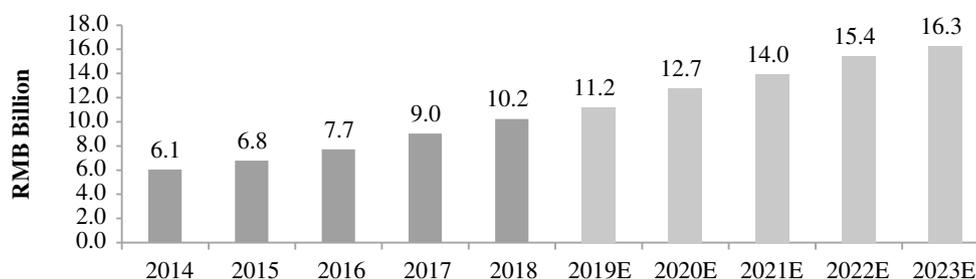
### Henan Province driving training services market

The overall driving training services market in Henan Province expanded at a fast growth rate over the past five years, recording revenue of RMB10.2 billion in 2018. Although the market experienced growth rate slow-down due to the substantial increase in driving test difficulty, supported by the ever-growing demand for high quality driving training services to meet the enhanced test requirement, Henan Province driving training services market regained growth in the following years and is expected to further expand at a CAGR of 9.7% from 2019 to 2023.

## INDUSTRY OVERVIEW

Along with regional markets getting more regulated, the Henan Province driving training services market is expected to be further mature and account for a more significant share in China.

### Market size of driving training services market (Henan Province), 2014–2023E



CAGR	2014-2018	2019E-2023E
Driving training services market in Henan Province	14.0%	9.7%

Source: Frost & Sullivan estimated based on primary and secondary research

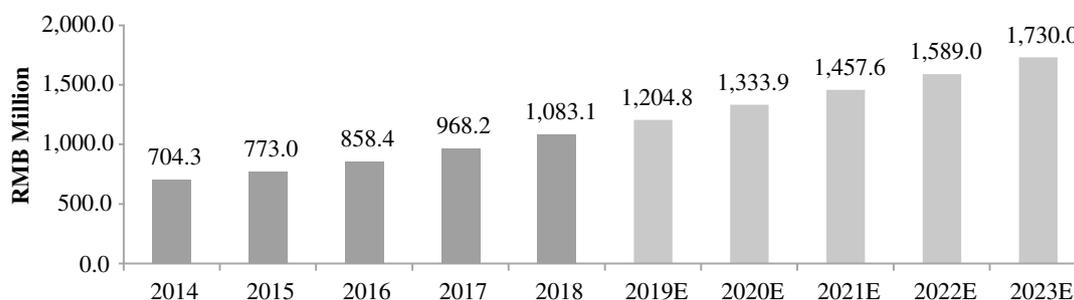
In 2018, level II driving training schools in Henan Province enrolled approximately 2.0 million trainees and generated revenue of approximately RMB5,567.0 million, representing approximately 54.4% of the total market in terms of revenue in Henan Province. Meanwhile level I driving training schools in Henan Province enrolled approximately 0.6 million trainees and generate revenue of approximately RMB1,700.1 million in 2018, accounting for approximately 16.6% of total market in terms of revenue in Henan Province. Along with further mature supervisory environment in China and Henan Province market, large driving training schools which are capable of providing premium driving training services and quality value added services such as accommodation and catering are expected to attract more customers and take greater market share in the future.

### Zhumadian City driving training services market

In 2015, Zhumadian Transportation Administration Department\* (駐馬店市交通運輸局), together with the Traffic Police Detachment of Zhumadian Public Security Bureau\* (駐馬店市公安局交警支隊), took action in regulating the Zhumadian driving training services market by adopting the Program of Specific Rectification of Non-qualified Driver Training Institutions\* (《無資質駕校專項整治工作方案》). The action focused on the governance of illegal activities such as illegal driving training services, fraudulent advertising, illegal charges for driving test registration, etc. More than 30 illegal driving training schools were forced to close down under the governance and the affected driving training area reached approximately 400,000 m<sup>2</sup> in 2016. Due to the strict requirements for driving training sites in terms of size, quality and ancillary facilities, it takes a relatively long time to get administrative approval for the qualified driving training sites. In this case, there exist mismatch between the supply of driving site and increasing demands for driving training services in Zhumadian City.

As of 2018, the market size of driving training services market in Zhumadian City reached approximately RMB1,083.1 million.

### Market size of driving training services market (Zhumadian City), 2014–2023E



CAGR	2014-2018	2019E-2023E
Driving training services market in Zhumadian City	11.4%	9.5%

Source: Frost & Sullivan estimated based on primary and secondary research

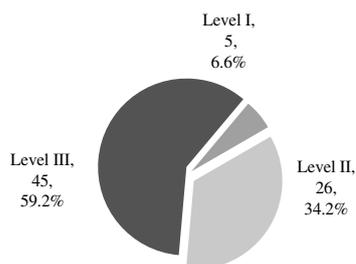
## INDUSTRY OVERVIEW

In 2018, the majority of the total revenue in Zhumadian City driving training services market was generated from level II and level III driving training schools since there was limited number of level I driving training schools in the market. Along with the adoption of stricter policies and standard in the driving training services market, the revenue and number of trainees of level I driving training schools are expected to grow sustainably in accordance with further established market reputation and more sufficient driving training resources.

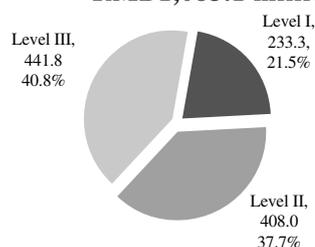
In 2018, level I driving training schools in Zhumadian City contributed to approximately 21.5% of total revenues with approximately 30,200 trainees, while level II driving training schools contributed to approximately 37.7% of total revenues with approximately 112,700 trainees.

### Number of driving training organisation and market size of driving training services market breakdown by type (Zhumadian City) 2018

**Total number in Zhumadian City in 2018: 76**



**Market size of driving training services market in Zhumadian City in 2018: RMB1,083.1 million**



Source: Frost & Sullivan estimated based on primary and secondary research

### Driving Courses Analysis

In general, majority of trainees take training sessions one to three times a week and one to two hours per session. The time spent to obtain driving license basically depends on the trainee's learning ability and personal schedule. In 2018, the average length for trainee to obtain a driving licence since the registration of training was approximately 220 days and 135 days for small vehicles and large vehicles, respectively. Due to the increasing difficulty of driving examinations, the average length of driving courses for both large and small vehicles are expected to continue to increase.

The following table illustrates the comparison of the average time for the Company's and other service providers' trainees to obtain the driving licences in 2018

Company	Large Vehicle (Days)	Small Vehicle (Days)
Our Company	123	205
Company A	130	210
Company B	135	210
Company C	125	215
Company D	N/A	220
Company E	125	210

Source: Frost & Sullivan analyzed based on interview with market players

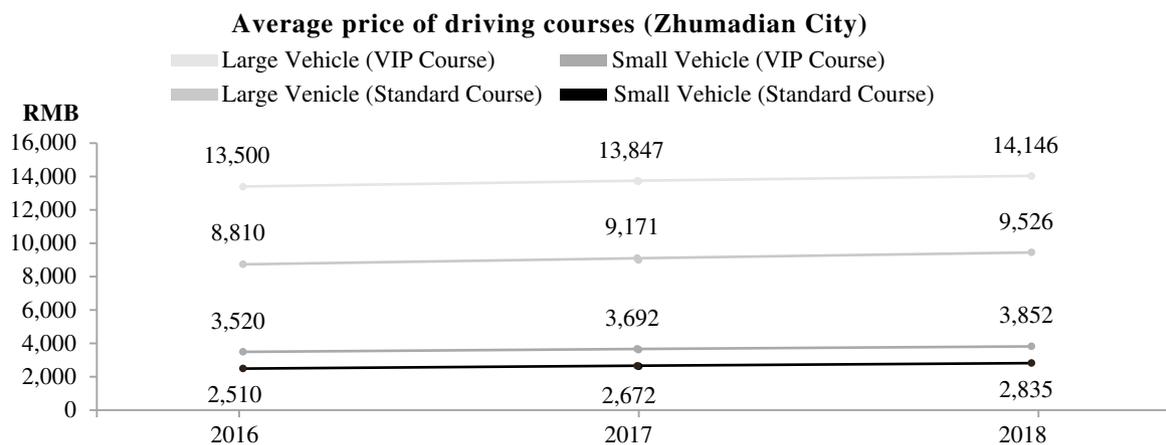
It is common that the driving training schools in the PRC offer different course packages that cater to the demand of different customers, such as VIP courses, weekend and holiday courses and weekday courses. Different packages vary in length of courses, class size, reservation priority and availability of additional services such as pick-up service and accommodation. VIP courses usually include mock examination services, make-up examination fee as well as value-added services such as accommodation and catering services. VIP packages are usually characterised by the provision of small classes of three to four trainees per lesson, while standard packages are characterised by the provision of large classes where six to eight trainees take lessons together. Normally, a coach vehicle could accommodate up to four trainees at one time and the driving training services could be conducted on rotation basis for the trainees per lesson. In such case, only the actual driving hours of each student would be counted.

As of 2016, the average prices of standard and VIP packages for large vehicles reached RMB8,810 and RMB13,500 in Zhumadian City, while the average prices of standard and VIP packages for small vehicles reached RMB2,510 and RMB3,520 in Zhumadian City. As of 2017, the average prices of standard and VIP packages for large vehicles reached RMB9,171 and RMB13,847 in Zhumadian City, while the average prices of standard and VIP packages for small vehicles reached RMB2,672 and RMB3,692 in

## INDUSTRY OVERVIEW

Zhumadian City. As of 2018, the average prices of standard and VIP packages for large vehicles reached RMB9,526 and RMB14,146 in Zhumadian City, while the average prices of standard and VIP packages for small vehicles reached RMB2,835 and RMB3,852 in Zhumadian City.

The prices of various types of package for both large vehicles and small vehicles increased steadily since 2016, along with the rising difficulty for driving tests and improving driving training services provided by driving training schools.



Source: Frost & Sullivan estimated based on primary and secondary research

### Major costs analysis

From 2016 to 2018, the domestic price of refined oil (such as gasoline and diesel) had shown a trend of slight fluctuation, mainly due to the implementation of national environmental protection policy which encouraged the use of new-energy/hybrid transportation tools; and on the other hand the innovation of technology had also improved the efficiency of oil usage, resulting in a decrease in domestic demand for refined oil and in turn led to a decrease in price of refined oil. Meanwhile, the international oil price is also a very important factor that will affect domestic refined oil price.

Along with the rapid development of driving training services market, the average monthly income of driving instructors in Henan Province and Zhumadian City increased at a moderate rate between 2014 and 2018. In Henan Province, the average monthly income of driving instructors increased from approximately RMB3,730 in 2014 to approximately RMB4,781 in 2018, growing at a CAGR of 6.4%. The average monthly income of driving instructors in Zhumadian City increased from approximately RMB3,928 in 2014 to approximately RMB5,111 in 2018, representing a CAGR of 6.8%. Along with increasing demand for driving training services in the market, the average monthly income of driving instructors in Henan Province and Zhumadian City is expected to rise steadily in the future, reaching approximately RMB6,312 and RMB6,525 by 2023, representing CAGRs of 5.6% and 4.9% respectively between 2019 and 2023.

### Market drivers

#### *More comprehensive regulations and supportive policies*

The standardisation of national policy is an important driving factor for the further expansion of the China driving training services market. In recent years, the relevant industry regulations continue to be carried out. Meanwhile, provincial and prefectural ratification plans were continuously carried out to prohibit illegal driving training schools and improper charges for driving training services under the Administrative Regulation on Motor Vehicle Driving Training\* (《機動車駕駛員培訓管理規定》). As a result, trainees tend to take driving courses at qualified driving schools.

#### *More sufficient professional driving training staff and better driving training quality*

In the driving training services market, driving training staff plays a significant role in determining the quality of the driving training services as well as the brand image of the company. Along with the increase in professional teaching staff together with the rising requirement for qualified driving instructors, the overall quality of the driving training services is expected to enhance. Many non-professional individual driving instructors and small driving training schools that are not capable of providing quality driving training services will be gradually eliminated by the further maturing market. Upgrade of overall driving training service quality is perceived to be the key driver of the China driving training services market.

---

## INDUSTRY OVERVIEW

---

### ***Increasing demand for vocational drivers***

Along with the rapid expansion of e-commerce and retail industries, logistics market experienced significant growth in the past years. Inevitably, such growth provides a solid boost to drive the demand for vocational drivers, especially for truck drivers. Further, the rising demand for vocational drivers is likely to drive the growth of vocational driving training market.

### ***Increase in households' income levels***

In consideration of the stable growth of macro-economic conditions as well as the significant improvement of households' living standards, vehicles are now becoming more affordable to many families in China. Henan province has one of the largest populations in China of approximately 109.1 million in 2018, accounting for approximately 7.8% of total population. Meanwhile, the population of Zhumadian City reached approximately 8.1 million in 2018. Compared with military vehicles, police vehicles and special vehicles, civil vehicles mainly include household vehicles, government vehicles and enterprise vehicles. The large and stable population bases in Henan Province and Zhumadian City generally lay a firm foundation for the increasing demands for household vehicles. Furthermore, the number of urban residents in Zhumadian City has recorded rapid growth rate of 7.3% between 2014 and 2018, which is higher than that of total urban residents in China of approximately 2.6% over the same period. The fast urbanisation rate and consequent increase in disposable income level in Zhumadian City positively contribute to the improvement of civil vehicle purchasing power. Besides, the number of civil vehicle per capita in China and Zhumadian City is 0.17 and 0.18 in 2018, respectively. The figure is lower than that of 0.8 in U.S. and 0.6 in Japan. Therefore, there are substantial drivers of increasing car purchases from households in China and Zhumadian City. Meanwhile, in 2018, the number of household vehicles reached approximately 207.3 million and 13.3 million in China and Henan Province respectively, yielding a CAGR of 13.3% and 14.4% respectively between 2014 and 2018. Meanwhile, the number of household vehicles in Zhumadian City increased at CAGR of 19.9% from approximately 0.6 million to approximately 1.3 million between 2014 and 2018, and the figure is forecasted to reach approximately 2.3 million by 2023, attaining a CAGR of approximately 11.8% between 2019 and 2023. The increasing demand from households upon purchasing cars will greatly stimulate their interests and needs to take driving courses in order to get licences. In the long run, such demand is likely to provide a solid boost to the development of driving training market.

### **Entry barriers**

#### ***Capital requirement***

Driving training businesses require a great amount of working capital for overhead expenditures to support the business operations throughout the whole process, including the costs for leasing land properties, acquiring driving training vehicles, hiring professional driving training staff, as well as marketing promotions to attract new customers. The substantial capital requirements normally amount to over millions and are likely to pose barriers for new entrants in setting up the business.

#### ***Brand image***

Brand image is one of the most critical decisive factors for customers to choose certain products and services. In fact, brand image also plays a significant role in the driving training services market when customers face decisions to choose the driving training schools. In customers' points of view, a branded driving training school is very much likely to offer high quality of services which will greatly increase their chances to pass the examinations. Yet, a well-established brand requires a great amount of time and effort to build up, which is likely to pose barriers for new entrants.

#### ***Professional driving training staff team***

Professional training staff is one of the most key intangible assets for driving training schools. To some extent, teaching staff directly determine the level of services offered by the driving training schools and eventually influence the customers' satisfaction. Yet, to build up a team of professional driving training staff requires a great amount of time and effort which is likely to pose barriers for new entrants.

### **Market trend**

#### ***Horizontal integration of competitors***

As the competition in the driving training services market intensifies, it is critical for scaled and resourceful driving training schools to maintain their market share as well as to further expand their businesses. It is expected that the trend upon horizontal integration of small and medium sized driving training schools will rise in the future as this will not only enable driving training schools to strengthen their brand images, but also improve their economy of scale which in turn will further consolidate the market concentration.

## INDUSTRY OVERVIEW

### *Rising demand for high-quality driving training services*

The ability to provide high quality training services plays a significant role in retaining and attracting customers. Maintaining various training services such as assigning dedicated training staff for training enquiries, helping trainees to register examinations and enrolment, and providing good quality after-class supplemental services to help trainees to improve driving skills would reinforce the image of the driving training schools for being reliable and dedicated. The strengthened brand images would in turn boost the direct sales.

### *Increase in number of level I & level II driving training schools*

As the national-wide driving training services market policies and industry-wide regulations have been carried out recently, the driving training services market continues to reform. It is expected that the number of level I and level II driving training schools is likely to increase and grow at a fast rate in the future. Compared to level III driving training schools, level I and level II driving training schools are relatively more scaled and resourceful in terms of driving training facilities, driving training services offered, and number of staff which in turn are more able to provide high level of driving training services.

### **COMPETITIVE LANDSCAPE OF DRIVING TRAINING SERVICES MARKET**

With over 1,500 operating driving training schools in Henan Province in 2018, the Henan Province market is highly competitive with the majority of the market players taking less than 1.0% of total market share in terms of the revenue. Our Company accounts for approximately 0.8% of total driving training services market in Henan Province in 2018. With respect to different regional market characteristics, the majority of driving training schools focus on regional market operation. Driving training schools based in different cities have limited competition between each other. Along with application of regulations and standards regarding driving training services and driving tests, the driving training services market is expected to be further integrated since small driving training schools with limited resources and problematic driving training process are going to be eliminated by the further maturing market. Additionally, In 2017, the passing rate of On-site Driving Test of the leading driving training schools in Zhumadian City are 67.4% (Our Company), 69.3% (Company B), 68.1% (Company C), 67.1% (Company A), 66.7% (Company D), respectively; the passing rate for On-road Driving Test of leading driving training schools in Zhumadian City are 72.5% (Our Company), 73.2% (Company C), 72.3% (Company D), 71.5% (Company A), 71.2% (Company B), respectively; and the passing rate for Road Safety Written Test of leading driving training schools in Zhumadian City are 83.8% (Our Company), 82.6% (Company A), 82.3% (Company C), 81.1% (Company D), 80.5% (Company B), respectively. In 2018, the passing rate of On-site Driving Test of the leading driving training schools in Zhumadian City are 65.1% (Our company), 63.6% (Company A), 64.7% (Company B), 65.0% (Company C), 64.3% (Company D), respectively; the passing rate for On-road Driving Test of leading driving training schools in Zhumadian City are 72.0% (Our company), 71.5% (Company A), 70.7% (Company B), 72.6% (Company C), 70.3% (Company D), respectively; and the passing rate for Road Safety Written Test of leading driving training schools in Zhumadian City are 81.3% (Our company), 82.6% (Company A), 80.8% (Company B), 82.3% (Company C), 81.1% (Company D), respectively.

#### **Passing Rate of the Driving Test of Leading Market Player in Zhumadian City, 2017 & 2018**

	2017			2018		
	Part II (On-site Driving Test Passing Rate)	Part III (On-road Driving Test Passing Rate)	Road Safety Written Test Passing Rate	Part II (On-site Driving Test Passing Rate)	Part III (On-road Driving Test Passing Rate)	Road Safety Written Test Passing Rate
Our Company	67.4%	72.5%	83.8%	65.1%	72.0%	81.3%
Company A	67.1%	71.5%	82.6%	63.6%	71.5%	82.6%
Company B	67.2%	71.2%	80.5%	64.7%	70.7%	80.8%
Company C	66.8%	72.2%	82.3%	65.0%	72.6%	82.3%
Company D	66.7%	72.3%	81.1%	64.3%	70.3%	81.1%

Source: Frost & Sullivan analyzed based on interview with market players

The average turnover rate in 2018 of the driving instructors of the top five market players by revenue in Zhumadian City are 28.2% (Our Group), 30.2% (Company B), 28.4% (Company D), 29.5% (Company A) and 27.5% (Company C), respectively. The average turnover rates of driving instructors of the top five market players are calculated according to the following formula:

## INDUSTRY OVERVIEW

$$\text{Average turnover rate} = \frac{\text{Number of driving instructors departed during the year/period}}{\text{Number of driving instructors at the commencement of the year/period} + \text{Number of driving instructors recruited during the year/period}} \times 100\%$$

In 2018, the top five driving training schools in Zhumadian City comprise 21.1% of total market size, as measured by revenue. Each of the top 5 market players has at least one level I driving training school, demonstrating superior driving training services capabilities than lower level driving training schools in Zhumadian City. Our Company ranked first among driving schools in Zhumadian City with a market share of approximately 7.2% in Zhumadian City in terms of revenue in 2018 and a market share of approximately 33.8% in Zhumadian City in terms of revenue generated from the provision of driving courses for large vehicles in 2018. Moreover, it is common that a test venue is located inside a sizable driving training school in Zhumadian City. The top 5 market players in Zhumadian City offer driving training services at their respective test venue training fields, which are part of their schools, to their trainees, prior to the implementation of the Trial Regulations.

### Top five market players in driving training services market in Zhumadian City, 31 December 2018 (By Revenue)

Ranking	Company	Driving Training Services	Approximate revenue before business tax (RMB Million)	Approximate market share
1	Our Company	A1, A2, A3, B1, B2, C1, C2	~77.7	~7.2%
2	A	A1, A2, A3, B1, B2, C1, C2, C5	~62.0	~5.7%
3	B	A2, B2, C1, C2	~38.0	~3.5%
4	C	A1, A2, A3, B1, B2, C1, C2	~30.0	~2.8%
5	D	C1, C2	~21.0	~1.9%
Total			<u>~228.7</u>	<u>~21.1%</u>

*Note:* Total market size of driving training services market in Zhumadian City in 2018 is approximately RMB1,083.1 million.

*Source:* Frost & Sullivan analyzed based on interview with market players

### Top five large vehicles driving training services providers in Zhumadian City, 31 December 2018 (By Revenue generated from provision of driving courses for large vehicles)

Ranking	Company	Approximate revenue (before business tax) (RMB Million)	Approximate market share
1	Our Company	~64.4	~33.8%
2	A	~35.0	~18.4%
3	B	~22.0	~11.6%
4	C	~18.0	~9.5%
5	E	~9.0	~4.7%
Total	N/A	<u>148.4</u>	<u>78.0%</u>

*Note:* Total market size of large vehicle driving training services market in Zhumadian City in 2018 was approximately RMB190.4 million.

*Source:* Frost & Sullivan analyzed based on interview with market players

---

## INDUSTRY OVERVIEW

---

The following table elaborates the background of key driving training service providers in Zhumadian City in December 2018,

Company	Established Year	Number of Driving School	Level	Training Services	Number of Training Vehicles	Number of Instructors	Size of Site Area (sq.m.)
Company A	2015	1	Level I	A1, A2, A3, B1, B2, C1, C2, C5	120	85	~90,000
Company B	2005	2	Level I	A2, B2, C1, C2	105	85	
	2012		Level II	C1	50	28	~120,000
Company C	2010	3	Level I	A1, A2, A3, B1, B2, C1, C2	75	50	
	2015		Level II	C1	45	35	~130,000
	2015		Level II	C1	30	25	
Company D	2014	1	Level I	C1, C2	90	60	~80,000
Company E	2011	1	Level II	A1, A2, B1,B2, C1, C2	90	75	~60,000

*Source:* Frost & Sullivan analyzed based on interview with market players

---

## REGULATORY OVERVIEW

---

Our business activities are principally based in the PRC, which are subject to extensive supervision by the PRC governmental authorities and the PRC laws and regulations. This section includes a summary of the major laws and regulations of which are applicable to the business of our Company and its PRC subsidiaries.

### REGULATIONS ON ROAD TRAFFIC SAFETY

According to the Law of the PRC on Road Traffic Safety (《中華人民共和國道路交通安全法》) promulgated on 28 October 2003 and implemented on 1 May 2004, and revised on 29 December 2007 and 22 April 2011 and became effective on 1 May 2011 by the Standing Committee of the National People's Congress, whoever drives a motor vehicle shall have lawfully obtained a motor vehicle driving licence and the trainings on motor vehicle driving shall not be conducted by government institutions and administrative departments in charge of driving trainings and examinations.

Whoever applies for a motor vehicle driving licence shall meet the requirements for driving permission as prescribed by the public security institution under the State Council; after a trainee passes all necessary driving tests, the Traffic Management Department of the Ministry of Public Security shall issue a motor vehicle driving licence of the corresponding category.

The Traffic Management Department shall apply qualification administration to the driving training institutions and driving training classes. Driving training institutions and driving training classes shall, in strict compliance with the relevant provisions of the PRC, hold trainings on road traffic safety laws, regulations and driving skills for the trainees to ensure the training quality.

According to the Implementing Regulation on the Law of the PRC on Road Traffic Safety (《中華人民共和國道路交通安全法實施條例》) promulgated on 30 April 2004 and implemented on 1 May 2004 and amended on 7 October 2017 by the State Council, anyone who learns how to drive a motor vehicle shall first learn the laws, regulations and other knowledge related to road traffic safety before taking the Driving Skill Written Test. After passing the test, he may start to learn motor vehicle driving skills. When learning on-road driving, a learner driver shall observe the route and schedule specified by the Traffic Management Department of public security organ. When learning motor vehicle driving skills on the road, he shall use a learner-driven vehicle and be accompanied by a driving instructor. Apart from the trainee and the instructor, no one shall be permitted to stay in the vehicle. If a learner driver violates the law or causes any traffic accident during the period of learning driving, the driving instructor shall bear the corresponding liabilities.

The Traffic Management Department of the public security organ shall hold examinations for the persons applying for motor vehicle driving licences. Motor vehicle driving licences shall be issued within 5 days to those who have passed the examinations. Written explanations shall be given to those who have failed the examinations.

According to the Opinions of State Council on Strengthening Road Transport Safety (《國務院關於加強道路交通安全工作的意見》) issued on 22 July 2012 by the State Council, local government shall strengthen and improve the management and supervision of the driving training institutions.

---

## **REGULATORY OVERVIEW**

---

According to the Opinions on Further Enhancement of the Safety Management of the Cargo Driver (《關於進一步加強客貨運駕駛人安全管理工作的意見》) issued on 20 January 2012 by the Ministry of Transport and the Ministry of Public Security, the local branch of the Ministry of Transport and the Ministry of Public Security shall strictly enforce the regulations and rules of the training of cargo drivers and passenger transportation drivers. The examination of cargo drivers and passenger transport drivers shall fulfill multiple complex situations, including but not limited to, simulated rainy and snowy road condition, highway condition and so on.

### **REGULATIONS ON THE DRIVING TRAINING INDUSTRY**

#### **Regulations Relating To Driving Training Institutions**

According to the Notice of Strengthen Motor Vehicle Driving Training Quality Supervision (《關於加強機動車駕駛培訓質量監督工作的通知》) issued by Ministry of Public Security Transportation Bureau on 20 June 2008, the local branches of Ministry of Public Security Transportation Bureau will take multiple measures on strengthening the training quality of the motor vehicle driving training institutions, including but not limited to organise the inspection of the qualifications of the aforesaid institutions and strictly review the training results of the motor vehicle driver trainee.

According to the Regulation of the PRC on Road Transport (《中華人民共和國道路運輸條例》) promulgated on 30 April 2004 and implemented on 1 July 2004, revised on 9 November 2012 and became effective on 1 January 2013, and revised and became effective on 6 February 2016, for any institutions to be qualified to provide driving training services, the following requirements shall be met:

- (1) obtain the legal status as a legal person;
- (2) have complete training institutions and management systems;
- (3) have driving instructors and managements who meet the requirements of training; and
- (4) have necessary training vehicles and other facilities, equipments and training fields.

Any institutions that apply for the operations of the drivers training for motor vehicles shall make applications to the local transportation administrations at the county level after finishing the registration procedure at the Administration for Industry and Commerce and shall submit the relevant materials. The local transportation administrations at the county level shall complete the registration and approval procedure within 15 days as of the date when they accept the applications, make decisions as to whether to approve or reject them and shall give written notices to the applicants thereby.

According to the Provisions on the Administration of Vehicle Driving Training (《機動車駕駛員培訓管理規定》) promulgated and implemented on 12 January 2006, revised and became effective on 21 April 2016 by the Ministry of Transport, local transportation administrations at the county level or above are in charge of the management of the motor vehicle driving training within the domain. The motor vehicle driving training institutions shall submit relevant documents to the local transportation administrations at the county level to apply for the permission and after the granting of permission certificate, register with business administration institutions.

---

## REGULATORY OVERVIEW

---

The licences of motor vehicle driving training which are set out as follows shall be classified on the basis of operating facilities, capability of conducting the driving courses and content of the driving courses. General motor vehicle driving training shall be divided into level I general motor vehicle driving training, level II general motor vehicle driving training and level III general motor vehicle driving training. Transportation driving training shall be divided into normal transportation driving training and dangerous goods transportation driving training.

Any institutions that apply for general motor vehicle driving training shall meet the following requirements:

- (1) obtain the legal status as a legal person;
- (2) have complete training organisation that fulfill the requirements of the Qualifications of the Motor Vehicle Driving Training Institution (《機動車駕駛員培訓機構資格條件》(GB/T30340));
- (3) have complete management system that fulfill the requirements of the Qualifications of the Motor Vehicle Driving Training Institution (《機動車駕駛員培訓機構資格條件》(GB/T30340));
- (4) have adequate competent driving instructors that fulfill the requirements of the Qualifications of the Motor Vehicle Driving Training Institution (《機動車駕駛員培訓機構資格條件》(GB/T30340));
- (5) have adequate administrative staffs that fulfill the requirements of the Qualifications of the Motor Vehicle Driving Training Institution (《機動車駕駛員培訓機構資格條件》(GB/T30340));
- (6) have sufficient training vehicles that fulfill the requirements of the Qualifications of the Motor Vehicle Driving Training Institution (《機動車駕駛員培訓機構資格條件》(GB/T30340)); and
- (7) have requisite facilities, equipment and training fields that fulfill the requirements of the Qualifications of the Motor Vehicle Driving Training Institution (《機動車駕駛員培訓機構資格條件》(GB/T30340)).

On 30 November 2015, the General Office of the State Council issued the Notice of the General Office of the State Council on Forwarding the Opinion of the Ministry of Public Security and the Ministry of Transport on Advancing the Reform of the Training and Examination System for Motor Vehicle Drivers (《國務院辦公廳轉發公安部、交通運輸部關於推進機動車駕駛人培訓考試制度改革意見的通知》), the Ministry of Public Security and the Ministry of Transport will take multiple measures on improving motor vehicle during training supervision mechanism, including promoting the use of a national standardised computer time-keeping training management system and establishing a supervisory platform for provincial driving training institutions. The supervision of training process shall be strengthened and the implementation of training content and time shall be supervised to ensure that the training information is

---

## REGULATORY OVERVIEW

---

true and effective. The networking and integration of driving training institution supervision platform and the examination system shall be advanced for information-sharing infrastructure to be successfully implemented, and ensure the effective connection between training and examination.

On 9 June 2018, Road Transportation Administration of Henan Province (河南省道路運輸管理局) and Traffic Police Battalion of the Public Security Bureau of Henan Province (河南省公安交通警察總隊) issued the Notice on Promoting the Networking and Integration of the Driving Training Institution Supervision Platform and the Internet Traffic Safety Consolidated Service Management Platform (《關於推進河南省駕駛培訓監管服務平台與公安互聯網交通安全綜合服務管理平台對接應用工作的通知》). Road Transportation Administration of Henan Province and Public Security Traffic Police Battalion of the Public Security Bureau of Henan Province (河南省公安交通警察總隊) are responsible for the networking and integration of the driving training institution supervision platform and the traffic safety service management platform. All localities should supervise the driving training institutions to build a time-based training system that meets the standards, and introduce the data of the local timekeeping training systems into the Henan Province driving training institution supervision service platform.

Pursuant to the aforesaid notice, the following arrangements, among others, shall be made:

- (1) Road Transportation Administration of Henan Province and Traffic Police Battalion of the Public Security Bureau of Henan Province (河南省公安交通警察總隊) will take measures to facilitate the docking between the Driving Training Service Platform and the Traffic Safety Management Platform in Henan Province, which shall be completed by 31 July 2018, such that records of driving trainings and data of Driving Tests appointments shall be synchronised across the systems;
- (2) Trainees who registered on the Driving Training Service Platform on or after 1 October 2018, shall apply for taking the relevant Driving Tests only after they have completed the minimum training hours requirement specified for the relevant Driving Tests in the Driving Training Curriculum (《機動車駕駛培訓教學大綱》) issued by the Ministry of Transport and the Ministry of Public Security on 18 August 2016, whereas trainees who have registered before 1 October 2018 are only required to satisfy the minimum training hours requirement before they apply for grant of driving licences.

According to the Provisions on the Administration of Vehicle Driving Training (《機動車駕駛員培訓管理規定》), the motor vehicle driving training institutions shall strengthen the re-education of the driving instructors' professional ethics, new knowledge and technique of driving. Driving instructors' shall take at least one week full-time training to improve their professional quality.

### **Regulations Relating To Driving Instructors**

According to the Provisions on the Administration of Road Transport Employees (《道路運輸從業人員管理規定》) promulgated on 23 November 2006 and implemented on 1 March 2007, and revised and became effective on 21 April 2016 and 21 June 2019 by the Ministry of Transport, the local transportation administration shall be in charge of the management of the driving instructors. The driving instructors shall meet the following requirements:

---

## REGULATORY OVERVIEW

---

### *The Driving Instructor for Theory Training*

- (1) obtained the corresponding motor vehicle driving licence and has more than 2 years of safe driving experience;
- (2) completion of vehicle technical or related major secondary school or above, or vehicle technical or related major intermediate technical title or above; and
- (3) familiar with traffic safety knowledge, including but not limited to traffic safety regulations, driving theory, vehicle structure and so on. Acknowledge pedagogy, educational psychology and capable of compiling teaching plan.

### *The Driving Instructor for Driving Operation*

- (1) obtained the corresponding motor vehicle driving licence and fulfilled the requirements of safe driving experience;
- (2) under the age of 60; and
- (3) familiar with traffic safety knowledge, including but not limited to traffic safety regulations, driving theory, vehicle structure and so on. Capable of vehicle maintenance and regular fault diagnosis, competent of driving teaching.

### *The Driving Instructor for Cargo and Passenger Transportation Training*

- (1) completion of vehicle technical or related junior college or above, or vehicle technical or related major senior technical title or above;
- (2) familiar with cargo and passenger transportation knowledge, including but not limited to cargo and passenger transportation regulations, passenger first-aid, vehicle maintenance and so on. Competent of driving teaching; and
- (3) has more than 2 years of general motor vehicle training experience and has no record of bad behavior in the past two years.

According to the Decision of the State Council on Cancelling the Second Batch of 152 Items Subject to Administrative Examination and Approval by Local Governments Designated by the Central Government (《國務院關於第二批取消152項中央指定地方實施行政審批事項的決定》) promulgated by State Council on 3 February 2016, the qualification certification of motor vehicle driving instructor has been cancelled.

On 12 September 2017, the Ministry of Human Resources and Social Security issued the National Vocational Qualification List (國家職業資格目錄), the professional qualification of motor vehicle driving instructors is adjusted from access category to level evaluation class. And according to the said list, the specific implementation department of the national occupational qualification of motor vehicle driving instructors is the technical appraisal agency of the transportation industry.

## REGULATORY OVERVIEW

### Regulations Relating To Driving Courses

According to the Outline of the Motor Vehicle Driver Training, Education and Examination (《機動車駕駛培訓教學與考試大綱》) issued by the Ministry of Transport and the Ministry of Public Security, the motor vehicle driving training institutions may formulate an appropriate program for the learner driver and the program shall fulfill the requirements of the minimum training hours and content of courses, including road transportation safety regulations, pattern driving, road driving and basic knowledge of driving. The facility of the motor vehicle driving training institutions shall also fulfill the requirements of the Technical Requirements of the Motor Vehicle Driving Training Facilities (《機動車駕駛員培訓教練場技術要求》)(GBT 30341-2013)).

According to the Driving Training Curriculum (《機動車駕駛培訓教學大綱》), being a part of the Outline of the Motor Vehicle Driver Training, Education and Examination (《機動車駕駛培訓教學與考試大綱》) issued by the Ministry of Transport and the Ministry of Public Security on 18 August 2016, trainees registered between 1 October 2016 and 30 September 2018 are required to satisfy the following minimum training hours requirement before they apply for grant of driving licence and trainees who registered on or after 1 October 2018 are required to satisfy such requirement before they apply for taking the relevant Driving Tests:–

	Large Buses (A1)	Towing Vehicles (A2)	City Buses (A3)	Medium Buses (B1)	Large Trucks (B2)	Small Manual Cars (C1)	Small Automatic Cars (C2)
Driving Skill Written Test	10	10	14	10	12	12	12
On-site Driving Test	36	40	53	36	54	16	14
On-road Driving Test	20	22	33	20	32	24	24
Road Safety Written Test	16	16	20	16	20	10	10
Total	<u>82</u>	<u>88</u>	<u>120</u>	<u>82</u>	<u>118</u>	<u>62</u>	<u>60</u>

### Regulations Relating To Driving Training Facilities

According to the Technical Requirements of the Motor Vehicle Driving Training Facilities (《機動車駕駛員培訓教練場技術要求》)(GBT 30341-2013)), the minimum training scale of the motor vehicle driving training facilities shall accommodate at least 100 training vehicles. Meanwhile, the motor vehicle driving training facilities shall also meet multiple requirements to satisfy the demand of motor vehicle driving training. According to the Provisions on the Administration of Vehicle Driving Training (《機動車駕駛員培訓管理規定》) and the Qualifications of the Motor Vehicle Driving Training Institution (《機動車駕駛員培訓機構資格條件》)(GB/T30340)), the aforementioned requirements under the Technical Requirements of the Motor Vehicle Driving Training Facilities(《機動車駕駛員培訓教練場技術要求》)(GBT 30341-2013)) are specifically for entities engaging in the business of leasing vehicle driving training facilities, including driving training fields and supporting facilities, to motor vehicle driving training institutions. However, as our Shun Da School as a level II general motor vehicle training institution and Tong Tai School as a level I general motor vehicle training institution currently use our self-constructed motor vehicle driving training areas, they are not regarded as entities engaging in leasing of vehicle leasing business and are therefore not

---

## **REGULATORY OVERVIEW**

---

subject to the aforesaid 100 training vehicles requirement. In any circumstances, our Shun Da School and Tong Tai School are in compliance with the requirements under the Motor Vehicle Driving Training Institution (《機動車駕駛員培訓機構資格條件》(GB/T30340)) given that we have passed annual inspections and we have also obtained compliance confirmation from our relevant governmental authority Suiping County Road Transport Management Authority (遂平縣道路運輸管理局).

### **Regulations Relating To Driving Training Vehicles**

According to the Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》) promulgated on 27 December 2012 and became effective on 1 May 2013, small-sized passenger vehicles for driving instructors can be used for 10 years, medium-sized passenger vehicles for driving instructors can be used for 12 years and large passenger vehicles for driving instructors can be used for 15 years. After the expiry of its useful life, a registered motor vehicle shall be subject to compulsory retirement. Useful life of a motor vehicle shall begin from the date of registration, or in case of failure in registration formalities for over 2 years from the ex-factory date, from the ex-factory date.

### **REGULATIONS ON THE APPLICATION FOR MOTOR VEHICLE DRIVING LICENCE**

According to the Provisions on the Application for and Use of Motor Vehicle Driving Licences (《機動車駕駛證申領和使用規定》) promulgated on 12 September 2012 and implemented on 1 January 2013, revised on 29 January 2016 and became effective on 1 April 2016 by the Ministry of Public Security, the vehicle administrative office of the traffic administrative department of a county-level public security organ may undertake affairs relating to driving licences for low-speed trucks, three-wheeled automobiles and motorcycles and the replacement, reissuance and examination of driving licences and the submission of health certificates for other motor vehicles within its administrative jurisdiction. Where necessary conditions are available, such office may also undertake affairs relating to driving licences for small automobiles, small automatic gearshift automobiles and small automatic gearshift passenger automobiles for the handicapped, as well as tests on road traffic safety laws and regulations and the relevant knowledge for driving licences of other motor vehicles. The exact range and acceptance conditions of such affairs shall be determined by the traffic administrative department of a provincial public security organ.

Applicants for adding large passenger buses and towing vehicles as the permitted types of vehicles of the motor vehicle driving licence shall submit learner driver status proof issued by the school concerned.

The internet integrated traffic safety service management platform shall be used by vehicle administrative offices to handle affairs relating to motor vehicle driver's licenses in accordance with the provisions. Information management system database standards and software of the internet integrated traffic safety service management platform are unified in the whole county. A motor vehicle examination applicant using the internet integrated traffic safety service management platform to handle affairs relating to motor vehicle driver's licenses can submit an application through the internet after passing identity authentication.

---

## REGULATORY OVERVIEW

---

### REGULATIONS ON THE VENUE AND FACILITIES OF THE MOTOR VEHICLE DRIVING TEST

According to the Regulations on the Venue of the Motor Vehicle Driving Test of Henan Province (Trial Version) (《河南省機動車駕駛人考場管理規定(試行)》) promulgated and implemented on 13 April 2017 by the Traffic Police Battalion of the Public Security Bureau of Henan Province, provincial traffic administrative department of the Public Security Bureau is responsible for the inspection and examination of the venue of the motor vehicle driving test within Henan Province. Municipal traffic administrative department of the Public Security Bureau is responsible for the program, application, management and supervision of the venue of the motor vehicle driving test within its own jurisdiction. Since traffic administrative department of the Public Security Bureau shall not use the social venue without compensation, municipal traffic administrative department of the Public Security Bureau may rent social venue which would pass the examination and certification executed by the provincial traffic administrative department, the social venue shall fulfill the standards and satisfy the requirements of the Standards for the Establishment of the Venue and Facility Setting of the Motor Vehicle Driving Test (《機動車駕駛人考試場地及其設施設置規範》(GA/T1030-2012)). Social venue (including test vehicles, test system and test equipment) rented by the traffic administrative department of the Public Security Bureau shall not be used for trainee training. No buildings, structures or facilities irrelevant to the test may be erected within the parameters of the examination facilities.

### REGULATIONS ON LAND, PLANNING AND CONSTRUCTION PERMITS

#### Land Use Rights

Pursuant to the Land Administration Law of the PRC (《中華人民共和國土地管理法》) promulgated on 25 June 1986 and amended on 29 December 1988, 29 August 1998, 28 August 2004 and 26 August 2019 and will become effective from 1 January 2020, land owned by the State may be remised or allotted to construction units or individuals in accordance with the law. The People's Government at or above the county level shall register and put on record uses of state-owned land used by construction units or individuals, and issue certificates to certify the land use rights.

#### Construction Land Planning Permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》) promulgated by the Standing Committee of the National People's Congress on 28 October 2007 and amended on 24 April 2015 and 23 April 2019, a Construction Land Planning Permit is required for the use of both allocated land and granted land.

If a construction entity which was authorised to use the construction land fails to obtain a Construction Land Planning Permit, the People's Government at or above the county level shall cancel any relevant authorisation documents previously issued. If the land has already been occupied, it shall be returned promptly. Furthermore, the construction entity shall be obliged to compensate for any damage caused to any other relevant parties according to law.

---

## REGULATORY OVERVIEW

---

### Construction Work Planning Permit

According to the Urban and Rural Planning Law of the PRC (《中華人民共和國城鄉規劃法》), where construction work is conducted in a city or town planning area, the relevant construction entity or individual shall apply for a Construction Work Planning Permit from a competent urban and rural planning administrative department of the People's Government at the municipal or county level or to the People's Government of town as recognised by the People's Government of a province, autonomous region or municipality directly under the Central Government.

For construction work that proceeds without the Construction Work Planning Permit or in violation of the provisions of the Construction Work Planning Permit, a competent urban and rural planning administrative department at or above the county level can order termination; if the impact on the planning caused by such construction can be eliminated, the department shall order it to take remedial action within a prescribed time limit and pay a fine of not less than 5% but not exceeding 10% of the construction cost; if such impact cannot be eliminated by remedial action, the department shall order the construction entity to demolish its construction within a prescribed time limit. For construction work that cannot be demolished, the department shall confiscate it or seize any illegal income and may impose a fine of not more than 10% of the construction price.

### REGULATIONS ON FOREIGN INVESTMENT

The Law of the People's Republic of China on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) (modified on 3 September 2016 and came into force on 1 October 2016) and the Implementation Rules for the Law of the People's Republic of China on Wholly Foreign-Funded Enterprises (《中華人民共和國外資企業法實施細則》) (modified on 19 February 2014 and came into force on 1 March 2014) have stipulated the set-up procedure of wholly foreign-owned enterprises, regulations on registered capital, affairs of foreign exchange, accounting practice, taxation and labour service, and other relevant issues. The Decisions by the People's Congress Standing Committee about Modification of the Law of the People's Republic of China on Wholly Foreign-Owned Enterprises and Other Four Laws issued by the People's Congress Standing Committee (《全國人民代表大會常務委員會關於修改〈中華人民共和國外資企業法〉等四部法律的決定》) on 3 September 2016 has modified the procedure of foreign-investor investment in China to require the foreign-investor investment in the commercial industry beyond the restriction of access special management measures to file. Thus, the approval application shall be unnecessary afterwards. According to the notice issued by the National Development and Reform Commission and the MOFCOM on 8 October 2016, the access special management measures shall be executed by referring to the relevant rules in the Catalog for the Guidance of Industries for Foreign Investment limiting, prohibiting and encouraging the foreign investment industry. In accordance with the Provisional Method on Management of Setup and Change of Foreign-Funded Enterprises (《外商投資企業設立及變更備案管理暫行辦法》) modified by the MOFCOM on 29 June 2018 and became effective on 30 June 2018, if the establishment and changes of foreign-funded enterprises do not involve in applying the national access special management measures, it is not required to get review and approval but file in the relevant commercial department.

The Provisions on Guiding Foreign Investment (《指導外商投資方向規定》) promulgated by the State Council on 11 February 2002 and the Catalog classify foreign investment projects into four categories: encouraged projects, permitted projects, restricted projects and prohibited projects. The purpose of these

---

## REGULATORY OVERVIEW

---

regulations is to direct the foreign investment into certain priority industry sectors and restrict or prohibit investment in other sectors. If the industry sector in which the investment is to occur falls into the encouraged category, the foreign investment can be conducted through the establishment of a wholly foreign owned enterprise. If a restricted category, the foreign investment may be conducted through the establishment of a wholly foreign-owned enterprise, provided certain requirements are met, and, in some cases, the establishment of a joint venture enterprise is required with varying minimum shareholdings for the Chinese party depending on the particular industry. If a prohibited category, the foreign investment of any kind is not allowed. Any industry not falling into any of the encouraged, restricted or prohibited categories is classified as a permitted industry for the foreign investment.

The Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), or the Foreign Investment Law, was formally adopted by the 2nd session of the thirteenth National People's Congress on 15 March 2019, and will become effective on 1 January 2020. The Foreign Investment Law is formulated to further expand opening-up, vigorously promote foreign investment and protect the legitimate rights and interests of foreign investors. According to the Foreign Investment Law, foreign investments are entitled to pre-entry national treatment and are subject to negative list management system. The pre-entry national treatment means that the treatment given to foreign investors and their investments at the stage of investment access is not lower than that of domestic investors and their investments. The negative list management system means that the state implements special administrative measures for access of foreign investment in specific fields. Foreign investors shall not invest in any forbidden fields stipulated in the negative list and shall meet the conditions stipulated in the negative list before investing in any restricted fields.

From 1 January 2020, the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) shall be abolished. The organisation form, organisation and activities of foreign-invested enterprises shall be governed by the PRC Company Law (《中華人民共和國公司法》) and the Partnership Enterprise Law of the People's Republic of China (《中華人民共和國合夥企業法》). Foreign-invested enterprises established before the implementation of this Law may retain the original business organisation and so on within five years after the implementation of this Law.

Investments in the PRC by foreign investors and foreign-invested enterprises are regulated by the Catalogue of Industries for Guiding Foreign Investment (Revised in 2017) (外商投資產業指導目錄(2017年修訂)) (the “**Catalogue**”), which was last revised by the National Development and Reform Commission of the PRC (“**NDRC**”) and MOFCOM on 28 June 2017 and became effective on 28 July 2017. The Catalogue stipulates in detail the catalogue of industries in which foreign investment is encouraged and the special administrative measures for admission of foreign investments (including industry guidelines on restricted foreign investment and industry guidelines on prohibited foreign investment). According to the Catalogue of Industries for Encouraged Foreign Investment (2019 Edition) (鼓勵外商投資產業目錄(2019年版)), which was promulgated on 30 June 2019 and became effective on 30 July 2019, the encouraged foreign invested industries stipulated in the Catalogue shall be repealed simultaneously. And the investment in the PRC conducted by the foreign investors and foreign-invested enterprises shall comply with the Special Administrative Measures for Access of Foreign Investment (Negative List) (2019 Version) (外商投資准入特別管理措施(負面清單) (2019年版)), which was jointly issued by the NDRC and the MOFCOM on 30 June 2019 and came into force on 30 July 2019. The Negative List stipulates in detail the special administrative measures for the market entry of foreign investment, and the special administrative measures for admission of foreign investments in the Catalogue shall be simultaneously repealed and the catalogue of industries in

---

## REGULATORY OVERVIEW

---

which foreign investment is encouraged and shall continue to be effective. Unless otherwise provided in the PRC laws, the industries which are not set out in the Negative List are permitted foreign invested industries. Motor vehicle driving training does not fall into the Negative List.

### REGULATIONS ON TAXATION

#### Enterprise Income Tax

As per the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) (“**EIT Law**”) valid from 1 January 2008 and modified on 24 February 2017 and 29 December 2018 and 23 April 2019 and the rules for implementation, the enterprises shall be inclusive of the resident enterprises and non-resident enterprises. The Chinese resident enterprise shall contribute the EIT as per the tax rate of 25%; while, the non-Chinese resident-enterprise not establishing any branch in the PRC must pay the EIT as per 10% of incomes gained in the PRC. The enterprise established out of the PRC but having the actual management authority located in the PRC shall be regarded as the resident enterprise, namely the EIT as per the similar method applicable to Chinese domestic enterprise; EIT Law has defined the actual management authority as the actual authority conducting the physically comprehensive management and control on the production and operation, staff, accounting, property and others of enterprise.

According to EIT Law and the rules for implementation, if the investor (1) doesn't set up the organisation or office in the PRC; or (2) sets up the organisation or office in the PRC but the relevantly actual income having nothing to do with the relevant organisation or office and the relevant dividend from the PRC, the dividends paid to the investor of non-resident enterprise and the income gained by the investor shall be taxed as per the income tax rate of 10%. The income tax applicable to dividends shall be decreased according to the tax agreement signed by the PRC and other juridical regions.

According to EIT Law, the tax rate applicable to the corporate income tax of hi-tech enterprise shall be 15%. In accordance with the Measures for Administration of Recognition of Hi-tech Enterprise (《高新技術企業認定管理辦法》) effective from 1 January 2008 and modified on 29 January 2016, the enterprise shall fill and submit the information or details of relevant intellectual properties, scientific and technical staff, R&D expenses, business income of previous year and other annual status in the required official website after being regarded as the hi-tech enterprise. Moreover, the relevant changes information shall be reported to the competent authority timely in case of significant changes. The hi-tech enterprise defined already shall be cancelled with the qualification of hi-tech enterprise and the preferential tax shall be paid back if it is found to be unqualified during the daily management of relevant department. The valid period of hi-tech enterprise certificate shall be three years.

#### Value-added Tax and Business Tax

As per the Provisional Regulations on Value-added Tax (《增值稅暫行條例》) issued on 13 December 1993, and modified in 2008, 2016 and 2017 by the State Council; and the Detailed Rules for Implementation of Provisional Regulations on Value-Added Tax (《增值稅暫行條例實施細則》), issued by the Ministry of Finance on 25 December 1993 and modified by the Ministry of Finance and/or the State Administration of Taxation on 15 December 2008 and 28 October 2011, all the tax payers selling the goods, providing services of processing, repairing and fitting or importing the goods within the PRC shall pay the value-added tax.

---

## REGULATORY OVERVIEW

---

The Ministry of Finance and the State Administration of Taxation have launched the Pilot Plan of Business Tax Changing into Value-added Tax (《營業稅改征增值稅試點方案》) on 16 November 2011 and implemented from 1 January 2012 to change into the value-added tax from the business tax for the partial modern service industries in the pilot area. And then it will be expanded to the national wide area in 2013. The Notice of the Ministry of Finance of the PRC and the State Administration of Taxation about Overall Promotion of Pilot of Business Tax Changing to Value-added Tax (《營業稅改征增值稅試點實施辦法》) has been released on 23 March 2016 and come into effect from 1 May 2016. The company and individual selling services, intangible assets or real estate within the PRC shall pay the value-added tax rather than the business tax.

The State Council has released the Decision of State Council about Abolishment of Provisional Regulations of the PRC on Business Tax and Modification of Provisional Regulations of the People's Republic of China on Value-added Tax (《國務院關於廢止<中華人民共和國營業稅暫行條例>和修改<中華人民共和國增值稅暫行條例>的決定》) and put into effect on 19 November 2017. Moreover, it has decided to cancel the Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》).

Pursuant to the Notice of the Ministry of Finance and the State Administration of Taxation on the Adjustment to Value-added Tax Rates (《財政部、國家稅務總局關於調整增值稅稅率的通知》) issued on 4 April 2018 and came into effect on 1 May 2018, the value-Added tax rates of 17% and 11% applicable to the taxpayers who have Value-added Tax taxable sales activities or imported goods are adjusted to 16% and 10%, respectively.

### REGULATIONS ON FOREIGN EXCHANGE

#### Regulations on Conversion of Foreign Exchange

The State Council has released the Regulations for Foreign Exchange Management of the PRC (《中華人民共和國外匯管理條例》) (as revised on 5 August 2008 and 14 January 1997 respectively) on 29 January 1996 that came into effect on 4 April 1996. As per the regulation, the items of convertible RMB shall be inclusive of distributed dividends, interest payments, foreign exchange transactions relating to trade, services and others; meanwhile, the limitation on direct investment, loan, returned investment, foreign investment securities in the PRC, and other free convertible RMB of capital projects shall be executed; but it can be exempted in case of the prior approval and registration in the SAFE completed.

The Notice about Reform of Management Method on Exchange Settlement of Capital Fund of Foreign-Funded Enterprises (《關於改革外商投資企業外匯資本金結匯管理方式的通知》) (“**SAFE Circular 19**”) was released by SAFE on 30 March 2015 and come into effect from 1 June 2015. On 9 June 2016, the Notice about Reform and Standardisation of Management Method on Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) (“**SAFE Circular 16**”) was released and came into effect on the same day. SAFE Circular 19 and SAFE Circular 16 released by SAFE has restrained the channel of foreign-funded company of converting the capital registered in foreign currency into RMB and utilisation purpose. Moreover, it prohibits the capital owner of RMB from utilizing in the business beyond the business scope directly or indirectly or borrowing from the non-affiliated parties.

---

## REGULATORY OVERVIEW

---

Since 2012, SAFE has made the significant modification and simplification on the current conversion procedure of foreign exchange. SAFE shall no longer conduct the approval or check on the opening of foreign exchange account having the special purpose, reinvestment of RMB proceeds by foreign investors in the PRC, remittance of foreign exchange profits and dividends by the foreign-funded enterprises to the shareholders in foreign countries, and other issues. The company located in the PRC shall be able to provide the cross-border loan to the offshore affiliated company, abroad parent company and affiliated staff. On 10 May 2013, the Notice about Issuance of Provisions on Administration of Direct Investment in Foreign Exchange of Foreign Investor in China and Auxiliary Document (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) was released by SAFE, requiring SAFE, or its local branches to conduct the registration management on the direct investment of foreign investor in the PRC; the bank shall manage the direct investment of foreign investor in the PRC based on the registration method provided by SAFE or its local branch and the business of foreign exchange of direct investment in the PRC as per the registration information provided by SAFE. Additionally, the Notice about Further Simplification and Improvement of Management Policy of Direct Investment in Foreign Exchange (《關於進一步簡化和改進直接投資外匯管理政策的通知》) (“**SAFE Circular 13**”) was issued by SAFE on 13 February 2015 and came into effect from 1 June 2015. SAFE Circular 13 has stated that the direct investment in foreign exchange beyond the PRC shall be registered by the bank according to the relevant rules of SAFE. It has simplified the registration procedures of foreign exchange for inbound or outbound direct investments.

On 26 January 2017, SAFE issued the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control (《關於進一步推進外匯管理改革完善真實合規性審核的通知》) (“**SAFE Circular 3**”), which stipulates several capital control measures with respect to the outbound remittance of profit from domestic entities to offshore entities, including (i) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (ii) domestic entities shall hold income to account for previous years’ losses before remitting the profits. Moreover, pursuant to SAFE Circular 3, domestic entities shall make detailed explanations of the sources of capital and utilisation arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

### **Regulations on Dividend Distribution**

According to the Companies Law of the PRC (《中華人民共和國公司法》), the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法》) and the Detailed Rules for the Implementation of the Law of the PRC on Wholly Foreign-Owned Enterprises (《中華人民共和國外資企業法實施細則》), wholly foreign-owned enterprises in the PRC may pay dividends only out of their accumulated after-tax profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, wholly foreign-owned enterprises in the PRC are required to allocate at least 10% of their respective accumulated profits each year, if any, to fund certain reserve funds until these reserves have reached 50% of the registered capital of the enterprises. Wholly foreign-owned companies may, at their discretion, allocate a portion of their after-tax profits based on PRC accounting standards to staff welfare and bonus funds. These reserves are not distributable as cash dividends.

---

## REGULATORY OVERVIEW

---

### Regulations on Registration of Overseas Investment in Foreign Exchange by Chinese Resident

SAFE issued Circular on Foreign Exchange Administration of Overseas Financing and Round-Trip Investments by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular 75”) on 21 October 2005, taking effect since 1 November 2005. As required by SAFE Circular 75, special purpose vehicle shall refer to an overseas enterprise directly established or indirectly controlled by a domestic resident legal person or domestic resident natural person for the purpose of engaging in equity financing (including convertible bond financing) abroad with the enterprise assets or interests it/he holds in the PRC. It is also regulated that SAFE and its branches shall manage the registration and administration of the special purpose vehicle established by any domestic resident. In addition, should a substantial alternation of capital arises to the special purpose vehicle, such as any increase or decrease in the capital, equity transfer or replacement, merger or division, long-term equity or debt investment, provision of security to foreign entities, where round-trip investments is not involved, the relevant domestic resident shall file an application for alternation or documentation formalities in respective of it/his foreign exchange registration with SAFE within 30 days as of the date which such alternation takes place.

The Notice of State Administration of Foreign Exchange on Relevant Issues of Foreign Exchange Administration over the Overseas Investment, Financing and Round-trip Investment by Domestic Residents via Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“SAFE Circular 37”) was issued by the SAFE on 4 July 2014 and coming into effect on the same day, and SAFE Circular 75 lapsed simultaneously. According to SAFE Circular 37, the Special Purpose Vehicle refers to the enterprise setup at aboard directly or overseas enterprises controlled indirectly by the domestic resident taking the financing and investment as the purpose and domestic enterprise asset or interest held legally; or abroad asset or interest held legally. Moreover, it is stated that the registration management shall be implemented by SAFE and local branch for the Special Purpose Vehicle set up by the domestic resident. In addition, the Chinese resident or entity shall update the registration information in SAFE after any change of fundamental information (including the Chinese citizen or resident, change of name and operation duration), increase and decrease of investment quota, transfer or exchange of share, consolidation or discrete and other important issues. SAFE Circular 37 merely stipulates that it shall prevail when the previous relevant provisions are inconsistent with its contents; but it does not stipulate that the subjects that have completed foreign exchange registration according to SAFE Circular 75 need to re-register in accordance with SAFE Circular 37. In addition, SAFE Circular 13 delegates the power to enforce the foreign exchange registration in connection with inbound and outbound direct investments under relevant SAFE rules from local branches of the SAFE to banks, thereby further simplifying the foreign exchange registration procedures for inbound and outbound direct investments.

## REGULATIONS ON INTELLECTUAL PROPERTY

### Regulations on Trademark

The Trademark Law of the PRC (revised in 2013) (《中華人民共和國商標法(2013年修訂)》) promulgated by the Standing Committee of the National People’s Congress on 23 August 1982 and respectively revised on 22 February 1993, 27 October 2001 and 30 August 2013, and the Regulation on the Implementation of the Trademark Law of the PRC (revised in 2014) (《中華人民共和國商標法實施條例

---

## REGULATORY OVERVIEW

---

(2014年修訂)》) promulgated by the State Council on 3 August 2002 and revised on 29 April 2014, stipulate the application, examination and approval, renewal, alteration, transfer, use and invalidation of trademark registration, and protect the trademark rights entitled to trademark registrants.

### Regulations on Domain Names

Measures for the Administration of Internet Domain (《互聯網域名管理辦法》) was promulgated by the MIIT on 24 August 2017 and came into effect on 1 November 2017, which stipulates that the establishment of domain name root servers, domain name root servers operating institutions, domain name registration and management institutions and domain name registration service institutions shall obtain approval from relevant information technology authorities in accordance with the provisions. Domain name services follow the principle of “first application, first registration”. The Notice of the Ministry of Industry and Information Technology on Regulating the Use of Domain Names in Internet Information Services (《工業和信息化部關於規範互聯網信息服務使用域名的通知》) promulgated on 27 November 2017 and came into effect on 1 January 2018 stipulates internet information service providers as its main target on the overall anti-terrorism and obligations of maintaining network security.

### REGULATIONS ON EMPLOYMENT AND SOCIAL WELFARE

In accordance with the Labour Law of the PRC (《中華人民共和國勞動法》), the Labour Contract Law of the PRC (《中華人民共和國勞動合同法》), and the Rules for Implementation of Labour Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》), the labour relations between employer and employee shall be agreed in writing. The employer shall set up the system of labour safety and health, follow up the national standard in strict, and provide the relevant education for the employee. And then the employee must work under the safe and healthy environment. The wage paid by the employer to the employee shall be no less than the local minimum salary standard.

Under PRC laws, rules and regulations, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), the Provisional Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費征繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》), employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance and housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to pay the deficit amount.

---

## HISTORY AND DEVELOPMENT

---

### BUSINESS DEVELOPMENT

#### Overview

The history of our Group can be traced back to 2012 when our founder, Mr. Qi, established our first operating subsidiary, Shun Da School. Shun Da School is principally engaged in the provision of driving training services for Small Manual Cars (C1). At the time of establishment, Shun Da School had a registered capital of RMB2,000,000 and was owned by Mr. Qi as to 51% and the remaining 39%, 5% and 5% equity interest were held by Mr. Shi Jianmin (an employee of Shun Da School since January 2013), Mr. Qi Donghai (an employee of Shun Da School between January 2013 and March 2017) and Ms. Gao Rongmei (a relative of Mr. Qi) respectively on trust for Mr. Qi. For the background of the trust arrangements, please refer to the paragraph headed “Corporate development – Our major subsidiaries” below.

Having considered the rapid development of the logistics industry and the increasing demand for commercial drivers in the PRC, we established Tong Tai School, our second operating subsidiary in April 2014. Tong Tai School is principally engaged in the provision of driving training services for Large Vehicles (comprising Large Buses (A1), Towing Vehicles (A2), City Buses (A3), Medium Buses (B1), Large Trucks (B2)) and Small Vehicles (comprising Small Manual Cars (C1) and Small Automatic Cars (C2)), which made material contribution to our Group’s results during the Track Record Period. Its equity interest was wholly-owned by Mr. Qi. For background and relevant experience of Mr. Qi, please refer to the section headed “Directors and senior management” in this prospectus.

#### Business Milestones

The following is a summary of our Group’s key business development milestones:

<b>Year</b>	<b>Major Events</b>
December 2012	Shun Da School was established and commenced provision of training services for Small Manual Cars (C1) in February 2013
April 2014	Shun Da School leased the test venue training field for the On-Site Driving Test of Small Manual Cars (C1) from Public Security Bureau Traffic Police Battalion of Suiping County (遂平縣公安局交通警察大隊) with an aggregate site area of 12,750 sq.m.
April 2014	Tong Tai School was established and commenced provision of driving training services for Large Buses (A1), Towing Vehicles (A2), City Buses (A3), Medium Buses (B1), Large Trucks (B2), Small Manual Cars (C1) and Small Automatic Cars (C2) in May 2014 on two parcels of adjoining land with a total site area of approximately 105,261 sq.m. located in Suiping County, Zhumadian City leased from the then landlord

---

## HISTORY AND DEVELOPMENT

---

<b>Year</b>	<b>Major Events</b>
September 2014	Completed construction of test venue training field at Tong Tai School for On-site Driving Test of Large Vehicles with an aggregate site area of approximately 50,184 sq.m.
November 2015	Completed acquisition of the two parcels of land with an aggregate site area of approximately 105,261 sq.m. where the training fields of Tong Tai School are located
August 2016	Tong Tai School was awarded Civilised and Trustworthy Driving School* (文明誠信駕校) of 2016 by Road Transport Management Bureau of Zhumadian City* (駐馬店市道路運輸管理局) and Newspaper Group of Zhumadian City Daily* (駐馬店日報報業集團)
February 2017	Tong Tai School was awarded Road Safety Model Enterprise* (“平安交通”建設示範企業) of 2016 by Department of Transportation of Henan Province (河南省交通運輸廳)
November 2017	Tong Tai School was awarded National Civilised, Trustworthy and Quality Service Model Driving Training Institution* (全國文明誠信優質服務示範駕培機構) for the year 2016 to 2017 by China Road Transport Associations (中國道路運輸協會)
April 2018	Completed construction of the twelve storeys dormitory building with gross floor area of approximately 16,810 sq.m.
February 2019	Tong Tai School was awarded the honorary credential of Head of Suiping County Quality Prize* (遂平縣縣長質量獎) of 2018 by the Suiping County People’s Government
March 2019	Tong Tai School was awarded the honorary credential of Civilised and Trustworthy, Law-abiding Management* (文明誠信守法經營) of 2018 by the Publicity Department of the Chinese Communist Party Municipal Committee of The People’s Government of Zhumadian City* (中共駐馬店市委宣傳部), Zhumadian City Moral and Ideological Development Guiding Committee Office* (駐馬店市精神文明建設指導委員會辦公室), Zhumadian City Administration for Market Supervision* (駐馬店市市場監督管理局) and Zhumadian City Consumer Association* (駐馬店市消費者協會)

---

## HISTORY AND DEVELOPMENT

---

<b>Year</b>	<b>Major Events</b>
May 2019	Tong Tai School was awarded the honorary credential of Golden Medal Driving School of Zhumadian City Driving Training Services Industry* (全市駕培行業金牌駕校) of 2018 by Road Transport Management Bureau of Zhumadian City* (駐馬店市道路運輸管理局) and Zhumadian Zhubao Media Group* (駐馬店駐報傳媒集團)

### CORPORATE DEVELOPMENT

#### Our Group Companies

Our Company was incorporated in the Cayman Islands on 22 February 2017 as an exempted company under Companies Law of the Cayman Islands. Upon completion of the Reorganisation, our Company became the holding company of our Group, which comprises the following subsidiaries:

<b>Name of subsidiary</b>	<b>Principal business activities</b>	<b>Date and place of incorporation or establishment</b>	<b>Interest attributable to our Group</b>
Ample Best	Investment holding	15 December 2016 (BVI)	100%
Maxi Access	Investment holding	28 January 2016 (HK)	100%
Wincox	Investment holding	28 December 2016 (HK)	100%
Tongtai Cultural	Investment holding	2 June 2016 (PRC)	100%
Shun Da School	Provision of driving training services for Small Vehicles	25 December 2012 (PRC)	100%
Tong Tai School	Provision of driving training services for Large Vehicles and Small Vehicles	24 April 2014 (PRC)	100%

---

## HISTORY AND DEVELOPMENT

---

### Our Major Subsidiaries

#### *Shun Da School*

Shun Da School is a company established in the PRC with limited liability on 25 December 2012. Its principal business is the provision of driving training services for Small Vehicles. The initial registered capital of Shun Da School was RMB2,000,000 and was fully contributed to by Mr. Qi. The equity interests of Shun Da School was held as to 51% by Mr. Qi, and as to 39%, 5% and 5% by Mr. Shi Jianmin, Mr. Qi Donghai and Ms. Gao Rongmei respectively on trust for Mr. Qi. The reason for the trust arrangements was that prior to the establishment of Shun Da School, Mr. Shi Jianmin, Mr. Qi Donghai and Ms. Gao Rongmei (the “Trustees”) had expressed their interests in investing in Shun Da School by contributing 39%, 5% and 5% of the registered capital of Shun Da School respectively, and Mr. Qi was agreeable to their proposed investments. As the Trustees required time for making their respective capital contribution, they agreed with Mr. Qi that Mr. Qi would pay up the registered capital in full but the Trustees would each hold the corresponding equity interests of Shun Da School on trust for Mr. Qi until they pay an amount equivalent to their respective share of capital contribution to Mr. Qi within three months from the date of establishment of Shun Da School. However, shortly before Shun Da School commenced operations in February 2013, each of the Trustees confirmed to Mr. Qi that he/she was no longer interested in investing in Shun Da School and would continue to hold the equity interests on trust for Mr. Qi.

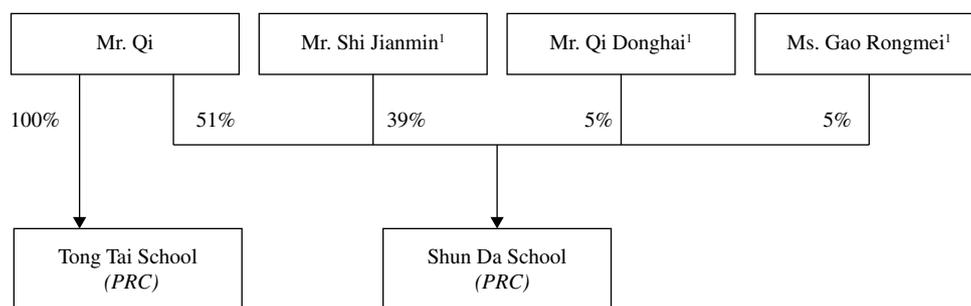
Pursuant to the Reorganisation, the equity interests of Shun Da School was transferred to Tongtai Cultural. Please see paragraph headed “Reorganisation” below for further details.

#### *Tong Tai School*

Tong Tai School is a company established in the PRC with limited liability on 24 April 2014. Its principal business is the provision of driving training services for Large Vehicles and Small Vehicles. The initial registered capital of Tong Tai School was RMB20,000,000 and was fully contributed to by Mr. Qi. The equity interests of Tong Tai School was held by Mr. Qi. Pursuant to the Reorganisation, the equity interests of Tong Tai School was transferred to Tongtai Cultural. Please see paragraph headed “Reorganisation” below for further details.

### REORGANISATION

Set out below is the shareholding structure of our Group immediately prior to the Reorganisation.



---

## HISTORY AND DEVELOPMENT

---

*Note:*

1. Mr. Shi Jianmin and Mr. Qi Donghai are Independent Third Parties and Ms. Gao Rongmei is a relative of Mr. Qi, and they held their respective equity interests in Shun Da School on trust for Mr. Qi.

In preparation for the Share Offer, we underwent the Reorganisation pursuant to which our Company became the holding company and listing vehicle of our Group. The key steps are as follows:

**(i) Incorporation of Tongtai Cultural**

On 2 June 2016, Tongtai Cultural was established in the PRC with limited liability with a registered capital of RMB5,000,000, which was wholly owned by Tengda Education, a company established in the PRC with limited liability on 18 May 2016 and owned as to 99% by Mr. Qi and as to 1% by Ms. Gao Dongju (spouse of Mr. Qi), acting as a trustee for Mr. Qi. Tongtai Cultural is principally engaged in investment holding.

As at the Latest Practicable Date, the registered capital of Tongtai Cultural had not been contributed and was required to be contributed by Wincos and Maxi Access on or before 31 March 2036 in accordance with its articles.

**(ii) Acquisition of the entire equity interest of Tong Tai School by Tongtai Cultural**

On 1 September 2016, Tongtai Cultural (as purchaser) entered into an equity transfer agreement with Mr. Qi (as vendor) pursuant to which Mr. Qi transferred the entire equity interest of Tong Tai School to Tongtai Cultural at the consideration of RMB20,000,000, which was determined based on the registered capital of Tong Tai School. Immediately following the acquisition, Tong Tai School became a wholly-owned subsidiary of Tongtai Cultural.

As advised by our PRC Legal Advisers, the aforesaid acquisition was properly and legally completed and settled in compliance with the PRC laws and regulations on 9 September 2016 and would not require any approval or permit from the government authorities in the PRC.

**(iii) Acquisition of the entire equity interest of Shun Da School by Tongtai Cultural**

On 9 September 2016, Tongtai Cultural (as purchaser) entered into an equity transfer agreement with Mr. Qi (as vendor) pursuant to which Mr. Qi transferred 51% equity interest of Shun Da School to Tongtai Cultural at the consideration of RMB1,020,000, which was determined based on the registered capital of Shun Da School. The consideration was paid in cash and settled on 12 September 2016.

On the same day, Tongtai Cultural (as purchaser) entered into two equity transfer agreements with Mr. Shi Jianmin (as vendor) and Mr. Qi Donghai (as vendor) respectively, both being Independent Third Parties, pursuant to which Mr. Shi Jianmin and Mr. Qi Donghai, at the direction of Mr. Qi, transferred 39% and 5% equity interest of Shun Da School respectively held on trust for Mr. Qi, to Tongtai Cultural at the consideration of RMB780,000 and RMB100,000 respectively, which were determined based on the registered capital of Shun Da School. The consideration was paid in cash and settled on 12 September 2016.

---

## HISTORY AND DEVELOPMENT

---

On 12 September 2016, Tongtai Cultural (as purchaser) entered into an equity transfer agreement with Ms. Gao Rongmei (a relative of Mr. Qi) (as vendor), pursuant to which Ms. Gao Rongmei, at the direction of Mr. Qi, transferred 5% equity interest of Shun Da School held on trust for Mr. Qi, to Tongtai Cultural at the consideration of RMB100,000, which was determined based on the registered capital of Shun Da School. The consideration was paid in cash and settled on 12 September 2016.

As advised by our PRC Legal Advisers, the aforesaid acquisitions were properly and legally completed and settled in compliance with the applicable PRC laws and regulations on 19 September 2016 and would not require any approval or permit from the government authorities in the PRC.

Immediately following completion of the aforesaid acquisitions, Shun Da School became a wholly-owned subsidiary of Tongtai Cultural.

### **(iv) Acquisition of 20% equity interest of Tongtai Cultural by Maxi Access**

On 18 September 2016, Maxi Access (as purchaser), which was wholly-owned by Mr. Ling, entered into an equity transfer agreement with Tengda Education (as vendor), pursuant to which Tengda Education transferred 20% equity interest of Tongtai Cultural to Maxi Access at the consideration of RMB5,000,000, which was determined with reference to the preliminary valuation of the net asset value of Tongtai Cultural and its subsidiaries as at 31 July 2016 provided by an independent valuer and the same was subsequently substantiated by the valuation report prepared by the independent valuer dated 10 October 2016. The consideration was paid in cash with the final payment settled on 20 February 2017. For details about the background of Mr. Ling and the investment he made in our Group, please refer to the paragraph headed “Pre-IPO Investments” below.

As advised by our PRC Legal Advisers, the aforesaid acquisition was properly and legally completed and settled in compliance with the applicable PRC laws and regulations on 16 December 2016 and as advised by our PRC Legal Advisers, we have obtained all necessary approvals, permits, licences and consents from the relevant government authorities in the PRC.

### **(v) Incorporation of Ample Best**

On 15 December 2016, Ample Best was incorporated in the BVI with limited liability with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of a par value of US\$1.00 each. On 16 January 2017, four shares were allotted and issued fully paid to Alpha Leap. Ample Best is principally engaged in investment holding.

### **(vi) Incorporation of Wincox**

On 28 December 2016, Wincox was incorporated in Hong Kong with limited liability and has issued and paid up share capital of HK\$1.00 with one ordinary share issued to the initial subscriber, an Independent Third Party. Wincox is principally engaged in investment holding. On 23 January 2017, the said one ordinary share was transferred to Ample Best at the consideration of HK\$1.00 which was settled and paid in cash on 23 January 2017.

---

## HISTORY AND DEVELOPMENT

---

Immediately following completion of the aforesaid transfer, Wincox became a direct wholly-owned subsidiary of Ample Best.

**(vii) Incorporation of our Company**

On 22 February 2017, our Company was incorporated as an exempted company with limited liability in the Cayman Islands, one subscriber Share was allotted and issued nil paid to the initial subscriber, an Independent Third Party, which was subsequently transferred to Alpha Leap on the same date.

**(viii) Acquisition of Ample Best by our Company**

On 14 March 2017, our Company (as purchaser) acquired the four shares in Ample Best (representing the entire issued share capital of Ample Best) from Alpha Leap (as vendor) at the consideration of US\$4.00. The consideration was satisfied by (a) our Company crediting the nil paid Share held by Alpha Leap as fully paid, and (b) our Company allotting and issuing three new Shares, credited as fully paid, to Alpha Leap on the same date.

Subsequent to the completion of the aforesaid acquisition, Ample Best became a direct wholly-owned subsidiary of our Company.

**(ix) Acquisition of 80% equity interest of Tongtai Cultural by Wincox**

On 15 March 2017, Wincox (as purchaser) entered into an equity transfer agreement with Tengda Education (as vendor) pursuant to which, Wincox acquired 80% equity interest of Tongtai Cultural from Tengda Education at the consideration of RMB20,000,000 which was determined with reference to the net asset value of Tongtai Cultural and its subsidiaries as at 31 July 2016 as stated in the valuation report prepared by an independent valuer dated 10 October 2016.

As advised by our PRC Legal Advisers, the aforesaid acquisition was properly and legally completed and settled in compliance with the applicable PRC laws and regulations on 28 March 2017 and would not require any approval or permit from the government authorities in the PRC.

**(x) Acquisition of the entire issued share capital of Maxi Access by Ample Best**

On 23 May 2017, Ample Best (as purchaser) entered into a share sale and purchase agreement with Mr. Ling (as vendor), pursuant to which Mr. Ling (i) transferred the one share in Maxi Access (representing the entire issued share capital of Maxi Access) to Ample Best at the consideration of HK\$1.00, which was determined with reference to the paid up capital of Maxi Access and (ii) assigned the outstanding amount of HK\$5.7 million owing by Maxi Access to him, at the consideration of HK\$5.7 million. Such considerations were satisfied by Ample Best procuring our Company to allot and issue one Share, credited as fully paid, at the direction of Mr. Ling, to Cosmic Hero.

Upon the completion of the aforesaid acquisition, Maxi Access became an indirect wholly-owned subsidiary of our Group and our Company was owned by Alpha Leap and Cosmic Hero as to 80% and 20% respectively.

---

## HISTORY AND DEVELOPMENT

---

The aforesaid acquisition was properly and legally completed and settled in compliance with Hong Kong laws on 23 May 2017 and would not require any approval or permit from the government authorities in Hong Kong.

### **(xi) Allotment of Shares to Alpha Leap and Cosmic Hero**

In anticipation of an investment to be made by Greater Sino, on 30 May 2018, our Company proportionally allotted and issued 684 and 171 Shares as fully paid to Alpha Leap and Cosmic Hero, respectively, which were based on their then shareholdings.

Subsequent to the aforesaid allotments, the total issued Shares were 860 and they were owned by Alpha Leap and Cosmic Hero as to 80% (688 Shares) and 20% (172 Shares), respectively.

### **(xii) Subscription of Shares by Greater Sino**

On 8 June 2018, Greater Sino (as subscriber) entered into a subscription agreement with our Company and Alpha Leap (as warrantor), pursuant to which our Company issued and Greater Sino subscribed for 140 Shares at the consideration of HK\$16,000,000 which was determined with reference to the price-to-earnings ratio of approximately 4.6 times to our Group's guaranteed profit after tax for the year ended 31 December 2017 (exclusive of Listing expenses) of HK\$25 million. On the same day, 140 Shares were allotted and issued nil paid to Greater Sino.

On 28 June 2018, the last payment for the subscription was settled and our Company credited the 140 nil paid Shares held by Greater Sino as fully paid.

Following the said subscription, the total issued Shares were 1,000 and they were owned by Alpha Leap, Cosmic Hero and Greater Sino as to 68.8% (688 Shares), 17.2% (172 Shares) and 14.0% (140 Shares), respectively.

### **(xiii) Increase in authorised share capital of our Company**

Pursuant to the written resolutions of our Shareholders passed on 19 September 2019, the authorised share capital of our Company was increased from HK\$380,000 of 38,000,000 Shares to HK\$100,000,000 of 10,000,000,000 Shares by creation of additional 9,962,000,000 Shares.

## **CAPITALISATION ISSUE AND SHARE OFFER**

Conditional upon the share premium account of our Company being credited with the proceeds from the Share Offer, HK\$2,999,990 will be capitalised and applied in paying up in full at par 299,999,000 Shares to be allotted and issued to Alpha Leap, Cosmic Hero and Greater Sino, being the existing Shareholders, before Listing.

---

## HISTORY AND DEVELOPMENT

---

### PREVIOUS LISTING APPLICATION

On 26 May 2017, we submitted an application to the Stock Exchange for the listing of the Shares on GEM (the “**GEM Application**”). However, on 20 October 2017, the former sponsor of the Company informed the Stock Exchange that they would cease to act for the Company in relation to the GEM Application due to the departure of the relevant responsible officers, and after evaluating the proposed listing timetable and the possibility of submitting a listing application on the Main Board, the Company withdrew the GEM Application.

Our Directors confirm that the decision to withdraw the listing application on GEM was not based on or in connection with the suitability of the listing of our Shares on GEM.

### PRE-IPO INVESTMENTS

#### Overview

On 18 September 2016, Mr. Ling, through Maxi Access, a company incorporated in Hong Kong with limited liability and wholly-owned by Mr. Ling, acquired 20% equity interest in Tongtai Cultural from Tengda Education at the consideration of RMB5,000,000. Such consideration was determined with reference to the preliminary valuation of the net asset value of Tongtai Cultural and its subsidiaries as at 31 July 2016 provided by an independent valuer and the same was subsequently substantiated by the valuation report dated 10 October 2016 prepared by the independent valuer. As advised by our PRC Legal Advisers, the aforesaid acquisition was properly and legally completed and settled in compliance with the applicable PRC laws and regulations on 16 December 2016 and the consideration was paid in cash with the last payment settled on 20 February 2017. The valuation of our Group after Pre-IPO Investment I, which was determined by our Directors based on the audited net asset value of our Group as at 31 December 2016, was approximately RMB16.8 million. Subsequently, on 23 May 2017, Mr. Ling transferred the entire issued share capital of Maxi Access and the outstanding amount of HK\$5.7 million owing by Maxi Access to him to Ample Best in exchange for the allotment and issue of one Share, credited as fully paid, to Cosmic Hero, at Mr. Ling’s direction.

For details of the aforesaid transfers, please refer to the paragraphs headed “Acquisition of 20% equity interest of Tongtai Cultural by Maxi Access” and “Acquisition of the entire issued share capital of Maxi Access by Ample Best” in this section.

On 8 June 2018, Greater Sino, entered into a subscription agreement with our Company and Alpha Leap, pursuant to which Greater Sino agreed to subscribe for, and our Company agreed to allot and issue to Greater Sino, 140 Shares at the consideration of HK\$16,000,000. The consideration was determined with reference to the price-to-earnings ratio of approximately 4.6 times of our Group’s guaranteed profit after tax for the year ended 31 December 2017 (exclusive of Listing expenses). On the same day, 140 Shares were allotted and issued nil paid to Greater Sino. On 28 June 2018, the consideration was fully settled and our Company credited the 140 nil paid Shares as fully paid. The valuation of our Group after Pre-IPO Investment II, which was determined by our Directors based on the unaudited net asset value of our Group as at 30 June 2018, was approximately RMB74.9 million.

---

## HISTORY AND DEVELOPMENT

---

The table below summarises the principal terms of the Pre-IPO Investments:

	Pre-IPO Investment I	Pre-IPO Investment II
<b>Name:</b>	Mr. Ling	Greater Sino
<b>Date of the agreement:</b>	18 September 2016	8 June 2018
<b>Payment date(s) of the consideration:</b>	8 February 2017 and 20 February 2017	8 June 2018, 15 June 2018 and 28 June 2018
<b>Amount of consideration paid:</b>	RMB5,000,000 in cash	HK\$16,000,000 in cash
<b>Cost per Share paid by the Pre-IPO Investors:</b>	approximately RMB0.10 (equivalent to approximately HK\$0.11)	approximately HK\$0.38
<b>Discount to mid-point of the Offer Price range:</b> <i>(Note)</i>	approximately 92.0%	approximately 71.9%
<b>Number of Shares held by the Pre-IPO Investors upon Listing:</b>	51,600,000 Shares	42,000,000 Shares
<b>Percentage of shareholding of the Pre-IPO Investors upon Listing:</b>	12.9%	10.5%
<b>Use of proceeds from the Pre-IPO Investments:</b>	Not applicable. The investment made by Mr. Ling was by way of acquisition of 20% equity interests in Tongtai Cultural from Tengda Education.	The proceeds from the investment made by Greater Sino have been applied by us for payment of professional fees incurred from the Listing. As at the Latest Practicable Date, the proceeds of approximately HK\$0.3 million had not been utilised.

---

## HISTORY AND DEVELOPMENT

---

### **Benefits from the Pre-IPO Investments:**

Our Directors believe that Mr. Ling's expertise in the provision of business advisory and information technology services would be beneficial to our Group. Our Group may from time to time in the future seek from his advice on business strategy and information technology. In particular, he may assist us in enhancing our services through providing strategic advice on the use and development of information technology in the provision of driving training services.

To the best knowledge of our Directors, Greater Sino invested in our Group as it is confident in the business prospects of driving training services industry in the PRC and the management and potential of our Group. Our Directors believe that our Group will benefit from Greater Sino's investment through Greater Sino's substantial experience of financial investment in equity and debt securities in listed companies and its business connection network to explore business opportunity. Our Directors further believe that the investment made by Greater Sino would strengthen the shareholder base of our Company and enhance corporate governance practice and business network of our Group.

*Note:* Calculated based on the Offer Price of HK\$1.35, being the mid-point of the indicative Offer Price range of HK\$1.28 to HK\$1.42 per Offer Share.

### **Background of the Pre-IPO Investors**

#### ***Pre-IPO Investor I***

Mr. Ling is currently a shareholder and a director of a business consulting firm. He holds one share in Cosmic Hero, a company incorporated in the BVI with limited liability whose principal business is investment holding, wholly-owned by Mr. Ling. To the best knowledge of our Directors, Mr. Ling invested in our Group due to our growth potential and the general prospects in the driving training service market in the PRC having considered factors including our Group's existing market position and quality of services. The investment was reached after arm's length negotiation and with reference to the preliminary valuation of the net asset value of Tongtai Cultural and its subsidiaries as at 31 July 2016 provided by the independent valuer and the same was subsequently substantiated by the valuation report prepared by the independent valuer dated 10 October 2016. Mr. Ling is not entitled to any special rights or privileges through his investment in our Group.

As confirmed by Mr. Ling, the consideration of his investment in our Group was not financed directly or indirectly by connected persons of our Group. Mr. Ling further confirmed that the source of funding to acquire the equity interest in Tongtai Cultural was from his own resources.

---

## HISTORY AND DEVELOPMENT

---

### *Pre-IPO Investor II*

Greater Sino is an investment holding company with limited liability incorporated in the BVI on 13 June 2014 and is wholly owned by Ample Star Global Limited (a BVI company), which in turn is indirectly wholly owned by China Internet. Greater Sino invested in our Group as it is confident in the business prospects of driving training services industry in the PRC and the management and potential of our Group. The investment was reached after arm's length negotiation and with reference to the price-to-earnings ratio of approximately 4.6 times of the Group's guaranteed profit after tax for the year ended 31 December 2017 (exclusive of Listing expenses).

As confirmed by Greater Sino, the consideration of the investment in our Group was not financed directly or indirectly by connected persons of our Group and the source of funding for the investment was from Greater Sino's own resources.

### **Share Mortgage**

In connection with the Pre-IPO Investment II, Mr. Qi (as mortgagor) entered into a share mortgage dated 8 June 2018 with Greater Sino (as mortgagee), pursuant to which Mr. Qi charged the 1 share of Alpha Leap to Greater Sino to guarantee the performance of all the terms and conditions in relation to the Put Option (as defined hereinafter) of the part of our Company and Alpha Leap to be performed.

The aforesaid share mortgage will be automatically released and discharged upon Listing.

### **Personal Guarantee**

In connection with the Pre-IPO Investment II, Mr. Qi (as guarantor) entered into a deed of guarantee dated 8 June 2018 in favour of Greater Sino, pursuant to which Mr. Qi guaranteed the performance of all the terms and conditions of the Shareholders' Agreement and the subscription agreement dated 8 June 2018 on the part of the Company and Alpha Leap to be performed.

The aforesaid deed of personal guarantee will be automatically released and discharged upon Listing.

### **Special rights**

The following special rights have been granted to Greater Sino under the Shareholders' Agreement and each of which will be automatically cease to have any effect upon Listing:

#### *(a) Information and inspections*

Greater Sino is entitled to have reasonable access to information regarding our Company and our Group, including the consolidated quarterly management accounts, the consolidated annual management accounts, the consolidated audited annual accounts and all other information of our Group at its written request.

---

## HISTORY AND DEVELOPMENT

---

**(b) Director appointment and management**

Greater Sino is entitled to nominate one executive or non-executive Director to the Board and such nominated Director is not required to resign upon Listing.

Pursuant to the aforesaid nomination right, Dr. Yeung Cheuk Kwong was nominated by Greater Sino and appointed as a Director on 8 June 2018.

**(c) Prior approval rights**

Except those matters in preparation for and in connection with the Listing, our Company shall require Greater Sino's prior approval to:

- (i) change in nature of business of any member of our Group;
- (ii) amendments to the constitutional documents of any member of our Group;
- (iii) change in the share capital of any member of our Group;
- (iv) variation of the share rights of any member of our Group;
- (v) issue of new Shares;
- (vi) declaring, making or paying dividend by any member of our Group;
- (vii) acquiring or disposing of any substantial business or assets of any member of our Group otherwise than conducted in the ordinary and usual course of business;
- (viii) sale or merger of the principal business of our Group or any member of our Group;
- (ix) permitting our Company or any member of our Group to cease or propose to cease to carry on the principal business of any member of our Group;
- (x) approving any resolution to wind up any member of our Group, entering into receivership or making any composition or arrangement with its creditor;
- (xi) entering into any contract or transaction with a value, or incurring a liability or potential liability, in excess of HK\$5,000,000 or with a duration of longer than one year (except for those contracts entered into in the ordinary course of business of the Group);
- (xii) creating or permitting to arise any bank debts, mortgage, charge, lien, pledge, other form of security or encumbrance or equity of whatsoever nature in excess of HK\$5,000,000 outside the ordinary course of business of our Group;
- (xiii) making any advances or other credits to any third party or give any guarantee, indemnity, surety or security outside the ordinary course of our Group's business;

---

## HISTORY AND DEVELOPMENT

---

- (xiv) save for the expenditure provided for in any approved budget and business plan, the making of any expenditure in any form in excess of HK\$5,000,000 per item per time or by a series of transactions within 12 months relating to the same item by any member of our Group;
- (xv) entering into, amendment to or cancellation of, any contract, agreement or transaction with any Shareholder, or any Director or senior management of our Company or their respective associate(s), or any other transaction that would be a connected transaction as defined under the Listing Rules;
- (xvi) commencing, defending, compromising, settling, releasing, discharging or compounding any material civil, criminal, arbitration or other proceedings or any liability, claim, action, demand or dispute, or waive any of the rights in relation to any of the foregoing by any member of our Group, which involves an amount exceeding HK\$5,000,000;
- (xvii) increasing or decreasing the maximum number of Directors;
- (xviii) selling, transferring, disposing of, charging, pledging, lending any Shares held by Alpha Leap or any rights and interests attaching thereto; and
- (xix) adding, reducing or making amendments to any of the aforesaid matters.

*(d) Issue of new Shares*

The Company shall not allot or issue any new Shares unless in accordance with the Shareholders' Agreement.

*(e) Transfer or charging of shares*

- (i) If any Shareholder (the "**Disposing Party**") wishes to sell, transfer or otherwise dispose of any Shares to a third party, then the Disposing Party shall be obliged to inform the other Shareholders (the "**Non-selling Shareholders**") and offer the Non-selling Shareholders an opportunity to purchase the Shares put up for sale by the Disposing Party.
- (ii) When a Shareholder, whether alone or together with his/her/its associate(s), holding not less than 50% of the Shares, proposes to transfer any Shares, the other Shareholders (the "**Tagging Parties**") shall have the option to require that the proposed transferee simultaneously acquires from the Tagging Parties at the same time such number of Shares as specified by the Tagging Parties.

*(f) Anti-dilution provisions*

If any issue of Shares (other than the issue of Shares in connection with the Listing (including the Share Option Scheme)) to any entity other than Greater Sino ("**Down Round Further Issue**") is to take place after the date of the Shareholders' Agreement, our Company shall at the same time of the completion of issue of Shares under such Down Round Further Issue, allot and issue to Greater Sino such number of adjustment Shares, credited as fully paid, so that immediately after the allotment and issue of such

---

## HISTORY AND DEVELOPMENT

---

adjustment Shares, the number of Shares as held by Greater Sino shall represent the same percentage of the issued share capital of our Company held by Greater Sino immediately before the issue of Shares issued under such Down Round Further Issue provided always that the valuation of such Further Issue shall be not less than that of the Shares acquired by Greater Sino under Pre-IPO Investment II except with the consent of Greater Sino.

**(g) Put option**

If (i) our Company fails to submit its formal application for the Listing on or before 31 December 2018; (ii) our Company cannot, in the reasonable opinion of the Sponsor in writing, achieve the Listing before 31 December 2019; or (iii) the filed Listing application has been withdrawn or cancelled or lapsed (whichever occurs first, and each a “**Put Event**”), Greater Sino shall be entitled but is not obliged to require Alpha Leap by notice in writing at any time after the occurrence of the Put Event to purchase all the Shares held by Greater Sino or its nominees (“**Put Shares**”) at the subscription price of the Put Shares plus an interest of 15% per annum calculated based on the actual number of days from the date of completion of the subscription of the Put Shares by Greater Sino to the date of completion of the sale and purchase of the Put Shares held by Greater Sino.

**(h) Call option**

If a Put Event has occurred but Greater Sino does not exercise the aforesaid put option within 90 days from the date of occurrence of the Put Event, Alpha Leap shall be entitled but is not obliged to require Greater Sino to sell all of the Shares held by it at a price equal to the subscription price paid by Greater Sino for the Shares plus an interest of 15% per annum calculated based on the actual number of days from the date of completion of the subscription of Shares by Greater Sino to the date of completion of the sale and purchase of the Shares held by Greater Sino.

**(i) Profit Guarantee**

If our Group fails to achieve audited consolidated net profit after tax (exclusive of Listing and other expenses or losses generated by activities outside our Group’s ordinary and usual course of business) of HK\$25 million for the year ended 31 December 2017, Alpha Leap shall pay monetary compensation to Greater Sino in accordance with the formula stated in the Shareholders’ Agreement.

All the special rights mentioned above shall automatically cease to have any effect upon Listing. Save as mentioned above, Greater Sino is not entitled to any special rights or privileges through its investment in our Group and the Shareholders’ Agreement.

To the best knowledge of our Directors, save as disclosed in this prospectus, the Pre-IPO Investors did not have any past or present relationship (including but not limited to, family, business and employment relationship) or any other agreements, arrangements or understanding with our Group, Directors, senior management, or shareholders and any of their respective associates; and are Independent Third Parties as at the Latest Practicable Date.

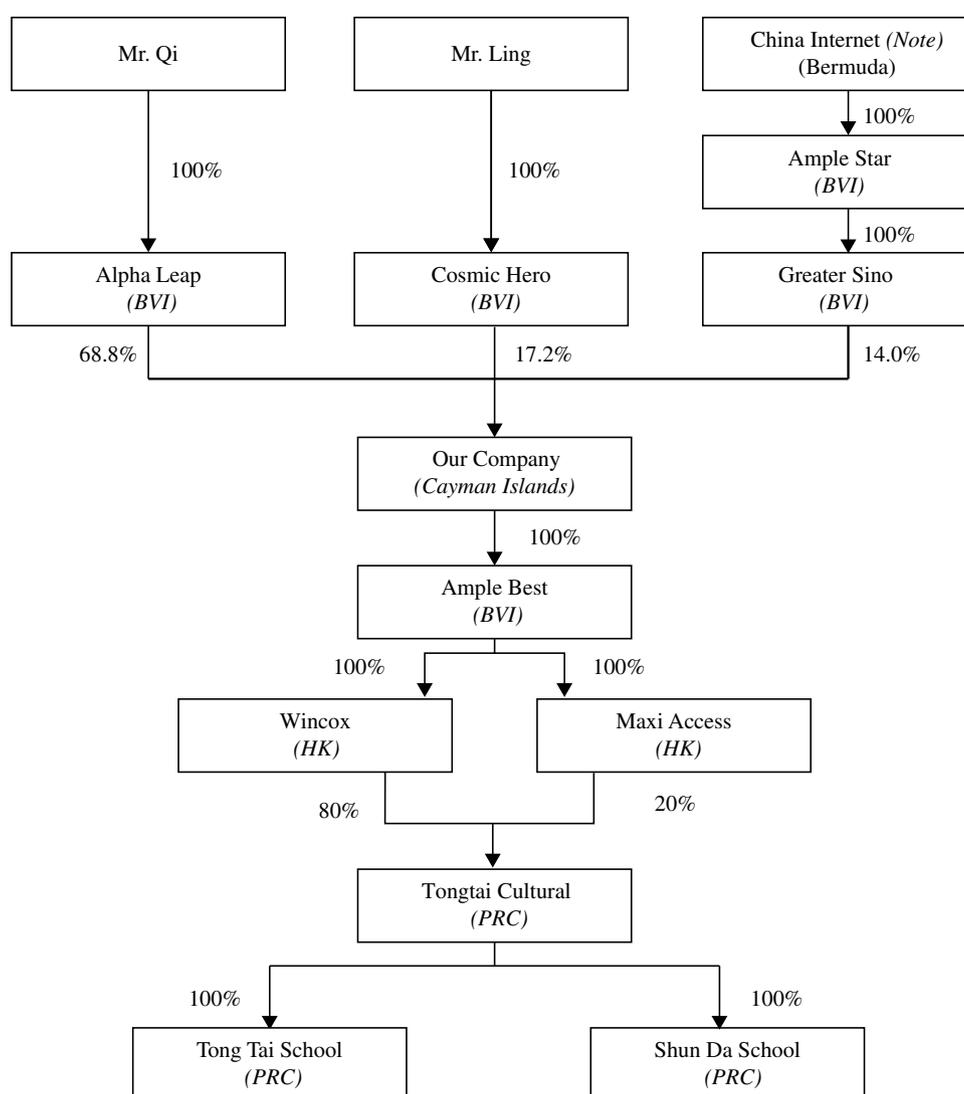
## HISTORY AND DEVELOPMENT

### Compliance with requirements

The Sponsor has confirmed that the Pre-IPO Investments are in compliance with the Interim Guidance on Pre-IPO Investments (HKEx-GL29-12) and the Guidance on Pre-IPO Investments (HKEx-GL43-12) issued by the Stock Exchange.

### GROUP STRUCTURE AFTER REORGANISATION AND BEFORE COMPLETION OF THE CAPITALISATION ISSUE AND THE SHARE OFFER

The shareholding and corporate structure of our Group immediately after completion of the Reorganisation but before completion of the Capitalisation Issue and the Share Offer is set out in the chart below:

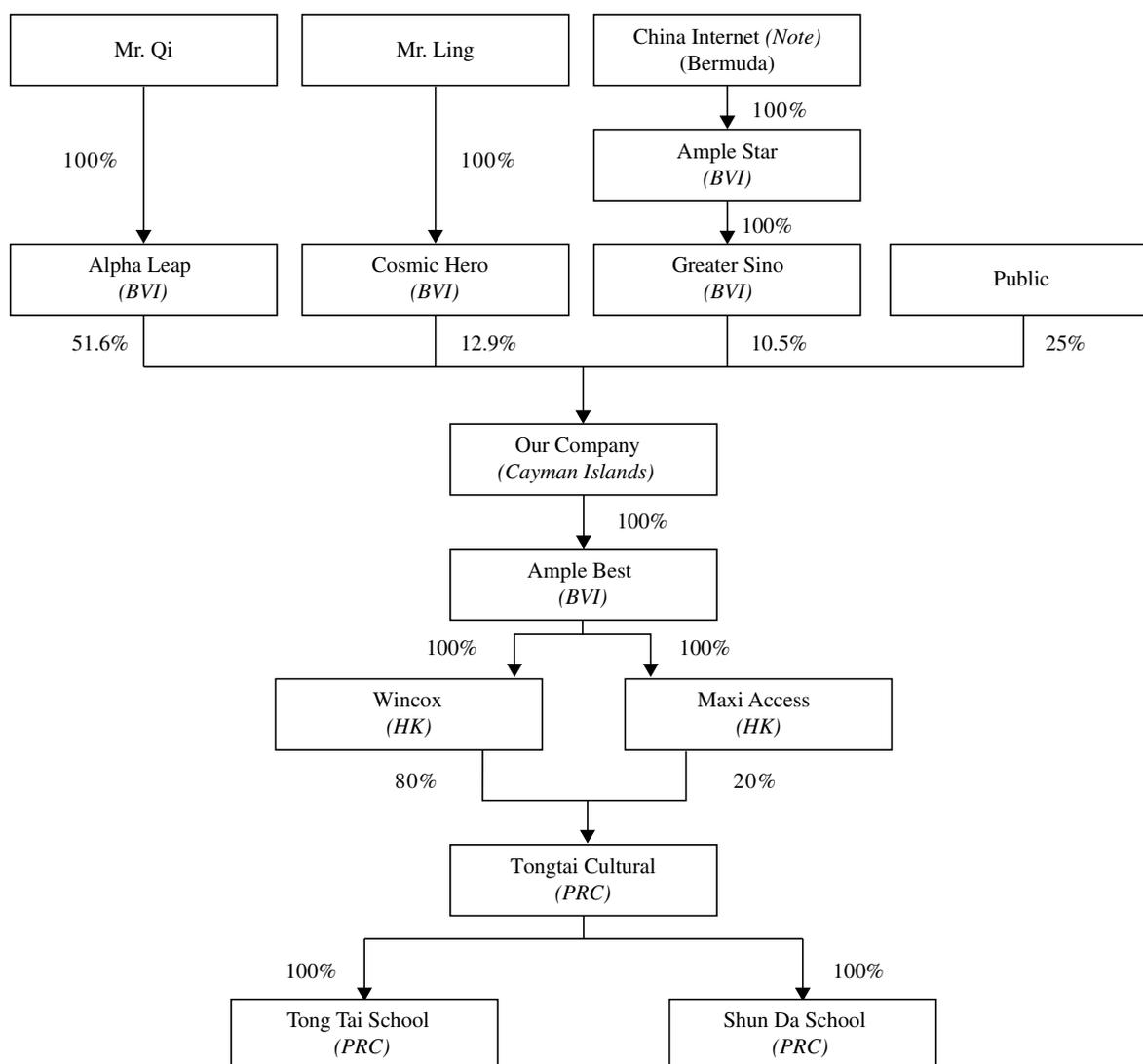


*Note:* China Internet (Stock code: 810) is a company listed on the Main Board of the Stock Exchange.

## HISTORY AND DEVELOPMENT

### GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE CAPITALISATION ISSUE AND THE SHARE OFFER

The shareholding and corporate structure of our Group immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme) is set out in the chart below:



*Note:* China Internet (Stock code: 810) is a company listed on the Main Board of the Stock Exchange.

### COMPLIANCE WITH PRC LAWS

Our PRC Legal Advisers have confirmed that all relevant approvals and permits in respect of the equity transfers of our PRC subsidiaries as described above have been obtained and the procedures and steps involved are in compliance with relevant laws and regulations in the PRC.

---

## HISTORY AND DEVELOPMENT

---

### SAFE Registration

Pursuant to the Circular of the SAFE on Issues concerning Foreign Exchange Administration over the Overseas Investment and Financing and Round-trip Investment by Domestic Residents via Special Purposes Vehicle\* (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the “**SAFE Circular No. 37**”), promulgated by SAFE and which became effective on 14 July 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests in an overseas special purposes vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment\* (關於進一步簡化和改進直接投資外匯管理政策的通知) (the “**SAFE Circular No. 13**”), promulgated by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisers, Mr. Qi has completed the registration under the SAFE Circular No. 13 and SAFE Circular No. 37 on 20 October 2016 and all required procedures for amendment to such registration.

### THE M&A RULES

On 8 August 2006, six PRC regulatory authorities, including MOFCOM, State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration for Industry & Commerce of the PRC, China Securities Regulatory Commission and SAFE, jointly issued the Regulations for Merger with and Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the “**M&A Rules**”), which became effective on 8 September 2006, and was amended on 22 June 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals from MOFCOM or the department of commerce at the provincial level when (i) a foreign investor acquires equity in a domestic enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic enterprise, or a domestic natural person, through an overseas company established or controlled by it/him/her, acquires a domestic enterprise which is related to or connected with it/him/her, approval from MOFCOM is required.

As advised by our PRC Legal Advisers, the acquisition of 20% equity interest in Tongtai Cultural by Maxi Access (the “**20% Acquisition**”), details of which are set out in the paragraph headed “Reorganisation – Acquisition of 20% equity interest of Tongtai Cultural by Maxi Access” in this section, is subject to the

---

## HISTORY AND DEVELOPMENT

---

relevant approval and filing requirements set forth in the M&A Rules and Law of the PRC on Chinese-Foreign Equity Joint Ventures (2016 Amendment)\* (《中華人民共和國中外合資經營企業法(2016年修訂)》). As confirmed by our PRC Legal Advisers, the requisite approval from Henan Provincial Commerce Department and licence in relation to the 20% Acquisition had been obtained pursuant to the applicable PRC laws and regulations and Tongtai Cultural was converted into a Sino-foreign joint venture enterprise on 16 December 2016.

For the acquisition of 80% equity interest in Tongtai Cultural by Wincos (the “**80% Acquisition**”), details of which are set out in the paragraph headed “Reorganisation – Acquisition of 80% equity interest of Tongtai Cultural by Wincos” in this section, as advised by our PRC Legal Advisers, since the 80% Acquisition was an acquisition of equity interest in a Sino-foreign joint venture enterprise, which is not a domestic enterprise, and as such, the M&A Rules is not applicable and approval from MOFCOM is not required. Instead, the 80% Acquisition shall comply with the Provisions for the Alternation of Investor’s Equities in Foreign-funded Enterprises\* (《外商投資企業投資者股權變更的若干規定》). As confirmed by our PRC Legal Advisers, the requisite filing through foreign investment comprehensive management system of MOFCOM and licence in relation to the 80% Acquisition had been completed and obtained pursuant to the applicable PRC laws and regulations.

Our PRC Legal Advisers further confirmed that all necessary approvals, filings and licences required under all applicable PRC laws and regulations in connection with the Reorganisation have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations.

---

## BUSINESS

---

### OVERVIEW

Established in 2012, we are a provider of driving training services with two driving schools, namely, Shun Da School and Tong Tai School, in Zhumadian City, Henan Province, the PRC. We offer extensive driving courses for preparation for Driving Tests of Large Vehicles and Small Vehicles in order to obtain driving licences. According to the Frost & Sullivan Report, we ranked first among driving schools in Zhumadian City with a market share of approximately 7.2% in Zhumadian City in terms of revenue in 2018 and a market share of approximately 33.8% in Zhumadian City in terms of revenue generated from the provision of driving courses for Large Vehicles in 2018. According to the Frost & Sullivan Report, we had a market share of approximately 0.8% in Henan Province in terms of revenue in 2018.

In the PRC, a person has to pass (i) the Driving Skill Written Test; (ii) the On-site Driving Test; (iii) the On-road Driving Test; and (iv) the Road Safety Written Test, in order to be granted with a driving licence by the Ministry of Public Security. Trainees can either arrange registrations of the Driving Tests by themselves or through driving schools.

As a provider of driving training services, we offer various driving courses to our trainees according to their learning schedules in order to let them acquire knowledge and driving skills necessary for the Driving Tests. As at the Latest Practicable Date, we operated two driving schools, namely, Shun Da School and Tong Tai School. Shun Da School is a qualified level II driving school established in 2012. During the Track Record Period, Shun Da School offered driving training services for preparation for Driving Tests of Small Manual Cars (C1).

Leveraging on the success of Shun Da School and having considered the rapid development of the logistics industry in Henan Province and the increasing demand for commercial drivers in the PRC, we set up Tong Tai School and expanded our business into the provision of driving training services of Large Vehicles in 2014. Tong Tai School is a qualified level I driving school. During the Track Record Period, Tong Tai School offered driving training services for preparation for Driving Tests of both Large Vehicles and Small Vehicles.

In order to meet different customer needs, we offer standard courses and premium courses to our trainees. For the three years ended 31 December 2018 and the four months ended 30 April 2019, we had 14,085, 14,659, 15,324 and 6,024 trainees who attended our driving courses, respectively. Our trainees may make advance bookings for driving lessons according to their own learning schedules, subject to confirmations by our teaching affair office. In respect of our standard courses, we offer to our trainees a certain number of training hours for driving training which is adjusted from time to time according to the market preference and is generally less than the relevant minimum training hours requirements specified in the Driving Training Curriculum. Standard courses are intended for trainees who wish to complete only part of the minimum training hours requirements. Trainees, who have enrolled in our standard courses, wish to fulfil the minimum training hours requirements, or for other reasons wish to have further training with us, may subscribe from us for additional training services on an hourly basis. In respect of our premium courses, we currently offer to our trainees driving training for a number of training hours that is equal to the minimum training hours requirements specified in the Driving Training Curriculum, whereas trainees who have enrolled in our premium courses prior to 21 March 2018 are entitled to uncapped numbers of training hours before passing the On-site Driving Test and On-road Driving Test. As at the Latest Practicable Date,

## BUSINESS

our premium courses comprised holidays and weekends courses, economy courses and VIP courses. Our VIP courses for Large Vehicles provide different complimentary supporting services including pick-up services, catering services and/or accommodation services without additional charges.

For the three years ended 31 December 2018 and the four months ended 30 April 2019, our total revenue amounted to approximately RMB46.3 million, RMB61.5 million, RMB77.7 million and RMB28.3 million, respectively. For the year ended 31 December 2016, Tong Tai School and Shun Da School generated revenues of approximately RMB39.9 million and RMB6.4 million, respectively, representing approximately 86.2% and 13.8% of the total revenue of our Group, respectively. For the year ended 31 December 2017, Tong Tai School and Shun Da School generated revenues of approximately RMB54.4 million and RMB7.1 million, respectively, representing approximately 88.5% and 11.5% of the total revenue of our Group, respectively. For the year ended 31 December 2018, Tong Tai School and Shun Da School generated revenues of approximately RMB69.2 million and RMB8.5 million, respectively, representing approximately 89.0% and 11.0% of the total revenue of our Group, respectively. For the four months ended 30 April 2019, Tong Tai School and Shun Da School generated revenues of approximately RMB24.9 million and RMB3.3 million, respectively, representing approximately 88.2% and 11.8% of the total revenue of our Group, respectively.

The following table sets out the breakdown of our revenue by schools and types of vehicles during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
<b>Tong Tai School</b>										
– Large Vehicles <sup>(1&amp;4)</sup>	30,385	65.6	48,760	79.3	64,438	82.9	14,265	83.3	23,596	83.4
– Small Vehicles <sup>(2&amp;5)</sup>	9,521	20.6	5,640	9.2	4,738	6.1	1,103	6.4	1,349	4.8
<b>Shun Da School</b>										
– Small Vehicles <sup>(3&amp;5)</sup>	6,379	13.8	7,109	11.5	8,523	11.0	1,759	10.3	3,334	11.8
Total Small Vehicles	15,900	34.4	12,749	20.7	13,261	17.1	2,862	16.7	4,683	16.6
<b>Total<sup>(6)</sup></b>	<b>46,285</b>	<b>100.0</b>	<b>61,509</b>	<b>100.0</b>	<b>77,699</b>	<b>100.0</b>	<b>17,127</b>	<b>100.0</b>	<b>28,279</b>	<b>100.0</b>

*Notes:*

1. Comprising revenue generated from the provision of driving courses for Large Buses (A1), Towing Vehicles (A2), City Buses (A3), Medium Buses (B1) and Large Trucks (B2).
2. Comprising revenue generated from the provision of driving courses for Small Manual Cars (C1) and Small Automatic Cars (C2).
3. Comprising revenue generated from the provision of driving courses for Small Manual Cars (C1).
4. Comprising revenue generated from the provision of additional driving training services at our training fields, which include the training services provided at test venue of Tong Tai School prior to the implementation of the Trial Regulations.

## BUSINESS

5. Comprising revenue generated from the provision of additional driving training services at the training fields of Tong Tai School and Shun Da School.
6. For the three years ended 31 December 2018 and the four months ended 30 April 2019, we generated revenue from the provision of additional driving training services of approximately RMB6.2 million, RMB4.3 million, RMB1.4 million and RMB0.2 million, respectively, representing approximately 13.5%, 6.9%, 1.8% and 0.7% of our total revenue, respectively.

The following table sets out our gross profit and gross profit margin by types of vehicles during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	Gross profit margin RMB'000 %									
Large Vehicles										
– Standard courses ( <i>Note</i> )	16,112	78.4	17,036	89.8	4,635	86.4	1,830	83.1	993	86.8
– Premium courses	<u>7,797</u>	79.2	<u>20,255</u>	68.0	<u>39,471</u>	66.8	<u>7,161</u>	59.4	<u>14,654</u>	65.3
Sub-total:	<u>23,909</u>	78.7	<u>37,291</u>	76.5	<u>44,106</u>	68.4	<u>8,991</u>	63.0	<u>15,647</u>	66.3
Small Vehicles										
– Standard courses ( <i>Note</i> )	8,372	62.4	6,217	68.2	2,176	61.7	714	49.4	290	61.8
– Premium courses	<u>1,212</u>	48.6	<u>484</u>	13.3	<u>4,209</u>	43.2	<u>152</u>	10.7	<u>2,122</u>	50.4
Sub-total:	<u>9,584</u>	60.3	<u>6,701</u>	52.6	<u>6,385</u>	48.1	<u>866</u>	30.3	<u>2,412</u>	51.5
Total:	<u>33,493</u>	72.4	<u>43,992</u>	71.5	<u>50,491</u>	65.0	<u>9,857</u>	57.6	<u>18,059</u>	63.9

*Note:* The gross profit of standard courses includes the gross profit generated from the provision of additional training services.

During the Track Record Period, we recorded a significant growth in revenue from approximately RMB46.3 million for the year ended 31 December 2016 to approximately RMB61.5 million for the year ended 31 December 2017 and then to approximately RMB77.7 million for the year ended 31 December 2018. Our Directors believe that such growth was mainly attributable to our then business strategies such as (i) the expansion of our business to include the provision of driving training services of Large Vehicles when we set up Tong Tai School in 2014 which timely caught up the rapid development of the logistics industry in Henan Province and the increasing demand for commercial drivers in the PRC; (ii) the adjustments of our course fees to a level comparable to other market players as our sale and marketing efforts to increase the competitiveness of our driving courses; (iii) the provision of a variety of courses to meet different customer needs; (iv) our continuing effects in recruiting and retaining high-quality driving instructors; and other market factors such as (i) the market competition of driving training services for Large

---

## BUSINESS

---

Vehicles is less intense than that of Small Vehicles in Zhumadian City; and (ii) our competitive advantages for having advanced training facilities and sufficient driving instructors and training vehicles while being one of the only five level I driving schools in Zhumadian City according to the Frost & Sullivan Report. During the Track Record Period, our Directors from time to time had meetings with our senior management to discuss the competitiveness of our driving courses and our course fees were adjusted occasionally. The principal considerations include (i) the supply of driving courses in Zhumadian City; (ii) the course fees of other market players in Zhumadian City; (iii) the demand for driving courses in Zhumadian City; and (iv) the cost of service incurred by our Group in the provision of such driving courses. Our Directors also believe that such growth was also attributable to the vision and dedication of our Directors and senior management which have outweighed the fact that they did not have any experience in operating driving schools before establishing or joining our Group (other than Mr. Sun Tao who had certain business management experience).

### **OUR COMPETITIVE STRENGTHS**

Our Directors believe that we have the following competitive strengths which distinguish us from our competitors in the industry:

#### **Our well-equipped driving schools enable our trainees to acquire necessary driving skills in an effective way**

Shun Da School is a qualified level II driving school with training fields on two parcels of land of an aggregate site area of approximately 47,995 sq.m. at two different locations in Suiping County of Zhumadian City. As at 30 April 2019, Shun Da School had 43 vehicles for training purpose. Tong Tai School is a qualified level I driving school on two adjoining parcels of land of an aggregate site area of approximately 105,261 sq.m. in Suiping County of Zhumadian City. As at 30 April 2019, Tong Tai School had 146 vehicles and 15 vehicles for training and Driving Tests purposes, respectively.

With different training facilities and equipment at our driving schools, our trainees can acquire necessary driving skills for preparation for the Driving Tests. Our trainees can drive under different simulated conditions such as driving in a tunnel, driving on a road with obstacles and driving under raining condition at Tong Tai School. We believe that with such different training facilities and equipment, our trainees can acquire different driving skills in an effective way, which is one of the factors attributable to our success. According to the Frost & Sullivan Report, we ranked first among driving schools in Zhumadian City with a market share of approximately 7.2% in Zhumadian City in terms of revenue in 2018 and a market share of approximately 33.8% in Zhumadian City in terms of revenue generated from the provision of driving courses for Large Vehicles in 2018. According to the Frost & Sullivan Report, we had a market share of approximately 0.8% in Henan Province in terms of revenue in 2018.

#### **We offer different types of driving courses with well-trained driving instructors to meet different customer needs**

In order to meet different customer needs, we offer standard and premium courses to our trainees. In respect of our standard courses, we offer to our trainees a certain number of training hours for driving training which is adjusted from time to time according to the market preference and is generally less than the minimum training hours requirements specified in the Driving Training Curriculum. In respect of our

---

## BUSINESS

---

premium courses, trainees who have enrolled in our premium courses prior to 21 March 2018 can enjoy an uncapped number of training hours at our training fields and on public roads that are authorised by the Traffic Management Department before passing the On-site Driving Test and On-road Driving Test, respectively. For trainees who are enrolled in our premium courses on or after 21 March 2018, we offer to them such numbers of training hours equivalent to the minimum training hours requirements specified in the Driving Training Curriculum. Moreover, we provide different complimentary supporting services including pick-up services, catering services and/or accommodation services without additional charges. It is our policy to timely review the market competitiveness of our existing courses and we may provide new courses and/or revise our packages offered in our existing courses from time to time. The number of course enrolments for our courses increased by approximately 5.3% from 14,335 in 2016 to 15,089 in 2017. The number of course enrolments for our courses decreased by approximately 17.9% from 15,089 in 2017 to 12,384 in 2018. The number of course enrolments for our courses was 3,621 for the four months ended 30 April 2019.

Moreover, we are committed to provide high-quality training services by our driving instructors to our trainees and our Directors considered that our well-trained driving instructors are essential to our business operations. As at 30 April 2019, Shun Da School and Tong Tai School had 61 and 214 driving instructors, respectively. To maintain the service quality of our driving instructors, we provide comprehensive introductory and continuous training to our driving instructors. Our Directors believe that we have the capacity to provide different types of driving courses and high-quality training services that meet different customer needs and budgets and enable our Group to capture future growth.

### **With a centralised and standardised management system, we operate our business in a scalable manner**

To maintain and enhance our service quality, we have centralised various aspects of our operational functions. In particular, we have centralised our purchase of motor vehicles, other purchases from major suppliers, recruitment of driving instructors and sale and marketing functions.

We have also standardised our operating procedures from course enrolment, bookings for driving lessons, provision of training materials to driving training. Such centralised and standardised management system enables us to manage Shun Da School and Tong Tai School efficiently, maintain our service quality and control our costs effectively. Our Directors believe that with such centralised and standardised management system, we can operate our business in a scalable manner and are equipped to capture future growth.

### **We have a visionary management team**

Our Group is under the leadership of a visionary and dedicated management team. Foreseeing a great potential in the driving training services industry in Zhumadian City and having considered the stable growth of economic conditions and the improvement in living standard in Henan Province, Mr. Qi founded Shun Da School in 2012, for the provision of driving training services of Small Manual Cars (C1) in Zhumadian City. Leveraging on the success of Shun Da School and having considered the rapid development of logistics industry in Henan Province and the increasing demand for commercial drivers in the PRC, we set up Tong Tai School and expanded our business into the provision of driving training services of Large Vehicles in 2014. Under the supervision and leadership of our Directors and members of

---

## BUSINESS

---

our senior management, particularly Mr. Qi, who is principally responsible for our business development, and Ms. Zhao Yuxia, Mr. Sun Tao and Mr. Zhang Changling, who are responsible for our daily operations and management, we have been able to expand our driving training services to cover various types of Large Vehicles and achieve significant growth during the Track Record Period. We believe that under the supervision and leadership of our visionary management team, along with our customer-oriented culture, we are able to maintain our leading position in Zhumadian City.

For further details of our Directors and senior management, please refer to the section headed “Directors and senior management” in this prospectus.

### OUR STRATEGIES

We aim at achieving sustainable growth in our business and creating long-term value to our Shareholders. We intend to achieve this by implementing the following business strategies:

#### **Expand our existing training fields for Large Vehicles by acquiring and developing a new parcel of land**

Our Group has been committed to providing high-quality driving training services in the PRC. Our Directors believe that, our training fields are of crucial importance to our business operations and service quality. Leveraging on the success of Shun Da School and Tong Tai School, we achieved significant growth in our business during the Track Record Period. Having considered (i) the importance of our training fields to our service quality; (ii) the number of course enrolments of Large Vehicles and the utilisation rate of training fields of Tong Tai School during the Track Record Period; (iii) the demand for driving training services in Zhumadian City; and (iv) the economic growth and urbanisation potential of Zhumadian City and nearby cities in Henan Province, we intend to acquire and develop a new parcel of land of site area of approximately 80,000 sq. m. in Zhumadian City to expand our existing training fields for Large Vehicles.

The additional training fields are intended to be used for provision of training services for preparation for On-site Driving Test of Large Vehicles, and are expected to be available for use by the end of 2020, subject to prevailing economic, political and other conditions in the PRC.

Our Directors believe that the acquisition will enable us to capture the rapid growth in demand for driving training services for Large Vehicles in Zhumadian City and Henan Province. Our Directors also believe that the expansion of our training fields, which allow us to increase our business operations capacity, will enable us to expand our source of target customers; and increase the number of course enrolments of Large Vehicles.

Having considered that (i) there is no guarantee that our Group will be able to lease a parcel of land at a desirable location on acceptable terms; (ii) we will be subject to relocation risk upon expiry or early termination of the lease resulting that our operation may be adversely and materially affected or may be disrupted and the learning progress of our trainees may also be negatively affected; (iii) the utilisation rate of training fields of Tong Tai School for Large Vehicles has reached 149.4% for the year ended 31 December 2018; (iv) a letter of intent was issued by Driving Test Centre of the Zhumadian Municipal Public Security Bureau (駐馬店市公安局駕駛員考試中心) on 6 December 2018 specifying its intention to have a long-term cooperation with driving schools with test venues, one of which being Tong Tai School and that

---

## BUSINESS

---

the licence agreement with Tong Tai School in respect of its use of the test venue of Tong Tai School has been extended for one year until 2 February 2020; (v) the arrangement of Tong Tai School using part of the training fields of Shun Da School for the provision of driving training services of Large Vehicles is a temporary measure and not suitable in the long run because it is one of our strategies to continue the parallel development of our driving training business of Large Vehicles and Small Vehicles (please refer to the paragraph headed “Continue the parallel development of our driving training business for Large Vehicles and Small Vehicles” in this section for further details) and it is our intention to ensure our service quality and avoid the undesirable situation of the development of driving training services of Large Vehicles and Small Vehicles impeding each other as (a) the distance between the training fields of Shun Da School and Tong Tai School reduces convenience and increases administrative and operational costs of our Group in the long run given the time required to transfer our trainees, our driving instructors, our training vehicles and ancillary equipment and facilities between the two training fields; and (b) some facilities of training fields of Small Vehicles may not readily fit the training purposes of Large Vehicles and vice versa because of the difference in size of the vehicles and the contents and requirements of Driving Tests involved; (vi) according to the Frost & Sullivan Report, the market size of the driving training services in Zhumadian City and Henan Province will expand at CAGRs of approximately 9.5% and 9.7%, respectively, from 2019 to 2023; (vii) the demand for driving training services for Large Vehicles as reflected by the expected increase in the number of drivers of A1, A2 and A3 Vehicles and B1 and B2 Vehicles of Zhumadian City at CAGRs of approximately 7.1% and 8.3%, respectively from 2019 to 2023; and (viii) approximately 7,800 sq.m. out of the training fields of Shun Da School has been converted into a green belt area pursuant to the Notice of Suiping Greening Plan 2019 (for the avoidance of doubt, the training fields of Tong Tai School are unaffected as a green belt area has been built in it), our Directors are of the view that, in order to enable our Group to further expand our market share in the driving training industry and enhance our market position in Zhumadian City and/or Henan Province, there is a genuine need for our Group to acquire and develop on a new parcel of land for expansion of our existing training fields for Large Vehicles in order to capture business opportunities in the growing market in the long run in a sustainable manner. Our Directors currently estimate that, after the termination of the temporary arrangement between Tong Tai School and Shun Da School where Tong Tai School shall use half of the parcel of land of Shun Da School for the provision of driving training services of Large Vehicles for the period between 1 January 2018 to 31 December 2019, the new parcel of land of approximately 80,000 sq.m. to be acquired will only be sufficient for our Group’s operations up to the end of 2021. Our Directors will explore further expansion plans in the future when required.

It is estimated that, after completion of land acquisition, we will take approximately nine months to develop the land into training fields for Large Vehicles, including installation of new training facilities and equipment, before commencement of the provision of training services to our trainees. Taking into account the current market price of land in Zhumadian City and the training facilities and equipment intended to be installed thereon, it is estimated that the land acquisition cost and the construction cost will be approximately RMB71.6 million and RMB12.0 million, respectively.

It is our plan that cost for the acquisition and development of the new parcel of land will be funded partly by the proceeds from the Share Offer. As at the Latest Practicable Date, our Group has not identified any specific target in respect of such land acquisition. Our management will exercise caution and conduct due diligence exercise before acquiring the said new parcel of land. Before realising the acquisition plan, we will conduct substantial review and feasibility studies on the said new parcel of land and consider, assess and decide on whether to proceed with the acquisition.

---

## BUSINESS

---

The table below sets forth the expected timeline of the land acquisition by our Group:–

<b>The stages of the land acquisition by our Group</b>	<b>Expected commencement time</b>
(i) Identifying the acquisition target by our Group	November 2019
(ii) Announcement by the relevant government authorities in the PRC of the information related to the parcel of land available for bidding, auction and quotation <sup>(Note)</sup>	November 2019
(iii) Bidding, auction and quotation of the relevant parcel of land <sup>(Note)</sup>	December 2019
(iv) Signing of the sale and purchase agreement in respect of the parcel of land with the relevant government authorities in the PRC <sup>(Note)</sup>	February 2020
(v) Commencement of full operation	November 2020

*Note:* Their respective expected commencement time is subject to the arrangement of bidding, auction and quotation to be announced by the relevant government authorities in the PRC.

### **Expand our operational capacity by acquiring new training vehicles**

The new parcel of land of a site area of approximately 80,000 sq.m. is expected to house a training field of approximately 60,000 sq.m., taken into account a site area of approximately 20,000 sq.m. for housing the requisite ancillary facilities for training fields. Such ancillary facilities are expected to include an office building and a green belt (estimated by us to be approximately 20% of the total area) pursuant to the Notice of Suiping Greening Plan 2019 to which our driving schools are subject.

Our Directors believe that, instead of acquiring a parcel of land of 60,000 sq.m. which is barely adequate to meet our expected demand in 2020, this approach allows us to: (i) accomplish our long-term development plan of having further 20 Large Vehicles in addition to the 40 Large Vehicles planned for 2020; (ii) avoid the uncertainties and the undesirable situation of scattered training fields when there is no available land for further expansion in proximity; (iii) save time and costs which will be otherwise required in seeking the separate approval by the government later and separately developing the additional parcel of land of 20,000 sq.m. as it normally takes more than nine months for our Group to develop the additional parcel of land into training fields of Large Vehicles, including the construction and installation of new training facilities; and (iv) minimise the costs and the space taken up by duplicate ancillary facilities in two separate training fields as each of them may require certain fundamental facilities to be built on it.

Having considered that (i) the demand for new additional training vehicles brought by the expansion of our existing training fields for Large Vehicles; and (ii) the utilisation rate of our training vehicles, in particular the Large Vehicles of Tong Tai School, has reached 149.4% for the year ended 31 December 2018, we plan to purchase 40 additional training vehicles, comprising Large Buses (A1), Towing Vehicles (A2), Medium Buses (B1) and Large Trucks (B2), by 2020. We estimate that the total cost for purchase of training vehicles will be approximately RMB9.5 million, which will be funded by the proceeds from the Share Offer. Our Directors believe that the expansion in our operational capacity will enhance our operation efficiency and scale of our business and enable us to capture future business opportunities and expand our market share.

---

## BUSINESS

---

Our Directors believe that the demand for our driving courses will increase progressively in the future. Having considered the depreciation of training vehicles and the possible availability of more fuel-efficient training vehicles with better specifications in the future, although the new parcel of land to be acquired is expected to accommodate a maximum of 60 Large Vehicles at the same time, our Group intends to only purchase 40 training vehicles with the proceeds from the Share Offer by 2020, and to purchase more vehicles when our further expansion in the future requires.

### **Continue to provide high-quality training services and maintain a strong team of driving instructors**

We plan to continue to provide high-quality training services to our trainees, which we believe is the key to our success and will enable us to enhance our reputation and attract more new customers. The quality of our driving instructors is crucial in maintaining and improving the quality of our training services. We will continue to maintain a strong team of driving instructors and improve their teaching quality by arranging various training for them in respect of teaching theories and methodologies. Having considered the additional driving instructors required for the 40 additional training vehicles as mentioned above, we plan to recruit approximately 40 additional driving instructors to increase the capacity to provide training services in 2020. The staff cost to be incurred from the recruitment of additional driving instructors of approximately RMB9.4 million for the three years ending 31 December 2021, respectively, will be funded by proceeds from the Share Offer.

The cost of the expansion plan of our Group, comprising (i) the land acquisition cost of approximately RMB71.6 million; (ii) the construction cost of approximately RMB12.0 million; (iii) the purchase price of 40 training vehicles of approximately RMB9.5 million; and (iv) the cost of recruiting 40 driving instructors of approximately RMB9.4 million, amounts to approximately RMB102.5 million in aggregate.

We consider that our new training fields will achieve a breakeven point when the monthly revenue is at least equal to the monthly expenses. We define the investment payback period of our new training fields to be the amount of time it takes for the accumulated operating cashflow generated from the provision of driving training services on our new training fields equates the cost of the expansion plan – RMB102.5 million.

Our new training fields, when fully utilised, are expected to provide approximately 2,400 driving courses for the first year of operation with 40 Large Vehicles and approximately 3,600 driving courses for Large Vehicles every year thereafter with 60 Large Vehicles. Based on the historical record of the Group during the Track Record Period, our Group is expected to receive an average course fee of approximately RMB14,000 with a corresponding net profit margin of approximately 35%.

Based on the above assumptions, our Directors estimate that our new training fields will reach the breakeven point in the fourth month for the first year of its operation and in the third month for the years thereafter. The investment payback period of our new training fields will be approximately six years.

---

## BUSINESS

---

### **Strengthen our market position in Zhumadian City by expansion of our marketing efforts in Zhumadian City and other nearby cities in Henan Province with a focus on potential corporate customers across the PRC**

According to the Frost & Sullivan Report, the driving training service market in Zhumadian City recorded an upward trend from 2014 to 2018 with a CAGR of approximately 11.4%. It is expected that the market size of the driving training services in Zhumadian City will reach RMB1.7 billion in 2023, with a CAGR of approximately 9.5% for the period from 2019 to 2023.

In addition, our Directors are of the view that as a result of the economic growth and improvement in living standard in the PRC, there will be an increasing demand for high-quality driving training services from corporates and governmental departments with professional fleet, for example logistic companies, city bus companies, travel companies and disciplinary forces, such as fire service department, requiring their personnel to attend driving courses for preparation for the Driving Tests. In May 2016, we started to provide driving training services to a fire service team in Zhumadian City, which is our first corporate customers. Since March 2017, we started providing driving training services to public servants from various fire service teams in Zhumadian City and other counties in Henan Province. In March 2018, we started to provide driving training services to city bus companies both inside and outside Henan Province in the PRC. In order to enhance our sale to corporate customers, we plan to enhance our marketing efforts to our potential corporate customers in order to capture future growth resulting from the economic growth in the PRC.

We intend to maintain our market position in Zhumadian City. We plan to expand our marketing efforts across a wide variety of media channels, such as outdoor advertisements on walls and/or public transports, and social media platforms, in order to enhance our brand recognition in Zhumadian City and other nearby cities in Henan Province to attract new customers. We will also consider engaging call centres for their direct marketing services, whenever desirable, to promote our driving courses. Moreover, we plan to strengthen our business development capability by hiring additional sale and marketing staff, which are responsible for the marketing and promotion of our driving courses. It is our plan that the cost for enhancing our marketing efforts will be funded by our internal resources. We believe that with continuous marketing efforts, we will be able to consolidate our market position and consolidate our market share in the industry.

### **Continue the parallel development of our driving training business for Large Vehicles and Small Vehicles**

During the Track Record Period, our revenue generated from the provision of driving training services of Large Vehicles demonstrated an increasing trend and accounted for approximately 65.6%, 79.3%, 82.9% and 83.4% of our total revenue for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively; while the revenue generated from the provision of driving training services of Small Vehicles demonstrated an increasing trend for the year ended 31 December 2018 and the four months ended 30 April 2019 despite having recorded a decrease for the year ended 31 December 2017 compared to that for the year ended 31 December 2016 and accounted for approximately 34.4%, 20.7%, 17.1% and 16.6% of our total revenue for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively. Our Directors attribute it to, among others, the expansion of our business to include the provision of driving training services of Large Vehicles when we set up Tong Tai School in 2014 which timely caught up the rapid development of the logistics industry in Henan Province and the increasing demand for commercial drivers in the PRC. However, it is our intention to continue to develop our driving training business for Large Vehicles and Small Vehicles in parallel because (a) pursuant to the

---

## BUSINESS

---

Provisions on the Application for and Use of Motor Vehicle Driving Licenses (2016 Amendment) (《機動車駕駛證申領和使用規定(2016修改)》), the application for a B1 Licence requires the applicant to be a holder of other types of driving licences, of which two being C1 Licence and C2 Licence; and (b) our trainees of Small Vehicles who successfully pass all the Driving Tests and obtain driving licences of Small Vehicles are quite likely, though not necessarily, to take or have preference to take, our driving courses of Large Vehicles.

In light of the above, (a) our Directors consider that the driving training business of Small Vehicles complements that of Large Vehicles as the former may provide a promising source of trainees for the latter; (b) according to the Frost & Sullivan report, class C drivers constituted from 2014 to 2018 and will constitute from 2019 to 2023 a significant portion of over 70% of the total number of vehicle drivers in the PRC, accordingly, as an active player in the industry, our Directors believe that we may be able to share the benefit from the giant market of driving training services of class C vehicles; (c) our Directors are optimistic about the driving training business of Small Vehicles despite the relatively low utilisation rates and the decrease in course enrolments for Small Vehicles in 2018 as it was recorded that (i) a slight overall increase in the revenue generated from the provision of our premium courses and standard courses for Small Vehicles for the year ended 31 December 2018 compared to that for the year ended 31 December 2017 which was primarily attributable to the significant increase in the number of trainees enrolled in our premium courses for Small Vehicles generating revenue of approximately RMB9.7 million for the year ended 31 December 2018, representing an increase of approximately 167.5% and approximately 290.3% compared to that for the year ended 31 December 2017 and the year ended 31 December 2016, respectively; (ii) the number of course enrolments in our premium courses for Small Vehicles during the four months ended 30 April 2019 increased by approximately 91.1% compared to that during the four months ended 30 April 2018; (iii) the amount of course fees received from our standard courses and premium courses for Small Vehicles during the four months ended 30 April 2019 increased by approximately 195.4% compared to that during the four months ended 30 April 2018; and (iv) according to the Frost & Sullivan Report, the number of class C vehicle drivers in the PRC is expected to increase at a CAGR of approximately 7.3% between 2019 and 2023 while the number of class C vehicles drivers reached 276.1 million in the PRC in 2018 and is expected to reach approximately 321.0 million in 2020; and (d) our Directors believe that we should not further reduce the size of Shun Da School because of economies of scale and should at least maintain it at its present level as well as its status as a qualified level II driving school to accomplish the above purpose as our Directors are of the view that we are one of the major driving training services providers in Zhumadian City according to the Frost & Sullivan Report and are taking advantage of our current scale of business. In light of the above, our Directors are of the view that any further reduction in the scale of the driving training services of Small Vehicles is not in the interest of our Group and may adversely affect our reputation. Our Directors are also of the view that the continuation of the temporary arrangement between Tong Tai School and Shun Da School as further particularised in the paragraph headed “Our schools” in this section is not in the interest of our Group as the distance between the training fields of Shun Da School and Tong Tai School reduces convenience and increases administrative and operational costs of our Group in the long run and may impede our future development in the long run.

### OUR SCHOOLS

We provide driving training services for preparation for the Driving Tests of Large Vehicles and Small Vehicles through our two driving schools, namely, Shun Da School and Tong Tai School and receive training fees in return.

---

## BUSINESS

---

### **Shun Da School**

Shun Da School is our first driving school established in 2012. It is a qualified level II driving school. During the Track Record Period, Shun Da School offered driving training services for preparation for Driving Tests of Small Manual Cars (C1). The training fields of Shun Da School were originally built on three parcels of land of an aggregate site area of approximately 60,750 sq.m. at two different locations in Suiping County, Zhumadian City pursuant to three tenancy agreements. Among the three parcels of land, a parcel of land of a site area of approximately 12,750 sq.m., which was leased by Traffic Police Battalion (being a subordinate department of the Traffic Management Department) to Shun Da School, should be provided for use as test venue for the Traffic Management Department at nil consideration and Shun Da School could use the same when no On-site Driving Test was held. As a result of the promulgation of the Trial Regulations in April 2017, we have ceased to provide training services at the test venue of Shun Da School since May 2017. In view of fact that the test venue was no longer used by us, we entered into a termination agreement on 27 August 2018 with Traffic Police Battalion, pursuant to which the tenancy agreement in respect of the test venue of Shun Da School was terminated with immediate effect. Accordingly, the test venue of Shun Da School was solely used by the Traffic Management Department in conducting the On-site Driving Test during the period from May 2017 to August 2018. On 29 December 2017, as a temporary measure, Shun Da School and Tong Tai School entered into an arrangement, pursuant to which Tong Tai School shall use approximately half of the parcel of land of Shun Da School, which is of site area of approximately 41,000 sq.m., for the provision of driving training services of Large Vehicles for the period between 1 January 2018 and 31 December 2019, while the remaining half shall continue to be used by Shun Da School for the provision of driving training services of Small Vehicles. Under such temporary arrangement, the training site of Shun Da School remains to have a site area of approximately 26,500 sq.m. As a result of the Notice of Suiping Greening Plan 2019, approximately 7,800 sq.m. of the training fields of Shun Da School has been converted into a green belt area since 1 January 2019, leaving a site area of approximately 18,700 sq.m. as the remaining training fields of Shun Da School, which, complies with the requirement of relevant PRC laws and regulations as it is larger than 17,000 sq.m., being the size of training sites required for qualified level II driving schools not providing driving training services of Large Vehicles. Our Group intends to terminate such temporary arrangement when the training fields on the new parcel of land to be acquired come into operation.

For further details of our leased premises as at the Latest Practicable Date, please refer to the paragraph headed “Property – Leased land” in this section.

Our trainees can acquire different on-site driving skills such as forward driving, parallel parking, backward parking, driving on slope and S-line driving at the training fields of Shun Da School. Prior to the implementation of the Trial Regulations, at the time when no On-site Driving Test was held by the Traffic Management Department, we arranged our trainees to practise at the test venue. In addition to the provision of on-site driving training at our training fields, we also provide driving training on public roads that are authorised by the Traffic Management Department.

Shun Da School was designed to provide driving courses of Small Vehicles. Having considered that competition in the driving training service market for Small Vehicles is keen, we believe our scalable size and variety of courses could meet different customer needs and enhance our competitiveness and strengthen our market position in the industry.

---

## BUSINESS

---

For the three years ended 31 December 2018 and the four months ended 30 April 2019, Shun Da School had 5,614, 5,520, 5,945 and 2,392 trainees who attended our driving courses, respectively. As at 31 December 2016, 2017 and 2018 and 30 April 2019, Shun Da School had 24, 24, 67 and 61 driving instructors, respectively.

### **Tong Tai School**

Tong Tai School is our second driving school established in 2014. It is a qualified level I driving school. During the Track Record Period, it offered driving training services for preparation for Driving Tests of both Large Vehicles and Small Vehicles (comprising Large Buses (A1), Towing Vehicles (A2), City Buses (A3), Medium Buses (B1), Large Trucks (B2), Small Manual Cars (C1) and Small Automatic Cars (C2)). Tong Tai School owns two adjoining parcels of land of an aggregate site area of approximately 105,261 sq.m. in Suiping County, Zhumadian City. For further details of these premises, please refer to the paragraph headed “Property – Land” in this section. These training fields are used for the provision of training services for Large Vehicles and Small Vehicles and a part of these fields of a site area of approximately 50,184 sq.m. was intermittently used by (i) the Traffic Management Department as a test venue for the On-site Driving Test of Large Vehicles free of charge; and (ii) our Group for provision of training services, prior to the promulgation of the Trial Regulations. As a result of the promulgation of the Trial Regulations in April 2017, we have ceased to provide training services at the test venue of Tong Tai School since May 2017. On 7 February 2018, Tong Tai School entered into a licence agreement with the Zhumadian Municipal Public Security Bureau (駐馬店市公安局) in respect of the test venue of Tong Tai School. Pursuant to the licence agreement, the Traffic Management Department shall have the right to use the test venue of Tong Tai School to conduct On-site Driving Test for a period from 1 January 2018 to 31 December 2018 in return for a licence fee payable in arrears in every six months and commensurate with the number of On-site Driving Test taken at such test venue. Accordingly, the test venue of Tong Tai School was solely used by the Traffic Management Department in conducting the On-site Driving Test during the period from May 2017 to December 2018. A letter of intent was issued by Driving Test Centre of the Zhumadian Municipal Public Security Bureau (駐馬店市公安局駕駛員考試中心) to Tong Tai School on 6 December 2018 stating that while the relevant rules and regulations in the PRC require a tender procedure every year, it is the intention of the Bureau to have a long-term cooperation with a handful of driving schools with test venues in Zhumadian City, including Tong Tai School. Such annual renewal arrangement is a practice adopted by Zhumadian Municipal Public Security Bureau (駐馬店市公安局駕駛員考試中心) for test venues. The licence agreement has been extended for one year until 2 February 2020. Our Directors believe that, having part of the training fields of Tong Tai School be used as test venue for the On-site Driving Test will enable our Group to continue to enhance brand awareness in the driving training service market, increase customers’ confidence and attract new customers, which is beneficial to our Group’s business as it allows us to capture business opportunities and achieve continuous growth in the driving training services industry in Zhumadian City. According to the advice by our PRC Legal Advisers and the confirmation issued by Road Transport Management Bureau of Suiping County (遂平縣道路運輸管理局), after deducting the site area of the test venue of approximately 50,184 sq.m. and with the parcel of land of Shun Da School of approximately 26,500 sq.m., the training site of Tong Tai School remains to have a site area of approximately 75,600 sq.m., which complies with the corresponding provisions of Qualification for Vehicle Driver Training Organisations (《機動車駕駛員培訓機構資格條件》) as it is larger than 70,000 sq.m., being the size of training sites required for qualified level I driving schools providing driving training services of Large Vehicles.

---

## BUSINESS

---

On 29 December 2017, as a temporary measure, Shun Da School and Tong Tai School entered into an arrangement, pursuant to which Tong Tai School shall use approximately half of the parcel of land of Shun Da School, which is of site area of approximately 41,000 sq.m., for the provision of driving training services of Large Vehicles for the period between 1 January 2018 and 31 December 2019, while the remaining half shall continue to be used by Shun Da School for the provision of driving training services of Small Vehicles. Our Group intends to terminate such temporary arrangement when the training fields on the new parcel of land to be acquired come into operation.

Our trainees can acquire different on-site driving skills in different simulated driving conditions such as driving in a tunnel, driving on a road with obstacles and driving under raining condition, at the training fields of Tong Tai School. Prior to the implementation of the Trial Regulations, at the time when no On-site Driving Test was held by Traffic Management Department, we arranged our trainees to practise driving skills at the test venue of Tong Tai School. In addition to the provision of driving training at our training fields, we also provide driving training on public roads that are authorised by the Traffic Management Department. According to the Frost & Sullivan Report, we ranked first among driving schools which are engaged in the provision of driving training for Large Vehicles in Zhumadian City in terms of revenue in 2018.

Our Directors believe that, leveraging on the scale of our schools, we are competitive in the driving training service market in Zhumadian City.

For the three years ended 31 December 2018 and the four months ended 30 April 2019, Tong Tai School had 8,471, 9,139, 9,379 and 3,632 trainees who attended our driving courses, respectively. As at 31 December 2016, 2017, 2018 and 30 April 2019, Tong Tai School had 57, 85, 233 and 214 driving instructors, respectively.

### *Accommodation and catering services*

According to the Frost & Sullivan Report, large driving training service providers which are capable of providing premium driving training services and quality value-added services, such as accommodation and catering services, are expected to attract more customers and take greater market share in the future. In 2018, apart from Tong Tai School, there were four other qualified level I driving schools in Zhumadian City, providing accommodation and catering services to their trainees. During the Track Record Period, we have trainees coming from various provinces, autonomous regions and municipalities in the PRC outside Zhumadian City. Our Directors believe that, the major reason for trainees of Large Vehicles to apply for grant of driving licences is for career purpose, and that they often prefer to undergo an intensive training over a short period of time to minimise their opportunity costs. Our Directors believe that, the provision of accommodation and catering services to trainees who are entitled to such services can meet their needs of intensive training, especially those who come from other parts of the PRC.

During the Track Record Period and prior to completion of construction of our dormitory building, we offered complimentary accommodation service at our office building for temporary stay by trainees who have enrolled in our VIP courses for Large Vehicles. Since the completion of the dormitory building which is designed with a canteen, we have been offering complimentary accommodation and catering services at our dormitory building for our trainees who have enrolled in our VIP courses for Large Vehicles, while the office building has ceased to provide accommodation services. As advised by our PRC Legal Advisers, while our dormitory building is designed with a canteen which can provide accommodation services for

---

## BUSINESS

---

temporary stay and catering services to our trainees, our office building could historically be used for provision of accommodation service to trainees for temporary stay as a temporary and transitional arrangement, given that: (i) the office building has passed relevant acceptance check of work and has obtained the property ownership certificate; (ii) the use of the office building for accommodation purpose was temporary and solely for transitional purpose; and (iii) such arrangement has been confirmed by Suiping County City Administration Bureau (遂平縣城市管理局) and Suiping County Public Security Fire Service Team (遂平縣公安消防大隊). As further advised by our PRC Legal Advisers, according to the confirmation issued by Suiping County Public Security Fire Service Team (遂平縣公安消防大隊), the historical provision of accommodation at our office building had not given rise to any fire safety issue; and that according to the aforesaid confirmation and the confirmation issued by Suiping County City Administration Bureau (遂平縣城市管理局), no penalty would be imposed for our historical provision of accommodation at our office building. As advised by our PRC Legal Advisers, although our Group was in the course of obtaining the building ownership certificate in respect of our dormitory building, the use and occupation of, and our provision of accommodation in, the dormitory building does not violate the relevant PRC laws and regulations given that the dormitory building has (i) completed construction and (ii) passed relevant acceptance check of work including the environmental acceptance check, the fire facilities acceptance check and the overall building completion acceptance check.

Our dormitory building is located on the land owned by Tong Tai School with a gross floor area of approximately 16,810 sq.m. Assuming that our dormitory building operates in its full capacity, it could provide accommodation for up to approximately 1,280 trainees at any one time. As at the Latest Practicable Date, eight storeys of our dormitory building were in operation and the remaining four storeys, which were still being fit out, were expected to be completed in late 2019. We provide accommodation and catering services to our trainees enrolled in our VIP courses for Large Vehicles as part of the complimentary supporting services without additional charges. Our Directors consider that the dormitory building and the accommodation facilities allow us to attract more trainees from nearby cities who have accommodation needs and further enhance our competitiveness, capture greater market share and increase our revenue from the provision of premium courses. Our Group outsources the daily management and operations of our dormitory building to a management company, which is an Independent Third Party.

For the three years ended 31 December 2018 and the four months ended 30 April 2019, there were 696, 2,806, 4,606 and 1,439 new trainees enrolled in our VIP courses of Large Vehicles, respectively.

### **Effect of the Trial Regulations**

Our Directors consider that the implementation of the Trial Regulations might have certain impact on us, though may not be material, in the following areas:

- (a) the site areas of our driving fields available for the provision of training services reduced by approximately 11,600 sq.m. for Shun Da School and approximately 50,000 sq.m. for Tong Tai School and hence their capacities reduced by 50 Large Vehicles and 29 Small Vehicles, respectively; and
- (b) our selling point of having test venues in our driving schools vanished.

---

## BUSINESS

---

### EXPANSION OF TRAINING FIELDS

One of our business strategies is to develop our existing training fields for Large Vehicles by acquiring a parcel of land of approximately 80,000 sq. m. in Zhumadian City. When formulating such business strategy, our Directors have also considered the alternate of leasing of property (“**Lease Approach**”) instead of acquisition of property (“**Acquisition Approach**”) but have come to such decision after considering the following:

#### **Analysis of acquiring a property instead of leasing a property**

##### Advantages:

- Minimise uncertainties to our business

The Acquisition Approach would: (a) allow us to minimise the likelihood of any material disruption or temporary suspension to our business and operations and avoid incurring additional costs for relocation in the event the lease renewal is declined; and (b) protect us from any abrupt increase in rentals upon renewal of leases in the future.

- Improve our operating cash flow in the long run

Operating the new training fields on a self-owned property would help improving the operating cash flow of our Group in the long run by eliminating our Group’s lease payment for the leased property. It is estimated that the Acquisition Approach would allow our Group to reduce cash outflow from operating activities by approximately RMB2.4 million per annum which are the rentals payable under the Lease Approach based on the existing market conditions.

- Enhance our Group’s ability to secure bank loans

Generally, banks require clients to provide collaterals, such as cash deposit, lands or properties in order to secure the loans. As such, our Directors are of the view that the Acquisition Approach will strengthen our bargaining power to negotiate more favourable terms for future bank borrowings.

- Benefit from any appreciation in the value of the property

By having a self-owned property, we can benefit from any appreciation in its value.

##### Disadvantages:

- Property price is subject to fluctuation

The price of self-owned property will be affected by a number of factors, such as economic conditions, location, the surrounding areas and market demand. Hence, if the property price is lower than our acquisition costs due to the factors mentioned above, our financial position may be adversely affected.

---

## BUSINESS

---

### The cost and benefit analysis of the Acquisition Approach and the Lease Approach

Factors under consideration	Impacts on the Acquisition Approach	Impacts in the Lease Approach	Remarks
Initial cash outflow	Initial cash outflow for settlement of consideration for the acquisition of property	Initial cash outflow for payment of deposit which is normally equivalent to rental of two to three months	Acquisition Approach requires significant initial funding
Initial construction costs		Same	-
Lease payment/amortisation of acquisition costs of property	<ul style="list-style-type: none"> <li>- No cash outflow of lease payment involved</li> <li>- Amortisation costs of around RMB1.8 million per annum expected (<i>Note 1</i>)</li> </ul>	<ul style="list-style-type: none"> <li>- Cash outflow of lease payment of RMB2.4 million per annum (<i>Note 2</i>)</li> <li>- No amortisation involved</li> </ul>	<ul style="list-style-type: none"> <li>- The impact on the profitability of our Group caused by lease payment and amortisation of acquisition costs under the Lease Approach and the Acquisition, respectively, are similar based on the prevailing market price and rental level</li> <li>- There will be ongoing cash outflow of rental expenses under the Lease Approach while there will be no cashflow impact under the Acquisition Approach</li> </ul>
Depreciation of construction costs		Same	-
Impact from fluctuation in rental level	Not affected	Rental expenses will be affected directly	<ul style="list-style-type: none"> <li>- Decrease in rental level will result in favorable impact on our Group's profitability under the Lease Approach as compared with the Acquisition Approach</li> <li>- Increase in rental level will result in favorable impact on our Group's profitability under the Acquisition Approach as compared with the Lease Approach</li> </ul>
Impact of failure in lease renewal	Not affected	Replacement property would be necessary	<p>While the Acquisition Approach is not subject to lease renewal, the Lease Approach will suffer from the following impacts if the lease cannot be renewed:</p> <ul style="list-style-type: none"> <li>- Our operations might be interrupted due to relocation</li> <li>- the construction costs will be forfeited and additional construction costs will be incurred for the replacement property</li> <li>- Additional relocation costs will be incurred</li> </ul>

---

## BUSINESS

---

*Notes:*

1. For demonstration purpose, our Directors assume that the useful life of the property is 40 years and the amortisation policy of acquisition costs is over the shorter of the remaining lease term or 40 years on straight line method.
2. Representing the prevailing market rate of lease payment of properties with size and location similar to the one under the Acquisition Approach for demonstration purpose.

Our Directors are of the view that the Acquisition Approach, which allows us to expand our business operations without suffering from the risk of any unfavourable fluctuation of lease payment, which is unrelated to the ordinary course of business of our Group, is preferable than the Lease Approach in view of the above.

### OUR VEHICLES

#### Training vehicles

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we owned the following vehicles for training purposes:

	As at 31 December			As at 30 April
	2016	2017	2018	2019
<b>Shun Da School</b>				
Small Vehicles				
Small Manual Cars (C1)	33	33	43	43
Small Automatic Cars (C2)	–	–	–	–
<b>Tong Tai School</b>				
Large Vehicles				
Large Buses (A1) <sup>(1)</sup>	7	7	15	15
Towing Vehicles (A2)	12	14	16	20
City Buses (A3) <sup>(2)</sup>	–	–	–	–
Medium Buses (B1)	3	3	3	3
Large Trucks (B2)	25	25	36	45
Small Vehicles				
Small Manual Cars (C1)	62	62	62	62
Small Automatic Cars (C2)	1	1	1	1
Total:	143	145	176	189

## BUSINESS

*Notes:*

1. As at 30 April 2019, eight Large Buses (A1) remained subject to finance lease arrangements between our Group and a subsidiary of the supplier of such eight Large Buses (A1), an Independent Third Party, pursuant to which the eight Large Buses (A1) were sold to the subsidiary and the subsidiary shall lease to our Group for its use for a period of 24 months. Our Group shall have the right to repurchase such eight Large Buses at the end of the 24-month period at a consideration of RMB1 for each of such eight Large Buses (A1).
2. City Buses (A3) are substituted by Large Buses (A1) for training purposes.

The table below sets out the remaining useful life of our training vehicles as at 30 April 2019:

<b>Shun Da School</b>		<b>Tong Tai School</b>	
<b>Remaining useful life of training vehicles (months)</b>	<b>Number of vehicles</b>	<b>Remaining useful life of training vehicles (months)</b>	<b>Number of vehicles</b>
Between 13 and 24	15	Between 37 and 48	100
Between 25 and 36	7	Between 49 and 60	9
Between 37 and 48	21	Between 61 and 72	1
		Between 73 and 84	5
		Between 85 and 96	31

*Note:* Calculation of the remaining useful life is based on the accounting useful life of the training vehicle (i.e. 96 months) deducted by its months of services.

### Test vehicles

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we owned the following vehicles for Driving Tests purposes:

	<b>As at 31 December</b>			<b>As at</b>
	<b>2016</b>	<b>2017</b>	<b>2018 <sup>(2)</sup></b>	<b>30 April 2019 <sup>(2)</sup></b>
<b>Shun Da School</b>				
Small Vehicles				
Small Manual Cars (C1)	10	10	–	–
Small Automatic Cars (C2)	–	–	–	–
<b>Tong Tai School</b>				
Large Vehicles				
Large Buses (A1)	1	1	1	1
Towing Vehicles (A2)	2	2	2	2
City Buses (A3) <sup>(1)</sup>	–	–	–	–
Medium Buses (B1)	2	2	2	2
Large Trucks (B2)	10	10	10	10
Small Vehicles				
Small Manual Cars (C1)	–	–	–	–
Small Automatic Cars (C2)	–	–	–	–
<b>Total</b>	<b>25</b>	<b>25</b>	<b>15</b>	<b>15</b>

---

## BUSINESS

---

*Notes:*

1. City Buses (A3) are substituted by Large Buses (A1) for Driving Tests purposes.
2. Pursuant to the licence agreement entered into between Tong Tai School and the Zhumadian Municipal Public Security Bureau (駐馬店市公安局) in respect of the test venue of Tong Tai School, the 15 test vehicles of Tong Tai School have been leased to the Zhumadian Municipal Public Security Bureau (駐馬店市公安局) together with the test venue.

The table below sets out the remaining useful life of our test vehicles as at 30 April 2019:

<b>Tong Tai School</b>	
<b>Remaining useful life of test vehicles (months)</b>	<b>Number of vehicles</b>
Between 37 and 48	15

*Note:* Calculation of the remaining useful life is based on the accounting useful life of the test vehicle (i.e. 96 months) deducted by its months of services.

According to the Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》) promulgated on 27 December 2012 and became effective on 1 May 2013, small-sized passenger vehicles for driving instructors can be used for 10 years, medium-sized passenger vehicles for driving instructors can be used for 12 years and large passenger vehicles for driving instructors can be used for 15 years. According to our company policy, each of our test and training vehicles shall be scrapped after being used for a period of eight years which is shorter than the prescribed periods under the Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》). Such policy was formulated by us after taking into consideration the following factors:

- (a) the aging of our training vehicles is usually faster than commercial-used vehicles because our training vehicles are used by inexperienced trainees who are likely to cause additional aging effect on vehicles;
- (b) the maintenance costs of vehicles after being used for eight years are much higher; and
- (c) high-aged training vehicles are less attractive to new customers.

### **Vehicle management**

Our vehicle management team is primarily responsible for the management of our vehicles. We have adopted and implemented the following measures to safeguard our training and test vehicles from theft:

- surveillance cameras are installed at our car parking areas, which are connected to our office to avoid theft at our car parking areas;
- the name of our relevant school is printed on each of our training and test vehicles for identification purpose so that we can easily identify our training and test vehicles;

---

## **BUSINESS**

---

- our vehicle management team shall check the number of training and test vehicles twice a day (i.e. before our schools are open and after our schools are closed);
- our vehicle management team has kept records of the engine numbers of our training and test vehicles; and
- our teaching affair office shall record the uses of our training vehicles and ensure that car keys are passed to driving instructors for scheduled driving lessons and then returned to our vehicle management team after the training vehicles are used.

During the Track Record Period, there was no theft of any of our vehicles.

### **OUR DRIVING COURSES**

As at the Latest Practicable Date, we offered driving courses to trainees for different categories of vehicles, comprising (i) Large Buses (A1); (ii) Towing Vehicles (A2); (iii) City Buses (A3); (iv) Medium Buses (B1); (v) Large Trucks (B2); (vi) Small Manual Cars (C1); and (vii) Small Automatic Cars (C2). Our trainees can plan their learning progress based on their needs and schedules. Trainees can attend our driving lessons by making advance bookings which are subject to the availabilities of driving instructors, training fields and training vehicles. Each driving lesson lasts for one hour. Our trainees can make advance bookings with us, in person and/or by phone.

Our Directors are of the view that the level of driving experience and knowledge of our trainees vary. In order to meet different customer needs, we offer standard and premium courses to our trainees. Trainees who have enrolled in any of our standard and premium courses will be provided with the course materials for preparing the Driving Skill Written Test and the Road Safety Written Test. In respect of the preparation for On-site Driving Test and On-road Driving Test, we offer driving training services at our training fields and on public roads that are authorised by the Traffic Management Department, respectively. Please refer to paragraph headed “Our operations” in this section for further details of the training provided to our trainees for their preparation for the Driving Tests.

#### **Number of training hours**

The number of training hours offered by our standard courses and premium courses varies with the vehicle types. In respect of our standard courses, the numbers of training hours offered were adjusted from time to time during the Track Record Period taking into account the market preference at the relevant time. The number of training hours offered for each course was pre-determined and made known to the trainees at the time of registration for the relevant course.

---

## BUSINESS

---

The following table sets out the number of training hours offered by our standard courses during the Track Record Period:

	For the year ended 31 December			For the four months ended
	2016 (hours)	2017 (hours)	2018 (hours)	30 April 2019 (hours)
<b>Tong Tai School</b>				
Large Vehicles				
– Preparation for On-site Driving Test	5-12	7	7	7
– Preparation for On-road Driving Test	3	3-5	5	5
Small Vehicles				
– Preparation for On-site Driving Test	5-7	5-6	6	6
– Preparation for On-road Driving Test	2-3	2-4	4	4
<b>Shun Da School</b>				
Small Vehicles				
– Preparation for On-site Driving Test and/or On-road Driving Test <sup>(Note)</sup>	7-20	10	10	10

*Note:* During the Track Record Period, the training hours offered by the standard courses of Shun Da School may be interchangeably allocated among on-site training and on-road training at the choice of the trainees in order to provide more flexibility to such trainees.

The numbers of training hours offered by our standard courses are generally less than those required under the Driving Training Curriculum. Our Directors believe that this can expand our customer base by attracting trainees who intend to receive part of their driving training from reputable driving schools like us and then complete their driving training in other cheaper driving schools. If our trainees wish to have further training at our training fields or on public roads, they may subscribe for additional training services on an hourly basis.

In respect of our premium courses, trainees who have enrolled in our premium courses prior to 21 March 2018 could enjoy an uncapped number of training hours at our training fields and on public roads that are authorised by the Traffic Management Department before passing the On-site Driving Test and On-road Driving Test, respectively. The following table sets out the expected total hours of training to be provided adopted by our Group in respect of our premium courses with uncapped training hours during the Track Record Period:

---

## BUSINESS

---

*For premium courses provided between 1 January 2016 and 30 September 2016*

	A1 Vehicles	A2 Vehicles	A3 Vehicles	B1 Vehicles	B2 Vehicles	C1 Vehicles	C2 Vehicles
Preparation for On-site							
Driving Test	36	40	51	36	54	24	24
Preparation for On-road							
Driving Test	20	23	33	20	32	25	24

*For premium courses provided between 1 October 2016 and 20 March 2018*

	A1 Vehicles	A2 Vehicles	A3 Vehicles	B1 Vehicles	B2 Vehicles	C1 Vehicles	C2 Vehicles
Preparation for On-site							
Driving Test	36	40	53	36	54	18	14
Preparation for On-road							
Driving Test	20	22	33	20	33	25	24

*Notes:*

1. The expected total hours of training to be provided were adjusted on 1 October 2016 in view of the issue of the Driving Training Curriculum on 18 August 2016.
2. The expected total hours of training to be provided for our premium courses with uncapped training hours were determined by the Group based on the upper limit of the 95% confidence level in statistic, with reference to the historical records of training hours for completion of premium courses.

The following table sets out the average number of training hours taken by our trainees for completion of premium courses:

*Our trainees of premium courses enrolled between 1 January 2016 and 30 September 2016*

	A1 Vehicles	A2 Vehicles	A3 Vehicles	B1 Vehicles	B2 Vehicles	C1 Vehicles	C2 Vehicles
Preparation for On-site Driving Test	36	40	51	36	54	24	24
Preparation for On-road Driving Test	20	22	33	20	32	24	24

---

## BUSINESS

---

*Our trainees of premium courses enrolled between 1 October 2016 and 31 December 2016*

	<b>A1</b>	<b>A2</b>	<b>A3</b>	<b>B1</b>	<b>B2</b>	<b>C1</b>	<b>C2</b>
	<b>Vehicles</b>						
Preparation for On-site Driving Test	36	40	53	36	54	17	14
Preparation for On-road Driving Test	20	22	33	20	32	24	24

*Our trainees of premium courses enrolled between 1 January 2017 and 31 December 2017*

	<b>A1</b>	<b>A2</b>	<b>A3</b>	<b>B1</b>	<b>B2</b>	<b>C1</b>	<b>C2</b>
	<b>Vehicles</b>						
Preparation for On-site Driving Test	36	40	53	36	54	16	14
Preparation for On-road Driving Test	20	22	33	20	32	24	24

*Our trainees of premium courses enrolled between 1 January 2018 and 20 March 2018*

	<b>A1</b>	<b>A2</b>	<b>A3</b>	<b>B1</b>	<b>B2</b>	<b>C1</b>	<b>C2</b>
	<b>Vehicles</b>						
Preparation for On-site Driving Test	36	40	53	36	54	16	14
Preparation for On-road Driving Test	20	22	33	20	32	24	24

For trainees enrolled in our premium courses on or after 21 March 2018, our premium courses of various vehicle types offer the following training hours, respectively.

	<b>A1</b>	<b>A2</b>	<b>A3</b>	<b>B1</b>	<b>B2</b>	<b>C1</b>	<b>C2</b>
	<b>Vehicles</b>						
Preparation for On-site Driving Test	36	40	53	36	54	16	14
Preparation for On-road Driving Test	20	22	33	20	32	24	24

The above also represents the minimum number of training hours required by the Driving Training Curriculum for the preparation of the relevant Driving Tests for the relevant vehicle types. For details of the minimum training hours required by the Driving Training Curriculum, please refer to the section headed “Regulatory overview” in this prospectus.

As at the Latest Practicable Date, there were 764 outstanding trainees who have enrolled in our premium courses prior to 21 March 2018 and thus could enjoy an uncapped number of training hours.

---

## BUSINESS

---

Our trainees can generally select driving instructors for training lessons at their own choices and make advance bookings with our schools in person and/or by phone. As at the Latest Practicable Date, our premium courses comprised VIP course, holidays and weekends course and economy course.

The following table sets out the major characteristics of those driving courses offered by us:

<b>Name of course</b>	<b>Characteristics</b>
Standard course	Number of training hours offered was fixed by the Group according to the market preference at the relevant time
Premium courses <i>(Note)</i>	Number of training hours offered was the minimum training hours required by the Driving Training Curriculum
– Economy course	Trainees can attend driving lessons only on weekdays. For Small Manual Cars (C1) only.
– Holidays and weekends course	Trainees can attend driving lessons only on weekends and holidays. For Small Vehicles only.
– VIP course	Trainees can attend driving lessons on weekdays, weekends and holidays. Trainees of Large Vehicles can enjoy complimentary supporting services including pick-up services, catering services and/or accommodation services without additional charges.

*Note:* The numbers of training hours offered to our trainees of our premium courses were uncapped if they were enrolled before 21 March 2018. The cap on training hours of premium courses was introduced on 21 March 2018 on the initiative of our Group as part of our Group's business strategy.

We do not have fixed learning schedules for our trainees. In each driving course, all necessary driving skills that are required for preparation for the Driving Tests can be delivered by our driving instructors to our trainees. Our trainees can, based on their needs, acquire different driving skills for preparation for the Driving Tests. The course contents offered in our standard courses are the same as those offered in our premium courses. The trainees enrolled in our standard courses can subscribe for additional training services according to their learning schedules. Moreover, trainees can determine their own learning schedules based on their needs. Therefore, the duration of our driving courses varies.

According to our school policy, trainees can make advance bookings for driving lessons according to their learning schedules, subject to confirmations by our teaching affair office. We generally allow our trainees to cancel or change their bookings no less than 24 hours before the commencement of their driving lessons.

---

## BUSINESS

---

The following table sets out the average number of training hours taken by our trainees before they were granted with driving licences by types of driving courses during the Track Record Period:

	Average number of training hours <sup>(1)</sup>			
	During the year ended 31 December			During the four months ended 30 April
	2016 (hours)	2017 (hours)	2018 (hours)	2019 (hours)
<b>Large Vehicles</b>				
Standard courses	13	12	18	18
Premium courses	66	69	73	76
<b>Small Vehicles</b>				
Standard courses	10	8	11	10
Premium courses	48	41	40	40

*Notes:*

- The average number of training hours taken by our trainees is calculated according to the following formula:

$$\text{Average number of training hours} = \frac{\text{Total number of training hours taken by the trainees who were granted with driving licences throughout the year/period}}{\text{Total number of trainees who were granted with driving licences throughout the year/period}}$$

- For the three years ended 31 December 2018 and the four months ended 30 April 2019, there were 10,243, 11,179, 11,824 and 3,005 trainees granted with driving licences, respectively.

Our Directors believe that the higher average number of training hours taken by our trainees of premium courses for Large Vehicles for the two years ended 31 December 2018 compared to that for the year ended 31 December 2016 was mainly attributable to (i) the Assessment Framework Adjustment, effective on 1 October 2017; and (ii) the uncapped training hour arrangement of our premium courses prior to 21 March 2018 which allows relevant trainees to undergo more training sessions without additional cost. The Assessment Framework Adjustment involves the adjustment to the marking criteria and the imposition of certain new requirements for the On-site Driving Test and the On-road Driving Test, for example, after the Assessment Framework Adjustment, (i) candidates are required to give correct signals at least three seconds before they change traffic lanes, left turn or right turn and instead of a deduction of 10 points they shall fail the relevant Driving Tests should they omit to do so; (ii) candidates who fail to get into third gear or above while taking the subjects of curve driving and passing continuous obstacles of the On-site Driving Test shall be deducted five points; and (iii) candidates are required to check the blind spot by looking back while moving off, changing lanes, pulling up and overtaking during the On-road Driving Test. Our Directors believe that the lower average number of training hours taken by our trainees of premium courses for Small Vehicles for the two years ended 31 December 2018 compared to that for the year ended 31 December 2016 was mainly attributable to the Driving Training Curriculum issued on 18 August 2016, which requires, for Small Vehicles, lower numbers of minimum training hours compared to that required by the immediately preceding curriculum.

---

## BUSINESS

---

The average number of training hours taken by our trainees of standard courses for Large Vehicles remained stable for the two years ended 31 December 2017 despite the Assessment Framework Adjustment. Our Directors believe that this was because of (i) the reductions in the number of training hours generally offered by our standard courses for Large Vehicles in October 2016 in view of the indirect influence brought by the issue of Driving Training Curriculum on 18 August 2016; (ii) the increase in the number of training hours generally offered by our standard courses for Large Vehicles in June 2017 to make up the impact by the cessation of providing training at the test venues in our driving schools; (iii) the increase in the number of training hours taken by our trainees of standard courses for Large Vehicles for the year ended 31 December 2017 as a result of the Assessment Framework Adjustment effective on 1 October 2017; and (iv) our trainees of standard courses may undergo additional driving training with other driving schools. Our Directors believe that the lower average number of training hours taken by our trainees of standard courses for Small Vehicles for the year ended 31 December 2017 compared to that for the year ended 31 December 2016 was mainly attributable to the Driving Training Curriculum issued on 18 August 2016, which requires, for Small Vehicles, lower numbers of minimum training hours compared to that required by the immediately preceding curriculum. The average number of training hours taken by our trainees of standard courses increased by six hours and three hours for Large Vehicles and Small Vehicles, respectively, for the year ended 31 December 2018 compared to that for the year ended 31 December 2017. Our Directors believe that this was mainly attributable to the effect brought by the Assessment Framework Adjustment. Our Directors believe that the major effects of the Assessment Framework Adjustment were (i) the increase in proportion of course enrolments of our premium courses among total number of course enrolments; and (ii) the increase in the average number of training hours taken by our trainees of standard courses and premium courses during the year ended 31 December 2018.

During the Track Record Period, we entered into standard agreements with our trainees and collected course fees from them when they were enrolled in our courses. According to our standard agreements, our trainees shall complete the driving training within three years which means that unused training hours will be forfeited immediately after three years from enrolment. During the Track Record Period, the amount of forfeited course fee was immaterial. If the Driving Skill Written Test is not taken by any trainee within one year from the date of enrolment, the course fees applicable to him or her shall be unaffected even though we adjust our course fees from time to time. As part of our policy, our course fees are subject to review and adjustment by our management from time to time. For further information, please refer to the paragraph headed “Sale and marketing – Pricing” in this section. On the other hand, under the standard agreements, our trainees are entitled to withdraw from our courses. For further information, please refer to the paragraph headed “Our operations – Withdrawal and refund policy” in this section.

### **Our course fees**

We may adjust the course fees by increasing or decreasing the relevant amounts and/or the numbers of training hours offered (for our standard courses) from time to time as determined by our management according to the market and industry situations in order to remain competitive. During the Track Record Period, our Directors from time to time had meetings with our senior management to discuss the competitiveness of our driving courses and our course fees were adjusted occasionally. The principal considerations include (i) the supply of driving courses in Zhumadian City; (ii) the course fees of other market players in Zhumadian City; (iii) the demand for driving courses in Zhumadian City; and (iv) the cost of service incurred by our Group in the provision of such driving courses.

---

## BUSINESS

---

Major changes in our course packages during the Track Record Period include:–

- (i) reductions in our course fees of most of our driving courses in early 2016 to a level comparable to other market players to increase the competitiveness of our driving courses;
- (ii) reductions in the number of training hours generally offered by our standard courses for Large Vehicles in January 2016 in view of the market condition at the relevant time;
- (iii) reductions in the number of training hours generally offered by our standard courses for Large Vehicles in October 2016 in view of the indirect influence brought by the issue of the Driving Training Curriculum on 18 August 2016;
- (iv) reductions in course fees of our premium courses for Large Vehicles and Small Vehicles to a level comparable to other market players in January 2017 as part of our sale and marketing efforts to increase the competitiveness of our driving courses;
- (v) increases in the numbers of training hours generally offered by our standard courses for Large Vehicles and Small Vehicles in June 2017 to make up the impact caused by the cessation of providing training at the test venues in our driving schools;
- (vi) increases in course fees of our premium courses for Large Vehicles in January and May 2018 in general in view of the high utilisation rates of our training fields after the increase in number of course enrolments in premium courses for Large Vehicles since the second quarter of 2018 and in response to adjustments of course fees of other market players in Zhumadian City and the requirement of the Driving Training Curriculum that trainees registered on or after 1 October 2018 must satisfy the relevant minimum training hours requirement before they apply for taking the relevant Driving Tests;
- (vii) gradual increases in the course fees of our premium courses for Small Vehicles since April 2018 in response to adjustments of course fees of other market players in Zhumadian City and the requirement of the Driving Training Curriculum that trainees registered on or after 1 October 2018 must satisfy the relevant minimum training hours requirement before they apply for taking the relevant Driving Tests; and
- (viii) increases in course fees of our standard courses for Large Vehicles in response to the requirement of the Driving Training Curriculum that trainees registered on or after 1 October 2018 must satisfy the relevant minimum training hours requirement before they apply for taking the relevant Driving Tests.

In addition to adjustments to course fees and the amount of training hours offered (for our standard courses), we also provided discount from time to time to the general public and some of our trainees (e.g. students, teachers, veterans of armed forces and candidates who have failed five times or more of the On-site

## BUSINESS

Driving Test and/or On-road Driving Test) to increase the competitiveness of our driving courses. Therefore, our course fee of the same course type varied during the Track Record Period. The fees and details of our driving courses offered during the Track Record Period are set out as follows:

Vehicle	Minimum requirements	Course types and fees in 2016 <sup>(1)</sup>	Course types and fees in 2017 <sup>(1)</sup>	Course types and fees in 2018 <sup>(1)</sup>	Course types and fees for the four months ended 30 April 2019 <sup>(1)</sup>	School
Large Buses (A1)	- Being a holder of B1 Licence or B2 Licence for five years or more - Individual aged between 26 and 50	- Standard course: RMB7,968-RMB10,138 <sup>(4)</sup> - Premium course: RMB16,950-RMB18,250	- Standard course: RMB8,138-RMB10,138 - Premium course: RMB13,290-RMB16,250	- Standard course: RMB8,138-RMB12,138 - Premium course: RMB11,250-RMB18,250 <sup>(6)</sup>	- Standard course: RMB9,453-RMB12,141 - Premium course: RMB13,253-RMB18,253	Tong Tai School
Towing Vehicles (A2)	- Being a holder of B1 Licence or B2 Licence for three years or more - Individual aged between 24 and 50	- Standard course: RMB7,930-RMB10,020 <sup>(4)</sup> - Premium course: RMB16,950-RMB18,250	- Standard course: RMB8,020-RMB10,020 - Premium course: RMB14,250-RMB18,250	- Standard course: RMB8,020-RMB11,020 - Premium course: RMB11,250-RMB18,250 <sup>(6)</sup>	- Standard course: RMB11,023 - Premium course: RMB13,253-RMB18,253	Tong Tai School
City Buses (A3)	- Individual aged between 20 and 50	- Standard course: RMB7,968-RMB10,200 <sup>(4)</sup> - Premium course: RMB20,950-RMB22,250	- Standard course: RMB8,200-RMB10,200 - Premium course: RMB14,250-RMB22,250	- Standard course: RMB10,200-RMB11,200 - Premium course: RMB14,250-RMB22,250 <sup>(6)</sup>	- Standard course: RMB11,203 - Premium course: RMB14,253-RMB22,253	Tong Tai School
Medium Buses (B1)	- Being a holder of A1 Licence, B2 Licence, C1 Licence or C2 Licence for three years or more - Individual aged between 21 and 50	- Standard course: RMB7,968-RMB10,138 <sup>(4)</sup> - Premium course: RMB16,950-RMB18,250	- Standard course: RMB8,138-RMB10,138 - Premium course: RMB14,250-RMB18,250	- Standard course: RMB8,138-RMB12,138 - Premium course: RMB11,250-RMB18,250 <sup>(6)</sup>	- Standard course: RMB12,141 - Premium course: RMB13,253-RMB18,253	Tong Tai School
Large Trucks (B2)	- Individual aged between 20 and 50	- Standard course: RMB7,830-RMB9,910 <sup>(4)</sup> - Premium course: RMB14,290-RMB18,250	- Standard course: RMB6,290-RMB9,910 - Premium course: RMB12,250-RMB14,290	- Standard course: RMB6,950-RMB9,910 - Premium course: RMB10,250-RMB16,290 <sup>(6)</sup>	- Standard course: RMB9,913 - Premium course: RMB12,253-RMB16,293	Tong Tai School
Small Manual Cars (C1)	- Individual aged between 18 and 70	- Standard course: RMB590-RMB1,590 - Premium course: RMB1,980-RMB6,150 <sup>(5)</sup>	- Standard course: RMB490-RMB1,590 <sup>(3)</sup> - Premium course: RMB1,380-RMB6,150 <sup>(5)</sup>	- Standard course: RMB590-RMB1,590 - Premium course: RMB1,590-RMB6,150 <sup>(5)</sup>	- Standard course: RMB1,583-RMB1,593 - Premium course: RMB3,153-RMB6,353	Tong Tai School and Shun Da School
Small Automatic Cars (C2) <sup>(2)</sup>	- Individual aged between 18 and 70	- N/A - Premium course: RMB3,750-RMB6,150	- N/A - Premium course: RMB5,150-RMB6,150	- N/A - Premium course: RMB4,150-RMB5,650	- N/A - Premium course: RMB3,153-RMB4,153	Tong Tai School

*Notes:*

- The course fees of Large Vehicles and Small Vehicles shown in the table immediately above excluded various miscellaneous charges, which we receive on behalf of, among others, government authorities and insurance company, of (i) approximately RMB750 and RMB450-RMB550, respectively, for the year ended 31 December 2016; (ii) approximately RMB750 and RMB450, respectively, for the year ended 31 December 2017; (iii) approximately RMB750 and RMB450, respectively, for the year ended 31 December 2018; and (iv) approximately RMB747 and RMB447, respectively, for the four months ended 30 April 2019. Such charges include physical conditions check-up fee, driving test fee and insurance fee, etc.
- Our driving courses for Small Automatic Cars (C2) were introduced in 2016.
- During the Track Record Period, a new type of standard course known as MyClass was introduced but was abandoned shortly afterwards as part of our Group's development strategy due to its minimal contribution to the Group's revenue since its introduction.

## BUSINESS

4. We offered a flat discount price of RMB6,030 and RMB6,040 in March 2016 and November 2016, respectively for all of our standard and premium courses of Large Vehicles exclusively for candidates who have failed five times or more of the On-site Driving Test and/or On-road Driving Test.
5. The relatively wide range of course fees of our premium courses for Small Manual Cars (C1) was mainly attributable to the fact that during the three years ended 31 December 2018, our premium courses for Small Manual Cars (C1) involved economy courses, holidays and weekends courses and VIP courses and the course fees varied significantly with the types and contents of the courses. However, since April 2018 our Group gradually increased the course fees of our premium courses for Small Vehicles in response to adjustments of course fees of other market players in Zhumadian City and the requirement of the Driving Training Curriculum that trainees registered on or after 1 October 2018 must satisfy the relevant minimum training hours requirement before they apply for taking the relevant Driving Tests. Therefore, the range of course fees of our premium courses for Small Manual Cars (C1) was relatively narrower for the four months ended 30 April 2019.
6. The relatively wide range of course fees of our premium courses for Large Vehicles was mainly attributable to the fact that during the year ended 31 December 2018 our Group offered some special promotions for marketing purpose.

The following table sets out the average course fee received per trainee of our driving schools during the Track Record Period:

	For the year ended 31 December			For the four months ended
	2016	2017	2018	30 April 2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Large Vehicles				
– Standard courses	9,017	7,873	8,329	9,453
– Premium courses	17,492	13,718	14,904	16,753
Small Vehicles				
– Standard courses	1,419	1,019	914	–
– Premium courses	3,162	1,984	2,998	3,785

*Notes:*

1. Such average course fees of Large Vehicles and Small Vehicles shown in the table immediately above excluded the miscellaneous charges, which we receive on behalf of, among others, government authorities and insurance company, of (i) approximately RMB750 and RMB450-RMB550, respectively, for the year ended 31 December 2016; (ii) approximately RMB750 and RMB450, respectively, for the year ended 31 December 2017; and (iii) approximately RMB750 and RMB450, respectively, for the year 31 December 2018; and (iv) approximately RMB747 and RMB447, respectively, for the four months ended 30 April 2019.
2. The average course fee received per trainee is calculated according to the following formula:

$$\text{Average course fee received per trainee} = \frac{\text{Total amount of course fees received from our trainees enrolled in the relevant course during the year/period}}{\text{Number of course enrolments of the relevant course during the year/period}}$$

---

## BUSINESS

---

The average course fees received for standard courses of Large Vehicles decreased from RMB9,017 in 2016 to RMB7,873 in 2017 because we reduced the course fees of B2 Vehicles in 2017 and attracted additional trainees therefor (from 1,158 in 2016 to 1,444 in 2017) while the course fees of other Large Vehicles nearly remained unchanged from 2016 to 2017. The average course fees received for standard courses of Large Vehicles increased from RMB7,873 in 2017 to RMB8,329 in 2018 because we increased the course fees of all Large Vehicles in 2018 generally. The average course fees received for standard courses of Large Vehicles further increased from RMB8,329 for the year ended 31 December 2018 to RMB9,453 for the four months ended 30 April 2019 because the increased course fees remained in force throughout the four months ended 30 April 2019.

The average course fees received for premium courses of Large Vehicles decreased from RMB17,492 in 2016 to RMB13,718 in 2017 because we reduced the course fees of all Large Vehicles in 2017. The average course fees received for premium courses of Large Vehicles increased from RMB13,718 in 2017 to RMB14,904 in 2018 because we increased the respective course fees of A1 Vehicles and B2 Vehicles in 2018. The average course fees received for premium courses of Large Vehicles further increased from RMB14,904 for the year ended 31 December 2018 to RMB16,753 for the four months ended 30 April 2019 because the increased course fees remained in force for most of the time during the four months ended 30 April 2019.

The average course fees received for standard courses of Small Vehicles decreased from RMB1,419 in 2016 to RMB1,019 in 2017 because we reduced the course fees of C1 Vehicles in April and May 2017, respectively. The average course fees received for standard courses of Small Vehicles further decreased from RMB1,019 in 2017 to RMB914 in 2018 because of the reductions course fees of standard courses for Small Vehicles in April and May 2017 which became more effective in 2018 as partially offset by the increase in course fees of standard courses for Small Vehicles in May 2018. The average course fees received for standard courses of Small Vehicles was nil for the four months ended 30 April 2019 because there was no course enrolment in our standard courses of Small Vehicles for the four months ended 30 April 2019.

The average course fees received for premium courses of Small Vehicles decreased from RMB3,162 in 2016 to RMB1,984 in 2017 because we reduced the course fees of premium course for Small Vehicles in 2017. The average course fees received for premium courses of Small Vehicles increased from RMB1,984 in 2017 to RMB2,998 in 2018 because we increased the course fees of premium course for Small Vehicles in 2018. The average course fees received for premium courses of Small Vehicles increased from RMB2,998 for the year ended 31 December 2018 to RMB3,785 for the four months ended 30 April 2019 because the increased course fees remained in force for most of the time during the four months ended 30 April 2019.

The following table sets out the average course fees of the driving courses provided by driving schools in Zhumadian City during the Track Record Period:

---

## BUSINESS

---

	<b>For the year ended 31 December</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Large Vehicles			
– Standard courses	8,810	9,171	9,526
– Premium courses	13,500	13,847	14,146
Small Vehicles			
– Standard courses	2,510	2,672	2,835
– Premium courses	3,520	3,692	3,852

*Note:* The average course fees shown in the table immediately above was estimated by Frost & Sullivan based on primary and secondary research on the driving courses provided by driving schools in Zhumadian City without adopting the formula adopted by our Group for the calculation of the average course fees received per trainee of our driving schools during the Track Record Period.

*Source: Frost & Sullivan Report*

The following table sets out the average course fees on an hourly basis received by our Group during the Track Record Period:

	<b>For the year ended 31 December</b>			<b>For the four months ended</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>30 April</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Large Vehicles				
– Standard courses	760	996	699	754
– Premium courses	264	201	204	217
Small Vehicles				
– Standard courses	171	152	90	–
– Premium courses	66	47	74	93

*Notes:*

- The average course fee of our standard courses on an hourly basis is calculated according to the following formula:

$$\text{Average course fee on an hourly basis} = \frac{\text{Total amount of course fees received from our trainees enrolled in our standard courses during the year/period}}{\text{Number of training hours offered by the relevant courses during the year/period}}$$

- The average course fee of our premium courses on an hourly basis is calculated according to the following formula:

---

## BUSINESS

---

$$\text{Average course fee on an hourly basis} = \frac{\text{Total amount of course fees received from our trainees enrolled in our premium courses during the year/period}}{\text{Total number of expected total hours of training to be provided by the relevant courses during the year/period}}$$

The average hourly course fees of our standard courses for Large Vehicles increased from approximately RMB760 for the year ended 31 December 2016 to approximately RMB996 for the year ended 31 December 2017. This was mainly attributable to the significant reductions in the number of training hours generally offered by our standard courses for Large Vehicles in January and October 2016 in view of the market condition at the relevant time which was partially offset by the slight decrease in the course fees of our standard courses for Large Vehicles during the two years ended 31 December 2017 in general as part of our sale and marketing efforts to increase the competitiveness of our driving courses. Our Directors believe that the issue of Driving Training Curriculum on 18 August 2016 did not directly affect our Group's standard course packages as our pricing strategies are generally made with references to (i) the supply of driving courses in Zhumadian City; (ii) the course fees of other market players in Zhumadian City; (iii) the demand for driving courses in Zhumadian City; and (iv) the cost of service incurred by our Group in the provision of such driving courses, however, the issue of Driving Training Curriculum on 18 August 2016 might have certain indirect influences on our Group's standard course packages because some market players might have adjusted their course fees as a result of the issue of the Driving Training Curriculum whereupon our Groups' standard course packages were adjusted in response thereto. The average hourly course fees of our standard courses for Large Vehicles decreased from approximately RMB996 for the year ended 31 December 2017 to approximately RMB699 for the year ended 31 December 2018. This was mainly attributable to the fact that we adjusted the course fees of our standard courses of Large Vehicles by increasing their numbers of training hours generally in June 2017 to make up the impact caused by the cessation of providing training at the test venues in our driving schools. The adjustment to a level comparable to other market players was made by our Group in view of the prevailing market preference at the relevant time and as part of our sale and marketing efforts to increase the competitiveness of our driving courses. The average hourly course fees of our standard courses for Large Vehicles increased from approximately RMB699 for the year ended 31 December 2018 to approximately RMB754 for the four months ended 30 April 2019. This was mainly attributable to the fact that we increased our course fees of standard courses for Large Vehicles in October 2018.

The average hourly course fees of our premium courses for Large Vehicles decreased from approximately RMB264 for the year ended 31 December 2016 to approximately RMB201 for the year ended 31 December 2017. This was mainly attributable to our reductions in course fees of premium courses for Large Vehicles to a level comparable to other market players in January 2016 and January 2017 as part of our sale and marketing efforts to increase the competitiveness of our driving courses. The average hourly course fees of our premium courses for Large Vehicles remained stable and increased from approximately RMB201 for the year ended 31 December 2017 to approximately RMB204 for the year ended 31 December 2018. The average hourly course fees of our premium courses for Large Vehicles increased from approximately RMB204 for the year ended 31 December 2018 to approximately RMB217 for the four months ended 30 April 2019. This was mainly attributable to the fact that we increased our course fees of premium courses for Large Vehicles in May 2018.

---

## BUSINESS

---

The average hourly course fees of our standard courses for Small Vehicles decreased from approximately RMB171 for the year ended 31 December 2016 to approximately RMB152 for the year ended 31 December 2017 and further decreased to approximately RMB90 for the year ended 31 December 2018. This was mainly attributable to the increase in the number of training hours offered by our standard courses for Small Vehicles in June 2017 to make up the impact caused by the cessation of providing training at the test venues in our driving schools while there was no corresponding increase in course fees until April 2018 as part of our sale and marketing efforts to increase the competitiveness of our driving courses. The average hourly course fees of our standard courses for Small Vehicles was nil for the four months ended 30 April 2019. This was mainly attributable to the fact that there was no course enrolment in our standard courses of Small Vehicles during the four months ended 30 April 2019.

The average hourly course fees of our premium courses for Small Vehicles decreased from approximately RMB66 for the year ended 31 December 2016 to approximately RMB47 for the year ended 31 December 2017. This was mainly attributable to our reduction in course fees of premium courses for Small Vehicles to a level comparable to other market players in January 2016 as part of our sale and marketing efforts to increase the competitiveness of our driving courses, which was partially offset by the decreased number of expected total hours of training adopted by the Group of premium courses for Small Vehicles on 1 October 2016. The average hourly course fees of our premium courses for Small Vehicles increased from approximately RMB47 for the year ended 31 December 2017 to approximately RMB74 for the year ended 31 December 2018. This was mainly attributable to our gradual increase in the course fees of our premium courses for Small Vehicles since April 2018. The average hourly course fees of our premium courses for Small Vehicles increased from approximately RMB74 for the year ended 31 December 2018 to approximately RMB93 for the four months ended 30 April 2019. This was mainly attributable to the fact that the average course fees increased during the four months ended 30 April 2019 as a result of our gradual increases in course fees of our premium courses for Small Vehicles since April 2018.

### *Additional training services*

During the Track Record Period, we offered additional driving training services (i) at our training fields (including the test venue of Tong Tai School); and (ii) on public roads, for additional service fees charged on an hourly basis. Prior to the implementation of the Trial Regulations, training at the test venue of Tong Tai School only took place at the time when no On-site Driving Test was held by the Traffic Management Department. During the Track Record Period when the Trial Regulations had yet to be implemented, the test venue of our Group was used by (i) trainees who were enrolled in our premium courses; (ii) trainees who were enrolled in our standard courses and subscribed for additional training services at the test venue of Tong Tai School; and (iii) trainees who were not enrolled for driving courses but subscribed for additional training services at the test venue of Tong Tai School.

For the three years ended 31 December 2018 and the four months ended 30 April 2019, revenue generated from the provision of additional training services amounted to approximately RMB6.2 million, RMB4.3 million, RMB1.4 million and RMB0.2 million, respectively, representing approximately 13.5%, 6.9%, 1.8% and 0.7% of the total revenue of our Group, respectively, inclusive of revenue generated from the provision of additional driving training services at the test venue of Tong Tai School prior to the implementation of the Trial Regulations. For the avoidance of doubt, during the Track Record Period when the Trial Regulations had yet to be implemented, (i) the test venue of Shun Da School was only used by

## BUSINESS

trainees who were enrolled in the premium courses of Shun Da School; and (ii) no additional driving training services were provided at the test venue of Shun Da School. Thus, no revenue was generated from the provision of additional driving training services at the test venue of Shun Da School.

The following table sets out the breakdown of our revenue by types of driving courses for the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April								
	2016		2017		2018		2018		2019						
	<i>Number of trainees<sup>(note)</sup></i>	RMB'000	<i>% trainees<sup>(note)</sup></i>	<i>Number of trainees<sup>(note)</sup></i>	RMB'000	<i>% trainees<sup>(note)</sup></i>	<i>Number of trainees<sup>(note)</sup></i>	RMB'000	<i>% trainees<sup>(note)</sup></i>	RMB'000	<i>Number of trainees<sup>(Note)</sup></i>	<i>%</i>	RMB'000	<i>%</i>	
<b>Large Vehicles</b>															
Standard courses	2,004	15,816	34.2	2,311	16,325	26.6	776	4,618	5.9	400	1,887	11.0	243	1,047	3.7
Premium courses	663	9,844	21.3	2,451	29,783	48.4	5,074	59,071	76.0	1,699	12,064	70.4	2,258	22,451	79.4
Additional training services	N/A	4,725	10.2	N/A	2,652	4.3	N/A	749	1.0	N/A	314	1.8	N/A	98	0.4
<b>Small Vehicles</b>															
Standard courses	10,308	11,896	25.7	7,822	7,498	12.2	4,249	2,901	3.7	2,526	1,277	7.5	624	375	1.3
Premium courses	1,110	2,494	5.3	2,075	3,639	5.9	5,225	9,733	12.5	1,659	1,418	8.3	2,899	4,214	14.9
Additional training services	N/A	1,510	3.3	N/A	1,612	2.6	N/A	627	0.9	N/A	167	1.0	N/A	94	0.3
<b>Total</b>	<b>14,085</b>	<b>46,285</b>	<b>100.0</b>	<b>14,659</b>	<b>61,509</b>	<b>100.0</b>	<b>15,324</b>	<b>77,699</b>	<b>100.0</b>	<b>6,284</b>	<b>17,127</b>	<b>100.0</b>	<b>6,024</b>	<b>28,279</b>	<b>100.0</b>

*Note:* Refers to such trainees who have contributed to the revenue in the relevant year/period.

### Utilisation of our training fields and training vehicles and deployment of our driving instructors

In order to enhance our profitability, we generally seek to maximise the usage of our training fields, training vehicles and driving instructors. Our teaching affair office is responsible for arranging and determining the schedules of our driving lessons and training vehicles. We adopt a flexible lesson scheduling policy. The driving lessons are arranged according to the advance bookings made by the trainees. In determining how to allocate training vehicles for different driving lessons, we take into account: (i) the number of training vehicles; (ii) the number of driving instructors; and (iii) the availabilities of our training fields for the on-site driving training. As confirmed by our Directors, during the Track Record Period and up to the Latest Practicable Date, there had been no material scheduling problems leading to complaints from our trainees.

The following table sets forth the capacity and utilisation rates of our training fields, training vehicles and driving instructors, respectively, during the Track Record Period:

## BUSINESS

	Year ended 31 December 2016					
	Capacity of training fields <sup>(1&amp;7)</sup> <i>(hours)</i>	Utilisation rate of training fields <sup>(2&amp;9)</sup> <i>(%)</i>	Capacity of training vehicles <sup>(3&amp;8)</sup> <i>(hours)</i>	Utilisation rate of training vehicles <sup>(4&amp;9)</sup> <i>(%)</i>	Capacity of driving instructors <sup>(5&amp;10)</sup> <i>(hours)</i>	Utilisation rate of driving instructors <sup>(6&amp;10)</sup> <i>(%)</i>
	<b>Tong Tai School</b>					
Large Vehicles	165,906	40.0	148,212	55.8	73,440	90.3
Small Vehicles	64,440	81.4	202,986	38.8	55,080	124.5 <sup>(13)</sup>
<b>Shun Da School</b>						
Small Vehicles	416,907	8.1	138,546	32.8	44,880	96.0
	Year ended 31 December 2017					
	Capacity of training fields <sup>(1&amp;7)</sup> <i>(hours)</i>	Utilisation rate of training fields <sup>(2&amp;9)</sup> <i>(%)</i>	Capacity of training vehicles <sup>(3&amp;8)</sup> <i>(hours)</i>	Utilisation rate of training vehicles <sup>(4&amp;9)</sup> <i>(%)</i>	Capacity of driving instructors <sup>(5&amp;10)</sup> <i>(hours)</i>	Utilisation rate of driving instructors <sup>(6&amp;10)</sup> <i>(%)</i>
	<b>Tong Tai School</b>					
Large Vehicles	104,706	114.1 <sup>(11)</sup>	151,434	116.7 <sup>(12)</sup>	104,040	161.3 <sup>(13)</sup>
Small Vehicles	64,440	54.5	202,986	31.3	42,840	146.2 <sup>(13)</sup>
<b>Shun Da School</b>						
Small Vehicles	390,285	10.9	138,546	45.5	44,880	140.4 <sup>(13)</sup>
	Year ended 31 December 2018					
	Capacity of training fields <sup>(1&amp;7)</sup> <i>(hours)</i>	Utilisation rate of training fields <sup>(2&amp;9)</sup> <i>(%)</i>	Capacity of training vehicles <sup>(3&amp;8)</sup> <i>(hours)</i>	Utilisation rate of training vehicles <sup>(4&amp;9)</sup> <i>(%)</i>	Capacity of driving instructors <sup>(5&amp;10)</sup> <i>(hours)</i>	Utilisation rate of driving instructors <sup>(6&amp;10)</sup> <i>(%)</i>
	<b>Tong Tai School</b>					
Large Vehicles	138,546	149.4 <sup>(11)</sup>	193,320	164.8 <sup>(12)</sup>	259,080	121.7 <sup>(13)</sup>
Small Vehicles	64,440	55.2	202,986	38.6	69,360	113.0 <sup>(13)</sup>
<b>Shun Da School</b>						
Small Vehicles	212,652	27.9	138,546	87.3	99,960	121.0 <sup>(13)</sup>

---

## BUSINESS

---

	Four months ended 30 April 2019					
	Capacity of training fields <sup>(1&amp;7)</sup>	Utilisation rate of training fields <sup>(2&amp;9)</sup>	Capacity of training vehicles <sup>(3&amp;8)</sup>	Utilisation rate of training vehicles <sup>(4&amp;9)</sup>	Capacity of driving instructors <sup>(5&amp;10)</sup>	Utilisation rate of driving instructors <sup>(6&amp;10)</sup>
	<i>(hours)</i>	<i>(%)</i>	<i>(hours)</i>	<i>(%)</i>	<i>(hours)</i>	<i>(%)</i>
<b>Tong Tai School</b>						
Large Vehicles	45,279	153.2 <sup>(11)</sup>	86,346	124.2 <sup>(12)</sup>	129,200	83.0
Small Vehicles	21,060	37.1	66,339	26.0	18,360	94.0
<b>Shun Da School</b>						
Small Vehicles	44,226	42.7	45,279	83.8	43,520	87.2

*Notes:*

1. The capacity of training fields is calculated by multiplying (i) the maximum number of training vehicles that can be used by our trainees at the same time on the training fields; (ii) nine hours per day – the operation hours of our training fields which were determined with reference to our trainees' booking behaviour during the Track Record Period in order to give a reasonable and fair view of the utilisation rate of the training fields and training vehicles (During the Track Record Period, our Group offered timeslots from 6 a.m. to 10 p.m. for bookings by our trainees, thereby giving a maximum of 16 hours of driving training per day. However, having considered the booking records of our trainees, our Directors believe that not all the timeslots were equally popular among our trainees, who generally prefer timeslots from 9 a.m. to 6 p.m. (i.e. nine out of the 16 hours of driving training provided per day)); and (iii) the number of days that our trainees can have driving training at the training fields, in the corresponding year/period (i.e. 358 or 117 days).
2. The utilisation rate of training fields is the quotient of the actual number of on-site training hours divided by the capacity of training fields in the corresponding year/period. For the avoidance of doubt, our training fields were only used to provide on-site driving training.
3. The capacity of training vehicles is calculated by multiplying (i) the average number of our training vehicles throughout the year/period; (ii) nine hours per day – the operation hours of our training vehicles which were determined with reference to our trainees' booking behaviour during the Track Record Period in order to give a reasonable and fair view of the utilisation rate of the training fields and training vehicles (During the Track Record Period, our Group offered timeslots from 6 a.m. to 10 p.m. for bookings by our trainees, thereby giving a maximum of 16 hours of driving training per day. However, having considered the booking records of our trainees, our Directors believe that not all the timeslots were equally popular among our trainees, who generally prefer timeslots from 9 a.m. to 6 p.m. (i.e. nine out of the 16 hours of driving training provided per day)); and (iii) the number of days that our training vehicles can provide services in the corresponding year/period (i.e. 358 or 117 days).
4. The utilisation rate of training vehicles is the quotient of the actual number of training hours divided by the capacity of training vehicles, in the corresponding year/period.
5. The capacity of driving instructors is calculated by multiplying (i) the average number of our driving instructors throughout the year; (ii) the number of working hours of driving instructor per day (i.e. 8 hours – the normal working hours of our driving instructors and the general daily working hours specified in the Labour Law of the PRC); and (iii) the number of working days of our driving instructors in the corresponding year/period (i.e. 255 or 85 days, being the product of (i) 51 working weeks in the corresponding year or 17 working weeks in the corresponding period (one week being the annual leave of our driving instructors per year); and (ii) five working days per working week).

## BUSINESS

6. The utilisation rate of our driving instructors is the quotient of the actual number of training hours divided by the capacity of driving instructors in the corresponding year/period.
7. The maximum number of training vehicles that can be used on our training fields by our trainees at the same time and the number of days for training during the Track Record Period were as follows:

	For the year ended 31 December						For the four months ended 30 April 2019	
	2016		2017		2018		Maximum	
	Maximum number of training vehicles	Number of days for training	Maximum number of training vehicles	Number of days for training	Maximum number of training vehicles	Number of days for training	number of training vehicles	Number of days for training
<b>Tong Tai School</b>								
Large Vehicles	50 <sup>(b)</sup> /23 <sup>(c)</sup>	204 <sup>(d)</sup> /358 <sup>(e)</sup>	50 <sup>(b)</sup> /23 <sup>(c)</sup>	68 <sup>(d)</sup> /358 <sup>(e)</sup>	23 <sup>(c)</sup> /20 <sup>(f)</sup>	358 <sup>(e)</sup>	23 <sup>(c)</sup> /20 <sup>(f)</sup>	117 <sup>(h)</sup>
Small Vehicles	20 <sup>(g)</sup>	358 <sup>(e)</sup>	20 <sup>(g)</sup>	358 <sup>(e)</sup>	20 <sup>(g)</sup>	358 <sup>(e)</sup>	20 <sup>(g)</sup>	117 <sup>(h)</sup>
<b>Shun Da School</b>								
Small Vehicles	29 <sup>(b)</sup> /117 <sup>(c)</sup>	153 <sup>(d)</sup> /358 <sup>(e)</sup>	29 <sup>(b)</sup> /117 <sup>(c)</sup>	51 <sup>(d)</sup> /358 <sup>(e)</sup>	66 <sup>(f)</sup>	358 <sup>(e)</sup>	42 <sup>(i)</sup>	117 <sup>(h)</sup>

*Notes:*

- a. The maximum number of training vehicles that can be used on our training fields at the same time is estimated with reference to the area required for the provision of training for a Large Vehicle and a Small Vehicle, being 1,000 sq.m. and 400 sq.m., respectively.
- b. Prior to the implementation of the Trial Regulations, the test venues of Tong Tai School and Shun Da School, which could be used for training, could accommodate 50 Large Vehicles and 29 Small Vehicles, respectively. The then site areas of the test venues of Tong Tai School and Shun Da School were approximately 50,000 sq.m. and 11,600 sq.m., respectively.
- c. The training fields of Tong Tai School and Shun Da School, each of which is a non-test venue, can accommodate 23 Large Vehicles and 117 Small Vehicles, respectively. The site areas of the non-test venues of Tong Tai School and Shun Da School are approximately 23,000 sq.m. and 47,000 sq.m. (comprised two parcels of land of approximately 41,000 sq.m. and approximately 6,000 sq.m.), respectively.
- d. Prior to the implementation of the Trial Regulations, we offered training four days a week, being 204 days per year, on the test venue of Tong Tai School; and three days a week, being 153 days per year, on the test venue of Shun Da School. For the year ended 31 December 2017, prior to the implementation of the Trial Regulations, we offered 68 and 51 days of training on the test venue of Tong Tai School and Shun Da School, respectively.
- e. We can offer training on each of the training fields of Tong Tai School and Shun Da School which is a non-test venue every working day, being 358 days per year.
- f. Pursuant to the arrangement entered into between Shun Da School and Tong Tai School on 29 December 2017, approximately half of the parcel of land of Shun Da School of site area approximately 41,000 sq.m. shall be used by Tong Tai School for the period between 1 January 2018 and 31 December 2019, for the provision of driving training services for Large Vehicles. The maximum number of training vehicles that can be used by Shun Da School at the same time on such training fields, which is a non-test venue, decreased from 117 Small Vehicles for the year ended 31 December 2017 to 66 Small Vehicles for the year ended 31 December 2018; while Tong Tai School can use its half for the provision of training services of 20 Large Vehicles at the same time.

---

## BUSINESS

---

- g. The site area of the training fields of Tong Tai School for Small Vehicles is approximately 8,000 sq.m.
- h. We can offer training on each of the training fields of Tong Tai School and Shun Da School which is a non-test venue on 117 days for the four months ended 30 April 2019.
- i. Approximately 7,800 sq.m. of the training fields of Shun Da School has been converted into a green belt area pursuant to the Notice of Suiping Greening Plan 2019 since 1 January 2019. As a result, the maximum number of training vehicles that could be used at the same time on the training fields of Shun Da School, which is a non-test venue, decreased from 66 Small Vehicles for the year ended 31 December 2018 to 42 Small Vehicles for the four months ended 30 April 2019.
8. The average numbers of training vehicles during the Track Record Period:

	For the year ended 31 December			For the four months ended
	2016	2017	2018	30 April 2019
<b>Tong Tai School</b>				
Large Vehicles	46	47	60	82
Small Vehicles	63	63	63	63
<b>Shun Da School</b>				
Small Vehicles	43	43	43	43

## BUSINESS

9. The actual number of training hours of our trainees during the Track Record Period:

	For the year ended 31 December											
	2016			2017			2018			For the four months ended 30 April 2019		
	On-site training	On-road training	On-site training and On-road training	On-site training	On-road training	On-site training and On-road training	On-site training	On-road training	On-site training and On-road training	On-site training	On-road training	On-site training and On-road training
<b>Tong Tai School</b>												
Large Vehicles												
- Standard courses	40,553	4,815	45,368	23,344	5,053	28,397	8,269	3,087	11,356	1,356	682	2,038
- Premium courses	25,886	11,456	37,342	96,155	52,145	148,300	198,658	108,654	307,312	68,020	37,156	105,176
<b>Total:</b>	<b>66,439</b>	<b>16,271</b>	<b>82,710</b>	<b>119,499</b>	<b>57,198</b>	<b>176,697</b>	<b>206,927</b>	<b>111,741</b>	<b>318,668</b>	<b>69,376</b>	<b>37,838</b>	<b>107,214</b>
Small Vehicles												
- Standard courses	36,768	13,104	49,872	17,086	5,251	22,337	6,857	3,655	10,512	819	378	1,197
- Premium courses	15,700	13,094	28,794	18,028	23,119	41,147	28,743	39,105	67,848	6,995	9,059	16,054
<b>Total:</b>	<b>52,468</b>	<b>26,198</b>	<b>78,666</b>	<b>35,114</b>	<b>28,370</b>	<b>63,484</b>	<b>35,600</b>	<b>42,760</b>	<b>78,360</b>	<b>7,814</b>	<b>9,437</b>	<b>17,251</b>
<b>Shun Da School</b>												
Small Vehicles												
- Standard courses	28,262	6,669	34,931	31,311	6,594	37,905	19,149	10,208	29,357	2,087	1,129	3,216
- Premium courses	5,404	5,148	10,552	11,397	13,732	25,129	40,217	51,419	91,636	16,777	17,950	34,727
<b>Total:</b>	<b>33,666</b>	<b>11,817</b>	<b>45,483</b>	<b>42,708</b>	<b>20,326</b>	<b>63,034</b>	<b>59,366</b>	<b>61,627</b>	<b>120,993</b>	<b>18,864</b>	<b>19,079</b>	<b>37,943</b>

10. The average number of driving instructors of our schools during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April
	2016	2017	2018	2019
<b>Tong Tai School</b>				
Large Vehicles	36	51	127	190
Small Vehicles	27	21	34	27
<b>Shun Da School</b>				
Small Vehicles	22	22	49	64

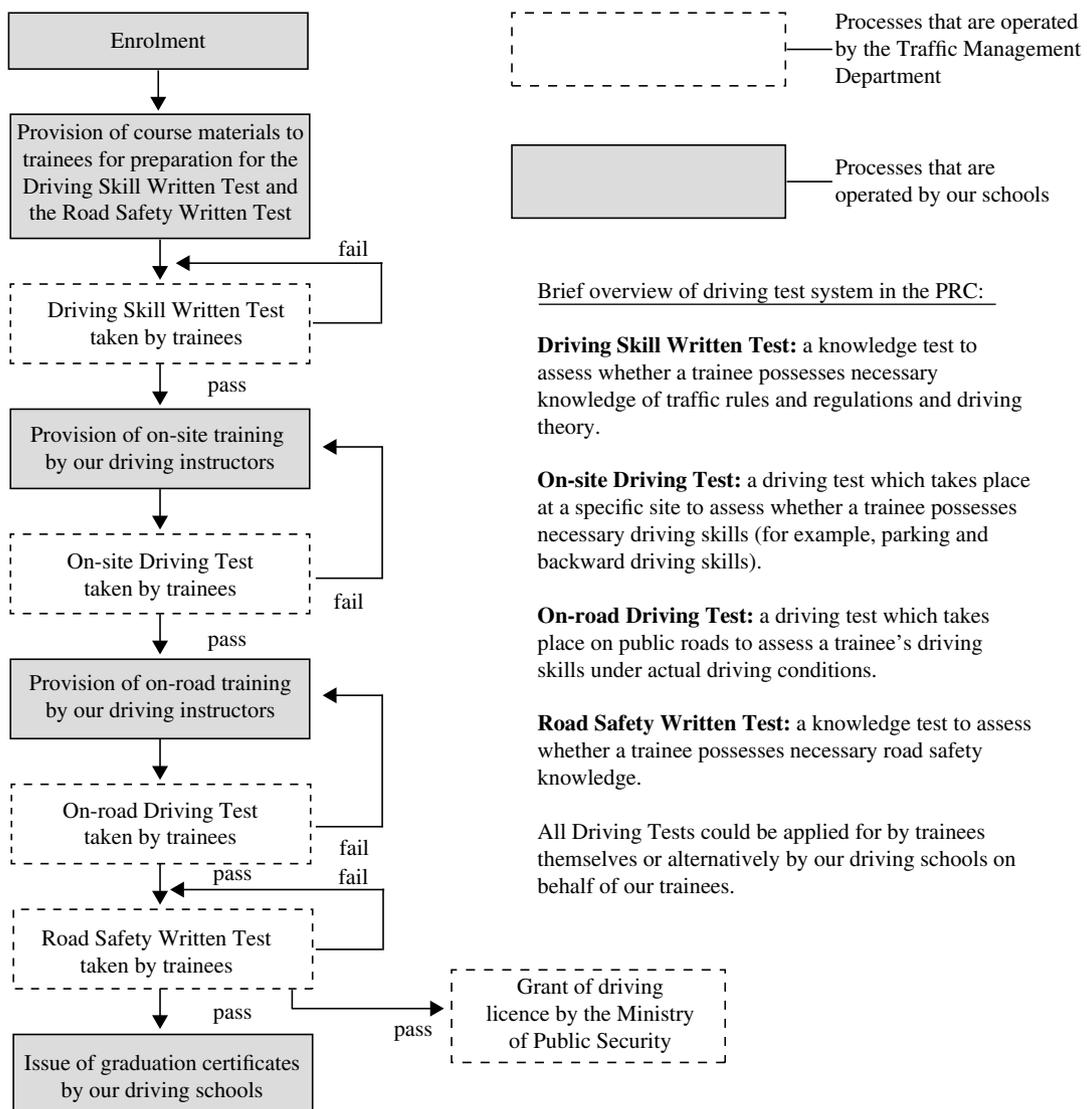
11. The utilisation rate of training fields exceeded 100% because of the training provided on the training fields to our trainees outside operation hours.
12. The utilisation rate of training vehicles exceeded 100% because of the usage of training vehicles outside operation hours.
13. The utilisation rate of driving instructors exceeded 100% because of the overtime working of our driving instructors.

## BUSINESS

During the Track Record Period, most of the utilisation rates of our training fields, training vehicles and driving instructors demonstrated an upward trend. This was because during the Track Record Period (i) the number of course enrolments increased as a result of our business strategies to expand our customer base; and (ii) more trainees were required to retake the On-site Driving Test and/or On-road Driving Test as a result of the decrease in passing rates driven by various reasons including the Assessment Framework Adjustment. Several of the utilisation rates decreased mainly due to our purchase of additional training vehicles and the recruitment of additional driving instructors during the relevant year/period as a result of our business expansion.

### OUR OPERATIONS

The following simplified diagram illustrates the flow of our operations:



---

## BUSINESS

---

*Note:* We generally offer our driving training to trainees according to the sequence set out in the above diagram to ensure the effectiveness of learning and road safety of our trainees. However, our trainees can select whether to take the On-site Driving Test or On-road Driving Test first after they pass the Driving Skill Written Test but before they take the Road Safety Written Test. Therefore, we may offer on-road training to our trainees at their requests before they pass the On-site Driving Test.

### **Enrolment**

If trainees select our training services, such trainees shall attend our off-school registration centre or our driving schools for course enrolment. As at the Latest Practicable Date, we had one off-school registration centre operated by Shun Da School. Our off-school registration centre would process the course enrolment work and collect course fees from our trainees. Our trainees' physical conditions including vision and hearing abilities would be examined and then be certified by medical staff. If the trainees cannot meet the physical conditions required under the PRC laws, the trainees will not be admitted into our driving courses and we shall then return the course fees to the trainees in full, subject to deduction of miscellaneous charges. Trainees who meet the physical condition requirements will be admitted into our courses. Afterwards, we would establish a trainee account for each of our trainees who is successfully admitted into our driving course and issue a trainee registration card, for identification purpose, to such trainee. Moreover, our trainees are also provided with learning record books and our guidelines and trainee handbooks. Further, we also assist our trainees to apply for electronic record cards issued by the Traffic Management Department in order for their training records be uploaded to the Driving Training Service Platform. Trainees shall bring such electronic record cards when they take on-site and on-road driving lessons. Our trainees can take our on-site or on-road driving lessons within three years after they are registered for our driving courses.

### **Provision of course materials**

Subsequently, we provide written course materials for our trainees' studies to acquire the necessary knowledge, including traffic and road safety knowledge. We can also arrange our trainees' registration for the Driving Skill Written Test. Alternatively, our trainees can apply for the Driving Skill Written Test by themselves. Our trainees can self-study the written course materials at learning areas of our driving schools. When our trainees have queries about the materials, our driving instructors will provide assistance to our trainees individually for acquiring necessary knowledge for the Driving Skill Written Test and/or the Road Safety Written Test. During the Track Record Period, no group lesson or lecture has been provided to trainees for the Driving Skill Written Test and/or the Road Safety Written Test. Having considered that our trainees may possess different level of driving experience and knowledge, our Directors are of the view that the provision of assistance to trainees individually, when needed, can effectively assist our trainees to acquire the necessary knowledge for the Driving Skill Written Test and the Road Safety Written Test. The Directors are of the view that the time required by each trainee to prepare for the Driving Skill Written Test and/or the Road Safety Written Test may vary. During the Track Record Period, our trainees generally completed their Driving Skill Written Test within one month after they were enrolled for our driving courses.

If our trainees pass the Driving Skill Written Test, they will then be able to take our on-site driving training. Our trainees will have to take the test again if they cannot pass the Driving Skill Written Test. Our on-site driving training is only provided to trainees who have passed the Driving Skill Written Test.

---

## BUSINESS

---

### **On-site training sessions**

We provide on-site driving training to our trainees at our training fields for them to acquire driving skills necessary for the On-site Driving Test. Our driving instructors are responsible for training our trainees. Our trainees can learn driving skills, including backwards driving, parking, crossing and driving on slopes, as required by the learning guidelines published by the PRC Government. Our driving instructors are responsible for booking the training taken on our training vehicles as the required training hours after driving lessons are taken by our trainees in accordance with our guidelines and we maintain such records at our schools. During the driving lessons, the trainees shall also record their training hours by using the electronic record cards issued by the Traffic Management Department and the training records shall then be uploaded to the Driving Training Service Platform to which our Group has no access.

Our teaching affair office is responsible for arranging training vehicles for our trainees. Our trainees can make advance bookings for driving lessons at specific timeslots according to their own learning schedules, which are subject to confirmations by our teaching affair office.

After our trainees have satisfied the minimum training hours requirements specified in the Driving Training Curriculum and have acquired the necessary driving skills for the On-site Driving Test, we can arrange our trainees to be registered for the On-site Driving Test. Since April 2016, our trainees can apply for the On-site Driving Test by themselves. Moreover, our trainees can select whether to take the On-site Driving Test or On-road Driving Test first after they pass the Driving Skill Written Test but before they take the Road Safety Written Test. Therefore, we may offer on-road driving training to our trainees at their requests before they pass the On-site Driving Test. However, in order to ensure the effectiveness of learning and road safety of our trainees, we generally advise our trainees to undergo on-site driving training first.

### **On-road training sessions**

We provide on-road driving training to our trainees to practise on-road driving skills on public roads and acquire driving skills necessary for the On-road Driving Test. Our driving instructors are responsible for training our trainees. Our trainees shall be able to acquire driving skills under actual driving conditions, as required by the learning guidelines published by the PRC Government. Our driving instructors are responsible for recording the learning progress and training hours after the driving lessons are taken by our trainees in accordance with our guidelines and we maintain such records at our schools. During the driving lessons, the trainees shall also record their training hours by using the electronic record cards issued by the Traffic Management Department and the training records shall be uploaded to the Driving Training Service Platform to which our Group has no access.

Our trainees can make advance bookings for driving lessons according to their needs and schedules, subject to confirmations by our teaching affair office. Our teaching affair office would then reserve available training vehicles for our trainees.

After our trainees have satisfied the minimum training hours requirements specified in the Driving Training Curriculum and have acquired the necessary driving skills for the On-road Driving Test, we can arrange our trainees to be registered for the On-road Driving Test. Alternatively, our trainees can arrange registration for the On-road Driving Test by themselves.

---

## BUSINESS

---

In the event that trainees cannot pass the On-road Driving Test, they can apply for taking such test again and may receive additional training services at our driving schools. If our trainees pass all of the Driving Skill Written Test, On-site Driving Test and On-road Driving Test, they will then be eligible to take the Road Safety Written Test which is designed to ensure that all trainees shall have the road safety knowledge and attitude. If they fail to pass the Road Safety Written Test, they can take such test again.

Trainees will be eligible to obtain the driving licences if they pass all of the four Driving Tests. We will also issue graduation certificates to such trainees.

### Passing rates

The following table sets forth the passing rates<sup>(1)</sup> of our trainees who have taken the On-site Driving Test during the Track Record Period:

	Year ended 31 December			Four months ended 30 April
	2016 (%)	2017 (%)	2018 (%)	2019 (%)
<b>Shun Da School<sup>(2)</sup></b>				
Small Manual Cars (C1)	77	66	61	68
<b>Tong Tai School</b>				
Large Buses (A1)	83	75	66	78
Towing Vehicles (A2)	78	78	70	88
City Buses (A3)	76	64	61	65
Medium Buses (B1)	63	67	69	77
Large Trucks (B2)	73	66	70	79
Small Manual Cars (C1)	73	65	72	72
Small Automatic Cars (C2)	67	58	52	100

*Notes:*

1. The passing rate is the quotient of the number of trainees who have passed the On-site Driving Test during the year/period divided by the aggregate number of our trainees who have taken the On-site Driving Test during the year/period.
2. During the Track Record Period, Shun Da School only provided driving courses for preparation for Driving Tests of Small Manual Cars (C1).

---

## BUSINESS

---

The following table sets forth the passing rates<sup>(1)</sup> of our trainees who have taken the On-road Driving Test during the Track Record Period:

	Year ended 31 December			Four months ended
	2016	2017	2018	30 April 2019
	(%)	(%)	(%)	(%)
<b>Shun Da School<sup>(2)</sup></b>				
Small Manual Cars (C1)	83	69	68	71
<b>Tong Tai School</b>				
Large Buses (A1)	90	75	76	78
Towing Vehicles (A2)	89	76	73	80
City Buses (A3)	83	63	71	73
Medium Buses (B1)	87	77	69	78
Large Trucks (B2)	82	69	65	69
Small Manual Cars (C1)	77	68	73	69
Small Automatic Cars (C2)	100	83	82	100

*Notes:*

1. The passing rate is the quotient of the number of trainees who have passed the On-road Driving Test during the year/period divided by the aggregate number of our trainees who have taken the On-road Driving Test during the year/period.
2. During the Track Record Period, Shun Da School only provided driving courses for preparation for Driving Tests of Small Manual Cars (C1).

Our Directors believe that there are various factors affecting the passing rates of trainees of all driving schools in general, including, among others, (i) the performance of the trainees at the Driving Tests; (ii) the amount of time spent by the trainees on driving training; (iii) the quality of driving training itself; (iv) the intrinsic qualities of the trainees; (v) the Assessment Framework Adjustment effective in October 2017; and (vi) starting from April 2016, the Traffic Management Department has allowed trainees to arrange registration of Driving Tests by themselves instead of through driving schools in Zhumadian City, as a result of which trainees may arrange registration of the Driving Tests by themselves and attempt the Driving Tests irrespective of whether they have not acquired the necessary driving skills for Driving Tests or not.

The passing rates of our trainees in general demonstrated a downward trend during the three years ended 31 December 2018. Our Directors believe that this was attributable to a number of factors, including (i) the policy of the Traffic Management Department since April 2016 which has allowed trainees to arrange registration of Driving Tests by themselves, as a result of which trainees may elect to arrange registration of the Driving Tests and attempt the Driving Tests even though they have not acquired the necessary driving skills for Driving Tests and have been advised by our driving instructors to postpone to take the Driving Tests pending further training; and (ii) the Assessment Framework Adjustment which became effective in October 2017. In respect of the passing rates of the On-site Driving Test of our trainees in particular, our Directors believe that such passing rates were also affected by the promulgation of the Trial Regulations in April 2017, pursuant to which we have ceased to provide training services at our test venues which might

---

## BUSINESS

---

affect the performance of our trainees at the On-site Driving Test. The passing rates of our trainees for both the On-site Driving Test and the On-road Driving Test, increased in general for the four months ended 30 April 2019 compared to that for the year ended 31 December 2018. Our Directors believe that this was mainly attributable to (i) accumulated experience in training under new regulations by our driving instructors; (ii) the increase in portion of premium courses taken by our trainees; (iii) our trainees, who registered on the Driving Training Service Platform on or after 1 October 2018, applied for taking the relevant Driving Tests only after they have completed the minimum training hours requirement specified for the relevant Driving Tests in the Driving Training Curriculum, whereas trainees who registered before 1 October 2018 applied for taking relevant Driving Test prior to satisfying the minimum training hours requirement.

### **Withdrawal and refund policy**

As part of our policy, our trainees may withdraw from our driving courses by giving notice to us. We shall arrange refund of the total amount of our course fees to the trainees before they complete the Driving Skill Written Test, after having deducted, among others, registration fees and various miscellaneous charges (including physical conditions check-up fees, driving test fees and insurance fees). We allow refund of 58%<sup>(Note)</sup> of the total amount of our Large Vehicles course fees and 51%<sup>(Note)</sup> of the total amount of our Small Vehicles course fees to the trainees after completion of the Driving Skill Written Test but before provision of any driving training services, after having deducted, among others, registration fees and various miscellaneous charges (including physical conditions check-up fees, driving test fees and insurance fees). We generally do not allow refund of our course fees to the trainees after we have commenced providing our driving training services to them. During the Track Record Period, our refunds to trainees due to course withdrawal were not material. For the three years ended 31 December 2018 and the four months ended 30 April 2019, the amount of such refund was approximately RMB0.3 million, RMB0.2 million, RMB0.3 million and RMB80,000, respectively. As at the Latest Practicable Date, the withdrawal and refund policy had no material impact on our Group's revenue recognition policy.

*Note:* Such refund percentages of 58% for Large Vehicles courses and 51% for Small Vehicles courses were determined after having considered, among others: (i) the costs of provision of training, being 30% of the course fees; and (ii) the revenue recognised in respect of the training for the Driving Skill Written Test, being 12% and 19% for Large Vehicles and Small Vehicles, respectively, based on the accounting standards historically adopted in the PRC.

### **SALE AND MARKETING**

Our sale and marketing team is responsible for the marketing and promotion of our driving courses and collect market information, including course structures and course fees, of other driving schools in a timely manner. Our sale and marketing team, together with our driving instructors, will organise promotional activities at various locations in Zhumadian City in order to attract new customers for our courses. We promote our corporate brand and our driving courses through placements of outdoor advertisements and distributions of leaflets for general public and proactively seek business opportunities with corporate customers targeting to recruit new trainees in batches. We also rely on word-of-mouth to promote our brand awareness from our existing and former trainees. For the three years ended 31 December 2018 and the four months ended 30 April 2019, our marketing and advertising expenses amounted to approximately RMB0.6 million, RMB1.2 million, RMB0.4 million and RMB0.2 million, respectively.

---

## BUSINESS

---

In addition, our management will, in a timely manner, review market information collected by our sale and marketing team and the information on our trainees' preferred driving instructors to formulate promotion plan.

### **Off-school registration centre**

As at the Latest Practicable Date, Shun Da School operated one off-school registration centre located at Suiping County, Zhumadian City. Our trainees may enroll for and make enquiries about our courses and pay course fees at our off-school registration centre or the offices of our driving schools.

### **Pricing**

Our course fees are determined by us with references to, among others, market conditions, the utilisation of our capacities, demand for our training services, costs of our services, prices of driving courses of comparable service providers and our positioning in the local market. Our course fees and the number of training hours offered by our driving courses are subject to review and adjustment by our management from time to time. In order to attract more trainees, we may also offer special promotion discount from time to time or during festive seasons.

During the Track Record Period, we offered special promotion discount to different extent (i) on various occasions, e.g. second anniversary of the establishment date of Tong Tai School and the national day of the PRC; and (ii) for customers who meet certain criteria, e.g. failed five times or more for either the On-Site Driving Test or the On-Road Driving Test. We may decide to offer special promotion discount from time to time taking into account the market conditions and the demand for our training services. For further information about our pricing strategy, please refer to the paragraph headed "Sale and marketing – Pricing" in this section.

### **OUR DRIVING INSTRUCTORS**

As advised by our PRC Legal Advisers, driving instructor is one of the professions on the National Vocational Qualification List promulgated in 2017. Save for the valid driving licences in respect of the respective vehicles on which driving instructors provide training services, it is currently not required by laws and regulations of the PRC that driving instructors shall obtain any licences or permits for the delivery of driving training services. Our Directors believe that, after the promulgation of the National Vocational Qualification List, the training for driving instructors has become more and more important to ensure satisfactory teaching quality. Our Directors believe that, our driving instructors are crucial to our business operations and service quality. Our driving instructors shall possess extensive driving experience and the relevant driving licences for the specific type or types of vehicles on which they deliver training services. Our driving instructors shall not have any record of breaching any material traffic rules and regulations.

During the Track Record Period, our Group recruited driving instructors through referrals from our existing driving instructors, recruitment advertisements and job fairs. We provide competitive remuneration packages, which are reviewed annually, for our driving instructors. Our driving instructors are paid with performance-based compensation in addition to basic salary. They are also entitled to overtime pay, discretionary bonus and other benefits such as complimentary meal. Where necessary, our Group can provide accommodation services to our driving instructors.

---

## BUSINESS

---

As at 31 December 2016, 2017 and 2018 and 30 April 2019, we had 81, 109, 300, 275 driving instructors, respectively. We enter into labour contracts with our driving instructors with terms generally ranging from one to three years. Pursuant to the labour contracts, our driving instructors are entitled to additional compensation on hourly basis if they are required to work overtime. We are entitled to terminate the labour contracts of our driving instructors in the event that (i) they fail to pass the probationary periods; (ii) they commit crime or are involved in gross misconduct; or (iii) their performance is unsatisfactory.

The following table sets forth the number of driving instructors who have the qualifications to deliver driving courses by types of vehicles as at 31 December 2016, 2017 and 2018 and 30 April 2019:

	As at 31 December			As at 30 April 2019
	2016	2017	2018	2019
Large Buses (A1) and City Buses (A3)	6	7	31	38
Towing Vehicles (A2)	9	25	53	39
Medium Buses (B1)	3	2	7	3
Large Trucks (B2)	15	25	101	111
Small Manual Cars (C1)	47	49	107	83
Small Automatic Cars (C2)	1	1	1	1
	81	109	300	275

The increase in the number of driving instructors from 109 as at 31 December 2017 to 300 as at 31 December 2018 was attributable to the recruitment of additional 309 new driving instructors as offset by the departure of 118 existing driving instructors for personal reasons. As at the Latest Practicable Date, we had 327 driving instructors.

The average turnover rates of driving instructors of our Group were 24.3%, 23.2%, 28.2% and 35.1% for the three years ended 31 December 2018 and the four months ended 30 April 2019. Our Directors are of the view that the high turnover rate of our driving instructors was mainly due to a number of factors, including but not limited to the mobility of driving instructors in the industry in Zhumadian City and Henan Province and the length of working hours. According to the Frost & Sullivan Report, our average turnover rate of driving instructors in 2018 at 28.2% was comparable to those of the other top five market players by revenue in Zhumadian City which ranged from 27.5% to 30.2%. The average turnover rate of driving instructors of our Group is calculated according to the following formula:

$$\begin{array}{l}
 \text{Average} \\
 \text{turnover rate}
 \end{array}
 =
 \frac{\text{Number of driving instructors departed during the year/period}}{\text{Number of driving instructors at the beginning of the year/period} + \text{Number of driving instructors recruited during the year/period}}
 \times 100\%$$

---

## BUSINESS

---

As at the Latest Practicable Date, the average lengths of services of our driving instructors of Large Vehicles and Small Vehicles were both 15 months. Our Directors confirm that during the Track Record Period and up to the Latest Practicable Date, our Group had not experienced any difficulties in recruiting new driving instructors.

### **Recruitment process**

Applicants for the position of driving instructor have to provide us with their background information including their driving records, the types of driving licences obtained, educational background, employment histories and other relevant information for review. We will invite appropriate applicants according to their background information for interviews. Those shortlisted applicants will then have to take our written test and successful applicants will be offered the posts of driving instructor of our Group if the driving records provided by them conform with the records maintained by the relevant governmental authorities. Our newly-recruited driving instructors may have to go through a probationary period ranging from one to six months.

### **Training for driving instructors**

We provide a weeklong training for newly-recruited driving instructors before they commence teaching. The training covers various aspects including teaching techniques and skills, communication and presentation skills, driving-training safety, and practice sessions to ensure that our driving instructors are equipped with the requisite knowledge and skills for delivering driving training service to our trainees.

As advised by our PRC Legal Advisers, driving instructors are required to undergo at least a weeklong training every year to ensure that driving instructors are equipped with the latest knowledge and skills necessary for teaching delivery according to relevant PRC regulations.

To ensure that our driving instructors deliver satisfactory training services to our trainees in accordance with the relevant standard and requirements, we evaluate the teaching performance of our driving instructors from time to time. Our inspection team led by Mr. Zhang Changling conducts monthly inspections on, among others, the teaching quality of our driving instructors.

### **LICENCES AND PERMITS**

Our Directors, as advised by our PRC Legal Advisers, confirm that during the Track Record Period and up to the Latest Practicable Date, we had obtained all necessary licences, approvals and permits from the relevant governmental authorities for our business operations in the PRC.

---

## BUSINESS

---

The table below sets out a list of major licences held by our Group as at the Latest Practicable Date:

Entity	Name of the licence	Qualification	Issuing authority	Issuance date	Expiry date
Tong Tai School	Road Transport Business Licence (道路運輸經營許可證)	Level I driving school	Suiping County Road Transport Management Authority (遂平縣公路運輸管理所)	9 January 2015 <sup>(1)</sup>	8 January 2021
Shun Da School	Road Transport Business Licence (道路運輸經營許可證)	Level II driving school	Suiping County Road Transport Management Authority (遂平縣公路運輸管理所)	3 March 2015 <sup>(2)</sup>	2 March 2021
Tong Tai School	Food Business Licence (食品經營許可證)	Production and sale of hot food	Food and Drug Administration Department of Suiping County (遂平縣食品藥品監督管理局)	27 April 2017	26 April 2022

*Notes:*

1. Tong Tai School was first issued a Road Transport Business Licence on 3 April 2014 and has been in possession of a valid Road Transport Business Licence since its commencement of operations.
2. Shun Da School was first issued a Road Transport Business Licence on 17 December 2012 and has been in possession of a valid Road Transport Business Licence since its commencement of operations.

For further information about qualification of driving schools, please refer to the section headed “Industry overview” in this prospectus.

## CUSTOMERS

### Individuals

To the best knowledge and belief of our Directors, trainees have a lot of choices of driving schools for preparation for their Driving Tests. They also have different learning schedules for driving lessons and needs for different supporting services. During the Track Record Period, the majority of our trainees are residents in Zhumadian City and nearby cities in Henan Province.

We enter into standard agreements with our individual trainees when they are enrolled in our courses. The standard agreements have the following general terms:

- *Term:* Three years

---

## BUSINESS

---

- *Withdrawal and refund policy* For acceptable reasons, we allow refund of certain percentage of the course fee to the trainee after completion of the Driving Skill Written Test but before provision of any driving training services, after having deducted, among others, registration fees and various miscellaneous charges (including physical conditions check-up fees, driving test fees and insurance fees)

Other specified terms (such as fees, training hours and ancillary services included) of relevant courses are posted on the notice boards of our off-school registration centre and/or the offices of our driving schools which, together with the standard agreement, constitute the training agreement between us and the relevant trainee.

### Corporate

In May 2016, we started to provide driving training services to a fire service team in Zhumadian City, which is our first corporate customer. Since March 2017, we started providing driving training services to public servants from various fire service teams in Zhumadian City and other counties in Henan Province. In March 2018, we started to provide driving training services to city bus companies both inside and outside Henan Province in the PRC. Our corporate customers usually send their personnel to attend our driving courses in order to obtain driving licences for Large Vehicles, such as fire engines, a type of B2 Vehicles, Large Buses (A1) and City Buses (A3).

We normally enter into cooperation agreements with our corporate customers. The salient terms of such cooperation agreements in general include the followings:

- *Term:* The term of the cooperation agreement which is normally set at the last date on which the last trainee who passes all of the Driving Tests
- *Training period:* The training period of each trainee which may vary from customer to customer
- *Ancillary services:* The ancillary services on complementary basis such as pick-up, accommodation and catering services to be included
- *Fees:* The fee of each trainee which may vary from customer to customer and is normally less than then standard fee of relevant course
- *Payment term:* The fee of each trainee shall normally be paid by the corporate customer at the time or several days thereafter when the trainee commences training at our driving school(s)

---

## BUSINESS

---

- *Arrangements for trainees who fail the Driving Tests:* Special discount may be given to those trainees who have repeatedly failed any of the Driving Tests

Due to the nature of our business, there were no customers accounted for more than 5% of our revenue for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 and our five largest customers did not account for more than 30% of our revenue for each of the three years ended 31 December 2018 and the four months ended 30 April 2019. Our Directors confirm that we had no material disputes with our customers during the Track Record Period and up to the Latest Practicable Date.

The following table sets out the breakdown of our revenue derived from individual trainees and trainees from corporate customers:

	For the year ended 31 December						For the four months ended 30 April	
	2016		2017		2018		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Individual trainees	46,205	99.8	61,090	99.3	74,852	96.3	28,279	100
Trainees from corporate customers	80	0.2	419	0.7	2,847	3.7	-	-
<b>Total:</b>	<b>46,285</b>	<b>100.0</b>	<b>61,509</b>	<b>100.0</b>	<b>77,699</b>	<b>100.0</b>	<b>28,279</b>	<b>100.0</b>

---

## BUSINESS

---

### Number of course enrolments

The following table sets out the breakdown of the number of course enrolments by our trainees (comprising individual trainees and trainees from corporate customers) by types of courses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April	
	2016		2017		2018		2019	
	<i>Number of course enrolments</i>	<i>%</i>						
<b>Tong Tai School</b>								
Large Vehicles								
– Standard courses	2,301	16.1	2,206	14.6	391	3.2	1	0.1
– Premium courses	696	4.9	2,806	18.6	4,606	37.2	1,439	39.7
Small Vehicles								
– Standard courses	4,965	34.6	2,646	17.5	454	3.7	–	–
– Premium courses	832	5.8	1,590	10.5	1,858	15.0	592	16.3
<b>Shun Da School</b>								
Small Vehicles								
– Standard courses	5,239	36.5	4,825	32.0	1,750	14.1	–	–
– Premium courses	302	2.1	1,016	6.7	3,325	26.8	1,589	43.9
Total standard courses	12,505	87.2	9,677	64.1	2,595	21.0	1	0.1
Total premium courses	1,830	12.8	5,412	35.9	9,789	79.0	3,620	99.9
Total	<u>14,335</u>	<u>100.0</u>	<u>15,089</u>	<u>100.0</u>	<u>12,384</u>	<u>100.0</u>	<u>3,621</u>	<u>100.0</u>

The proportion of enrolments in premium courses among total number of course enrolments during the year increased by 43.1 percentage points from approximately 35.9% for the year ended 31 December 2017 to approximately 79.0% for the year ended 31 December 2018. Our Directors believe that such increase was mainly attributable to the increase in demand for our premium courses which offer higher numbers of training hours than our standard courses, driven by the Assessment Framework Adjustment, effective on 1 October 2017.

---

## BUSINESS

---

### Payment methods

In addition to cash, we also accept other payment methods such as telegraphic transfer, WeChat Pay and Alipay at our off-school registration centre and offices of our driving schools. We have adopted and implemented strict internal control procedures for cash handling, which include the following:

- surveillance cameras are installed at our off-school registration centre, which are connected to our office to avoid potential misconduct in the workplace;
- our staff at our off-school registration centre and offices of our schools are required to check course registration records and receipts against cash proceeds every business day, perform daily reconciliation of sales and actual cash proceeds, and have the records made in our system and shall report to our finance and accounting department every business day;
- all cash proceeds received from trainees shall be deposited into our designated bank accounts on every business day;
- our finance and accounting department verifies the reconciliation of sales and actual sales proceeds of our transactions; and
- in the event that any discrepancy is found in the cash reconciliation, the personnel of our finance and accounting department shall report it to the finance manager of our finance and accounting department.

During the Track Record Period and up to the Latest Practicable Date, we had not recorded any material cash loss or theft.

### SUPPLIERS

During the Track Record Period, the five largest suppliers of our Group consisted of (i) contractors for construction works; (ii) suppliers for building facilities; (iii) fuel suppliers; (iv) suppliers for training and test vehicles; and (v) landlords of our leased land and property, all of which were Independent Third Parties.

For the three years ended 31 December 2018 and the four months ended 30 April 2019, purchases from our Group's largest supplier amounted to approximately RMB9.1 million, RMB5.9 million, RMB6.4 million and RMB1.8 million, respectively, representing approximately 39.5%, 34.6%, 28.9% and 35.7% of the total purchases, respectively and the purchases from five largest suppliers of our Group amounted to approximately RMB18.6 million, RMB14.5 million, RMB18.1 million and RMB4.7 million, respectively, representing approximately 80.9%, 84.8%, 82.2% and 93.5% of the total purchases, respectively. The payments to our major suppliers are generally settled by way of telegraphic transfer.

Except for the lease entered by our Group, no other long term agreements had been entered into between our Group and its five largest suppliers during the Track Record Period. The rental expenses incurred by our Group for the three years ended 31 December 2018 amounted to approximately RMB264,000, RMB274,000 and RMB257,000, respectively. The rental expenses included in total purchases for the three years ended 31 December 2018 amounted to approximately RMB228,000, RMB228,000 and

---

## BUSINESS

---

RMB216,000, representing approximately 1.0%, 1.3% and 1.0% of the total purchases of our Group, respectively. Upon the application of HKFRS 16 since 1 January 2019, the rental expense and depreciation of right-of-use assets arising from lease contracts included in total purchases amounted to approximately by RMB20,000 and RMB26,000, respectively, representing approximately 0.4% and 0.5% of total purchases of our Group. None of the five largest suppliers during the Track Record Period was also a major customer of our Group. During the Track Record Period, our Group settled all purchases in RMB and substantially all of them were settled by bank transfer. Our Directors confirm that we had no material dispute with our suppliers during the Track Record Period and up to the Latest Practicable Date.

The following tables set out the details of our five largest suppliers and their relationships with us during the Track Record Period:

### Year ended 31 December 2016

Name of supplier	Principal business	Products or services provided to our Group	Credit terms (days)	Payment method	Total purchase from our Group (RMB'000)	Approximate percentage to the total purchase of our Group	Years of relationship with our Group (approximately)
Supplier A	Building construction works	Construction works for the dormitory building	10-30	Telegraphic transfer	9,089.1	39.5%	4 years
Supplier B	Interior decoration works	Decoration works of the dormitory building	N/A	Telegraphic transfer	4,414.6	19.2%	2 years
Supplier C	Installation of central air-conditioning system and solar system and equipment installation, sale of escalator and fire protection equipment	Installation of air-conditioning system	N/A	Telegraphic transfer	2,170.0	9.4%	3 years
Supplier D	Pumping and electric and fire engineering	Pumping and electric works	N/A	Telegraphic transfer	2,007.1	8.7%	4 years
Supplier E	Fire engineering and installation and car rental business	Fire engineering works	N/A	Telegraphic transfer	944.5	4.1%	3 years
<b>Total:</b>					<b>18,625.3</b>	<b>80.9%</b>	

---

## BUSINESS

---

**Year ended 31 December 2017**

Name of supplier	Principal business	Products or services provided to our Group	Credit terms (days)	Payment method	Total purchase from our Group (RMB'000)	Approximate percentage to the total purchase of our Group	Years of relationship with our Group (approximately)
Supplier B	Interior decoration works	Decoration works of the dormitory building	N/A	Telegraphic transfer	5,896.1	34.6%	2 years
Supplier F	Interior design and decoration works, sale of construction and decoration materials and chemicals, landscape engineering	Decoration works of the dormitory building	N/A	Telegraphic transfer	4,101.3	24.0%	4 years
Supplier G	Retail of diesel and gasoline	Gasoline and diesel	N/A	Telegraphic transfer	1,911.3	11.2%	3 years
Supplier A	Building construction works	Construction works for the dormitory building	10-30	Telegraphic transfer	1,443.3	8.5%	4 years
Supplier H	Individual	Catering services	N/A	Telegraphic transfer	1,106.7	6.5%	3 years
<b>Total:</b>					<b>14,458.7</b>	<b>84.8%</b>	

---

## BUSINESS

---

**Year ended 31 December 2018**

Name of supplier	Principal business	Products or services provided to our Group	Credit terms (days)	Payment method	Total purchase from our Group (RMB'000)	Approximate percentage to the total purchase of our Group	Years of relationship with our Group (approximately)
Supplier G	Retail of diesel and gasoline	Gasoline and diesel	N/A	Telegraphic transfer	6,360.4	28.9%	3 years
Supplier F	Interior design and decoration works, sale of construction and decoration materials and chemicals, landscape engineering	Decoration works of the dormitory building	N/A	Telegraphic transfer	6,015.2	27.4%	4 years
Supplier I	Retail of motor vehicles	Motor vehicles	N/A	Telegraphic transfer	3,058.0	13.9%	4 years
Supplier J	Accommodation and catering services	Catering services	N/A	Telegraphic transfer	1,493.7	6.8%	2 years
Supplier K	Retail of motor vehicles	Motor vehicles	N/A	Telegraphic transfer	1,144.0	5.2%	4 years
<b>Total:</b>					<b><u>18,071.3</u></b>	<b><u>82.2%</u></b>	

---

## BUSINESS

---

### Four months ended 30 April 2019

Name of supplier	Principal business	Products or services provided to our Group	Credit terms (days)	Payment method	Total purchase from our Group (RMB'000)	Approximate percentage to the total purchase of our Group	Years of relationship with our Group (approximately)
Supplier G	Retail of diesel and gasoline	Gasoline and diesel	N/A	Telegraphic transfer	1,798.7	35.7%	3 years
Supplier K	Retail of motor vehicles	Motor vehicles	N/A	Telegraphic transfer	1,535.0	30.5%	4 years
Supplier J	Accommodation and catering services	Catering services	N/A	Telegraphic transfer	788.9	15.7%	2 years
Supplier L	Retail of diesel and gasoline	Gasoline and diesel	N/A	Telegraphic transfer	302.5	6.0%	2 years
Supplier M	Retail of diesel and gasoline	Gasoline and diesel	N/A	Telegraphic transfer	280.0	5.6%	4 years
<b>Total:</b>					<b>4,705.1</b>	<b>93.5%</b>	

To the best knowledge of our Directors, none of our Directors, their respective close associates or any of the Shareholders holding more than 5% of the Shares have any interest in any of our Group's five largest suppliers.

### QUALITY ASSURANCE

We believe that the quality of our services plays an important role in maintaining our competitiveness in the market and is one of the key attractions for our trainees. Therefore, we have implemented the following measures to maintain our service quality:

- (a) we only recruit such driving instructor who possesses extensive driving experience and has no driving record of having breached any material traffic rules and regulations. Moreover, we have a stringent hiring process requiring the candidates to provide their background information including education, employment history, driving licence records, driving records and other relevant information. Then, we arrange for interviews between the candidates, the head of our driving instructor team and/or our senior management to better understand the candidates' personality, presentation skills and driving experience to see if they are suitable for our Group. The candidate's driving records are also verified with relevant governmental authority;
- (b) we provide introductory training of one week to our driving instructors to ensure that they possess necessary knowledge and teaching skills before they deliver driving training to our trainees. Moreover, we also offer continuing training to our driving instructors so that they can keep abreast of the teaching techniques and skills;

---

## BUSINESS

---

- (c) we also obtain feedback from our trainees for assessing the performance of our driving instructors and our courses contents to maintain service quality and ensure effective learning of driving skills. During the Track Record Period, we did not receive any serious complaint regarding our service quality and integrity of our driving instructors. Further, we evaluate teaching performance of our driving instructors from time to time to ensure that they deliver training services to our trainees in accordance with our instructions and requirements;
- (d) we set up a supervision committee for each of our schools. Such supervision committees are led by the school principals of our driving schools and are responsible for supervising and monitoring the operation of our schools including performance of our driving instructors and learning progress of our trainees; and
- (e) our trainees' learning progress and training hours are recorded by our driving instructors according to our guidelines and we review the training records of our trainees to assess the structure and contents of our driving courses from time to time, review and evaluate the length of our driving courses and our course fees, determine whether to introduce new driving courses and consider how we can enhance our teaching techniques and skills and learning effectiveness of our trainees.

### INFORMATION MANAGEMENT SYSTEMS

We have our own computerised accounting system for business purposes. As at the Latest Practicable Date, the Driving Training Service Platform, which has been used by our Group for maintaining the training records of our trainees, has been consistent with the Traffic Safety Management Platform in accordance with the applicable laws, rules and regulations. Please refer to the section headed "Regulatory overview" in this prospectus for details of the applicable laws, rules and regulations.

### PERSONAL DATA PROTECTION

In the course of our operations, our Group may come into possession of certain personal information of our trainees, such as their names, citizen's identity numbers, examination dates and training records (the "**Personal Information**"). We regard the Personal Information as confidential and prohibit the disclosure of such information to parties unrelated to our operations.

In particular, we have implemented the following internal control measures to avoid security breach, loss, intrusion or theft of the Personal Information:

- (a) documents containing the Personal Information are kept and archived in locked cabinets of our registration centres or document rooms secured by locks and are administered by designated members of staff;
- (b) access to Personal Information is restricted to relevant personnel on an as-needed basis;
- (c) access to secured document rooms requires prior written approval from the supervising manager(s) and must be recorded in a register which is subject to monthly review;

---

## BUSINESS

---

- (d) our registration centres and secured document rooms are equipped with fire extinguishers;
- (e) Personal Information in our computer information systems is stored in our office computers, which are protected by anti-virus software and firewall; data in our computer information systems are backed up periodically; and
- (f) access to each individual computer is restricted to specific user(s) who is assigned with unique login ID and password.

### COMPETITION

We operate in a highly competitive industry. According to the Frost & Sullivan Report, there were over 1,500 driving schools in Henan Province and 76 driving schools in Zhumadian City in 2018. We had a market share of approximately 7.2% in Zhumadian City in terms of revenue in 2018 and a market share of approximately 33.8% in Zhumadian City in terms of revenue generated from the provision of driving courses for Large Vehicles in 2018. According to the Frost & Sullivan Report, we had a market share of approximately 0.8% in Henan Province in terms of revenue in 2018. The market players generally compete on their capital resources, brand images and qualities of driving instructors. Our Directors believe that our core competence, being our competitive strengths, as illustrated in the paragraph headed “Our competitive strengths” in this section have enabled us to stand out from our competitors in the industry.

Please refer to the section headed “Industry overview” in this prospectus for details of the competitive landscape of the industry.

### PROPERTY

#### Land

As at the Latest Practicable Date, we owned two parcels of adjoining land with a total site area of approximately 105,261 sq.m. The following table sets forth a summary of such land use rights:

No.	Land use right owner	Description/Location	Gross site area	Existing use	Expiry date
1.	Tong Tai School	Chu Tang Xiang, Baililiu Village, Suiping County, Zhumadian City, Henan Province, the PRC	Approximately 30,009 sq.m.	Driving school	1 February 2056
2.	Tong Tai School	Chu Tang Xiang, Baililiu Village, Suiping County, Zhumadian City, Henan Province, the PRC	Approximately 75,252 sq.m.	Driving school	1 February 2056

---

## BUSINESS

---

### Building

As at the Latest Practicable Date, we had the building ownership certificate for the following building:

Property owner	Description/Location	Gross floor area	Existing use
Tong Tai School	A 5-storey office building located at Chu Tang Xiang, Baililiu Village, Suiping County, Zhumadian City, Henan Province, the PRC	Approximately 5,103 sq.m.	Office

As at the Latest Practicable Date, we were in the course of obtaining the building ownership certificate for the following building:

Property owner	Description/Location	Gross floor area	Existing use and planned use
Tong Tai School	A 12-storey dormitory building located at Chu Tang Xiang, Baililiu Village, Suiping County, Zhumadian City, Henan Province, the PRC	Approximately 16,810 sq. m.	Dormitory

### Leased land

As at the Latest Practicable Date, we leased two parcels of land with a total site area of approximately 48,000 sq.m. from Independent Third Parties.

---

## BUSINESS

---

The following table sets forth a summary of such parcels of land:

No.	Lessee	Description/Location	Gross site area	Existing use	Term of current lease
1.	Shun Da School	The Former Iron Yard, Zhao Chen Village Committee West, Hexing Town, Suiping County, Zhumadian City, Henan Province, the PRC	Approximately 41,000 sq.m.	Driving school	From 15 August 2012 to 16 August 2032
2.	Shun Da School	Western part of Vehicle Administration Courtyard in the Public Security Bureau, Traffic Police Battalion, Suiping County, Zhumadian City, Henan Province, the PRC	Approximately 7,000 sq.m.	Driving school	From 1 April 2014 to 31 March 2019 (extended for a term of five years until 31 March 2024)

### Leased property

As at the Latest Practicable Date, we leased one property with a total gross floor area of approximately 65 sq.m. from an Independent Third Party. The following table sets forth a summary of such property:

Lessee	Description/Location	Gross floor area	Existing use	Term of current lease
Shun Da School	No 4&5 Shops with street frontage, Western part of Vocational Education Centre, Suiping County, Zhumadian City, Henan Province, the PRC	Approximately 65 sq.m.	Registration centre	From 1 August 2018 to 31 July 2024

### INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we owned a registered trademark in Hong Kong and a registered trademark in the PRC. Meanwhile, we had two domain names. For details of our trademarks and domain names, please see the section headed “Further information about the business – Intellectual property rights of our Group” in Appendix V to this prospectus.

As at the Latest Practicable Date, we were not involved in any material legal proceedings for infringement on intellectual property rights of any third party, and we were not aware of any pending or threatened material proceedings or claims relating to intellectual property rights against us.

---

## BUSINESS

---

### INSURANCE

We maintain adequate insurance policies to safeguard against risks and unexpected events. We have taken out personal injury insurance, motor vehicle insurance, third-party car accident insurance and accident insurance.

For our PRC operations, we maintain social insurance for our employees according to the relevant laws and regulations of the PRC. Our Directors are of the view that our insurance coverage is adequate for our operations and in line with industry practice. As at the Latest Practicable Date, we had not made, nor been the subject of, any material insurance claim.

### EMPLOYEES

As at 31 December 2016, 2017 and 2018, 30 April 2019 and the Latest Practicable Date, our Group had 141, 173, 371, 351 and 406 employees, respectively. The increase in number of employees of the Group is mainly attributable to the increase in number of driving instructors of the Group. The following table sets forth the number of our employees by functions as at the Latest Practicable Date:

<b>Function</b>	<b>Number of employees</b>
Directors	1
Driving instructors	327
Sale and marketing	26
Finance and accounting	7
Teaching affair office	10
Administration	31
Vehicle management	4
	<hr/>
Total	<u>406</u>

We believe that the quality of our staff plays an important role in maintaining our operation efficiency and service quality. We attract and recruit our personnel through referrals and placement of recruitment advertisements and we enter into employment contracts with them. In order to promote overall efficiency, we provide introductory training for new employees and continuous training to existing employees to familiarise themselves with the requirements of their job and to enhance their knowledge in the latest trends and techniques. In order to promote employee loyalty and retain our employees, we offer attractive remuneration packages to our employees. We pay in respect of our employees in the PRC social security funds including, pension insurance, medical insurance, unemployment insurance, occupational injury insurance, insurance for maternity leave and housing provident fund contributions as required under the PRC laws and regulations.

We maintain good working relationships with our staff and we had not experienced any significant problems with our staff nor had there been any disruptions to our business operations as a result of strikes or other labour disputes during the Track Record Period.

---

## BUSINESS

---

### APPRECIATION AND RECOGNITION

Our Group had received honours and awards from provincial and local authorities in the PRC in recognition of our achievements. The following table sets out the honours and awards received by our Group:

Honour/Award	Awarding body	Our school
Civilised Driving School with Integrity (文明誠信駕校) of 2016	Road Transport Management Bureau of Zhumadian City (駐馬店市道路運輸管理局) and Newspaper Group of Zhumadian City Daily (駐馬店日報報業集團)	Tong Tai School
Road Safety Model Enterprise (“平安交通”建設示範企業) of 2016	Department of Transportation of Henan Province (河南省交通運輸廳)	Tong Tai School
National Civilised, Trustworthy and Quality Service Model Driving Training Institution (全國文明誠信優質服務示範駕培機構) for the year 2016 to 2017	China Road Transport Associations (中國道路運輸協會)	Tong Tai School

### ENVIRONMENTAL MATTERS

Due to the nature of our business, our operational activities do not directly generate industrial pollutants, and we did not directly incur any cost of compliance with applicable environmental protection rules and regulations during the Track Record Period. During the Track Record Period and up to the Latest Practicable Date, we had not received any complaints from any other parties concerning any environmental protection issues. Neither had we experienced any material environmental incidents arising from our operations.

### OCCUPATIONAL HEALTH AND SAFETY

Our operations are subject to regulations and periodic monitoring by local road safety authorities. If we fail to comply with present or future laws and regulations, we would be subject to fines, suspension of business or cessation of operations. We have established work safety policies and procedures to ensure that our operations are in compliance with the applicable road safety laws and regulations.

During the Track Record Period, we did not experience any material accidents in the course of our operations that involved personal or property damages or health or safety related compensation.

---

## BUSINESS

---

### LEGAL PROCEEDINGS

As at the Latest Practicable Date, we were not engaged in any litigation, arbitration, administrative proceedings or claim of material importance pending or threatened by or against us, which could have a material adverse effect on our financial position and results of operations.

### NON-COMPLIANCE

Save as disclosed below, we have complied with the laws and regulations applicable to us in all material aspects during the Track Record Period and up to the Latest Practicable Date. The table below sets forth a summary of certain incidents of historical non-compliance with applicable laws and regulations during the Track Record Period. Our Directors believe that these non-compliance incidents, whether individually or collectively, will not have any material adverse impact on our business, operations or financial condition. In addition, our Controlling Shareholders have agreed to indemnify our Group for all claims, costs, expenses and losses incurred by means of the Deed of Indemnity as a result of the non-compliance incidents set out below.

No.	The Incident and the reasons	Legal consequences	Maximum potential penalty	Rectification measures and internal control
1	<p>During the Track Record Period, we failed to register for social insurance within the prescribed time and to make full contribution to social insurance for the benefit of employees of our Shun Da School and Tong Tai School.</p> <p>The non-compliance occurred mainly due to administrative oversight by the handling person of the administrative department of Shun Da School and Tong Tai School.</p>	<p>Pursuant to the Law on Social Insurance of the PRC, Shun Da School and Tong Tai School are required to: (1) apply for the social insurance registration with the local social insurance agency within 30 days from their respective establishment; (2) make social insurance contributions for the benefit of its employees for the full amount based on their actual salaries which shall cover basic pension insurance, unemployment insurance, basic medical insurance, workplace injury insurance and maternity insurance.</p> <p>As advised by our PRC Legal Advisers, in respect of the late registration and the outstanding social insurance contributions, we may be ordered by the competent authorities to apply for registration and to pay outstanding balance of social insurance contributions within a prescribed period and a late fee of 0.05% of the total outstanding balance per day from the date of such failure of payment. If we fail to do so within the prescribed period, we may be subject to an additional fine ranging between one to three times of the total outstanding balance.</p>	<p>We estimated that the aggregate outstanding balance of social insurance contributions of Shun Da School during the year ended 31 December 2016 to be approximately RMB0.3 million. As for Tong Tai School, the estimated aggregate amount of outstanding balance of social insurance contributions during the year ended 31 December 2016 was approximately RMB0.9 million.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the competent authorities requiring us to make the outstanding social insurance contributions or pay any administrative penalties; and we had not received any employee's complaints or demands for payment of social insurance contributions.</p> <p>We have obtained written confirmations from the competent authorities, namely, Suiping County Corporate Pension Insurance Centre (遂平縣企業養老保險中心), Suiping County Work Place Injury Insurance Administrative Station (遂平縣工傷保險事業管理所), Suiping County Social Medical Insurance Centre (遂平縣社會醫療保險中心) and Suiping County Unemployment Insurance Station (遂平縣失業保險所), that regarding the non-compliances of our Shun Da School and Tong Tai School in respect of the period from their respective date of establishment up to 31 December 2016, no demand for payment of outstanding social insurance contributions for such period would be made and no administrative penalties would be imposed on our Shun Da School and Tong Tai School. Furthermore, since 1 January 2017, our Shun Da School and Tong Tai School have been making full social insurance contributions in accordance with the applicable laws and regulations of the PRC on a timely basis and in full compliance with the relevant laws and regulations of the PRC regarding social insurance.</p>

---

## BUSINESS

---

No.	The Incident and the reasons	Legal consequences	Maximum potential penalty	Rectification measures and internal control
				<p data-bbox="1098 310 1401 612">As advised by our PRC Legal Advisers, the risk that we will be subject to demand for outstanding social insurance payment regarding the period prior to 1 January 2017 and administrative penalties in respect of our failure to apply for social insurance registration within the prescribed period and failure to make contributions for the period prior to 1 January 2017 by the competent authorities is remote based on the above confirmations.</p> <p data-bbox="1098 651 1401 1002">As confirmed by the above written confirmations, our Shun Da School and Tong Tai School have completed the registration with the local social insurance agency in September 2016 and we have been making full contribution to social insurance starting from 1 January 2017. As advised by our PRC Legal Advisers, since 1 January 2017, we have been in full compliance with the relevant laws and regulations of the PRC regarding social insurance according to the above confirmations by the competent authorities.</p> <p data-bbox="1098 1040 1401 1240">Our Controlling Shareholders have entered into the Deed of Indemnity indemnifying us against all claims, charges, fines, settlement payments and any associated costs and expense which would be incurred or suffered by our Group in connection with the aforesaid past non-compliance.</p> <p data-bbox="1098 1278 1401 1674">We have designated Mr. Zhang Changling, who is responsible for human resources management to keep track of the contribution schedules of social insurance and to work closely with our finance department to ensure that our Group will fully comply with the relevant laws and regulations and to make full contributions in a timely manner. Furthermore, we have designated our executive Director, Ms. Zhao Yuxia, to closely monitor our on-going compliance with social insurance contribution obligations and oversee the implementation of any necessary measures.</p>

## BUSINESS

No.	The Incident and the reasons	Legal consequences	Maximum potential penalty	Rectification measures and internal control
2	<p>During the Track Record Period, we failed to register for housing provident fund within the prescribed time and to make full contribution to the housing provident fund for employees of our Shun Da School and Tong Tai School.</p> <p>The non-compliance occurred mainly due to administrative oversight by the handling person of the administrative department of Shun Da School and Tong Tai School.</p>	<p>Pursuant to the Regulation on the Administration of Housing Provident Fund, Shun Da School and Tong Tai School are required to: (1) register for housing provident fund with local housing provident fund management centre within 30 days of their respective establishment; (2) open an account with a bank designated by the aforesaid authority for the deposit of employees' housing provident fund within 20 days of such registration; and (3) make housing provident fund contributions for the benefit of its employees for the full amount based on their actual salaries.</p> <p>As advised by our PRC Legal Advisers, (i) in respect of the late registration and the late opening of the designated bank account, we may be ordered by the competent authority to carry out rectifications within a prescribed period, failing which we may be subject to a penalty of between RMB10,000 to RMB50,000; and (ii) if we fail to make full contributions to the housing provident fund, we may be ordered by the competent authority to make full contribution within a prescribed period, failing which the competent authority may make an application to the People's Court for compulsory enforcement.</p>	<p>We estimated that the aggregate outstanding amount of housing provident fund contribution of Shun Da School during the year ended 31 December 2016 to be approximately RMB96,000. As for Tong Tai School, the estimated aggregate amount of outstanding housing provident fund contributions during the year ended 31 December 2016 was approximately RMB0.3 million.</p> <p>Shun Da School and Tong Tai School may each be subject to the maximum penalty from RMB10,000 to RMB50,000 as a result of the past non-compliance incidents.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, we had not received any notification from the competent authority requiring us to make the outstanding housing provident fund contributions or pay any administrative penalties, and we had not received any employee's complaints or demands for payment of housing provident fund contributions.</p> <p>Our PRC Legal Advisers have conducted a face-to-face interview with the competent authority, Zhumadian City Housing Provident Fund Management Centre – Suiping County Management Department (駐馬店市住房公積金管理中心遂平縣管理部), and was advised that no demand for payment of the outstanding contributions to the housing provident fund would be made and no penalty would be imposed on our Shun Da School and Tong Tai School in respect of the non-compliances. In addition, we have obtained written confirmations from the said competent authority that since the opening of the designated bank account by Shun Da School and Tong Tai School respectively, our Shun Da School and Tong Tai School have been making full contributions to the housing provident fund in accordance with the applicable laws and regulations of the PRC on a timely basis and in full compliance with the relevant laws and regulations regarding housing provident fund.</p> <p>As advised by our PRC Legal Advisers, the risk that we will be subject to demand for outstanding contribution regarding the period prior to 31 December 2016 and the administrative penalties in respect of our failure to register for housing provident fund within prescribed time by the competent authority is remote based on the above confirmations.</p>

---

## BUSINESS

---

No.	The Incident and the reasons	Legal consequences	Maximum potential penalty	Rectification measures and internal control
				<p data-bbox="1098 310 1398 768">As confirmed by the above written confirmation, our Shun Da School and Tong Tai School have completed the registration with the Zhumadian City Housing Provident Fund Management Centre – Suiping County Management Department and opened designated accounts for housing provident funds in December 2016 and we have been making full contribution to the housing provident fund starting from 1 January 2017. As advised by our PRC Legal Advisers, since 1 January 2017, we have been in full compliance with the relevant laws and regulations of the PRC regarding housing provident fund according to the above confirmations by the competent authority.</p> <p data-bbox="1098 800 1398 1002">Our Controlling Shareholders have entered into the Deed of Indemnity indemnifying us against all claims, charges, monetary fines, settlement payments and any associated costs and expense which would be incurred or suffered by our Group in connection with the aforesaid past non-compliance.</p> <p data-bbox="1098 1034 1398 1438">We have designated Mr. Zhang Changling, who is responsible for human resources management to keep track of the contribution schedules of housing provident fund and to work closely with our finance department to ensure that our Group will fully comply with the relevant laws and regulations and to make full contributions in a timely manner. Furthermore, we have designated our executive Director, Ms. Zhao Yuxia, to closely monitor our on-going compliance with housing provident fund contribution obligations and oversee the implementation of any necessary measures.</p>

## BUSINESS

No.	The Incident and the reasons	Legal consequences	Maximum potential penalty	Rectification measures and internal control
3	<p>During the Track Record Period and as at the Latest Practicable Date, there were various temporary structures erected on the land occupied by Shun Da School and Tong Tai School in respect of which we did not obtain permits from the relevant local authority in accordance with the relevant PRC laws and regulations.</p> <p>The temporary structures of Shun Da School consisted of 20 metal shacks constructed in 2012, covering an area of approximately 490 sq.m. at a total construction cost of approximately RMB0.2 million. We use the 20 metal shacks as offices for storage of office supplies and equipment. The temporary structures of Tong Tai School consisted of three single-storey buildings constructed in 2014 and 2016, covering an area of approximately 759 sq.m. at a total construction cost of approximately RMB0.4 million. We use two temporary structures as canteen and common room and the other as office for our vehicle management.</p> <p>The non-compliant temporary structures were constructed without first obtaining the relevant construction permit due to our misunderstanding that such temporary structures, which are all simple structures, did not require construction permit from the local authority.</p>	<p>Pursuant to the Urban and Rural Planning Law of the PRC, the approval from the local urban and rural planning authority shall be obtained before the construction of temporary structure in the land planning area. The specific regulatory measures implemented for the temporary construction and temporary land use planning shall be formulated by the provincial people's governments. Pursuant to the Regulations on Henan Provincial Implementation of Urban and Rural Planning Law of the PRC (河南省實施《中華人民共和國城鄉規劃法》規定), where a person desires to construct a temporary structure, he shall apply to the local urban and rural planning authority for temporary land use permit and temporary construction permit. The usage period of the temporary structure is generally valid for a period not exceeding two years, and unless extended by the authority for a term of not exceeding one year, the owner shall unconditionally demolish the temporary structures upon expiry of the validity of the usage period.</p> <p>As advised by our PRC Legal Advisers, where (i) the construction permit has not been obtained, (2) the construction is not in compliance with the permit; or (3) the temporary structure is not demolished upon the expiry of the validity of the usage period, the local competent authority may order the demolition of the temporary structures and may further impose a penalty of not exceeding 100% of the total construction cost.</p>	<p>Accordingly, our Shun Da School and Tong Tai School may be ordered to demolish the temporary structures and also be ordered to pay penalty of up to RMB0.2 million and RMB0.4 million respectively.</p>	<p>During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by the relevant authority to demolish the temporary structures.</p> <p>We have previously obtained written confirmations issued by the competent authority, Suiping County People's Government Planning Office (遂平縣人民政府規劃辦公室) that it would not make any order for the demolition of the temporary structures of Shun Da School and Tong Tai School for a period of 2 years from 9 May 2017 and would not impose any penalty or other enforcement actions against Shun Da School and Tong Tai School in respect of the construction and usage of the temporary structures.</p> <p>We demolished the temporary structure used as canteen at Tong Tai School in July 2017 and we have engaged a qualified examiner, who is competent to give opinion on the safety of construction works as advised by our PRC Legal Advisers, to conduct an examination on the remaining temporary structures, which confirmed that the remaining temporary structures had no safety issues.</p> <p>In March 2018, we made an application to Suiping County Urban Development Department (遂平縣城市建設局) for the demolition of the temporary structures of Shun Da School and Tong Tai School. Subsequently, on 19 October 2018, we were notified in writing by confirmation by Suiping County People's Government Planning Office that, after joint assessment by Suiping County People's Government Planning Office, Suiping County Environmental Protection Department (遂平縣環境保護局) and Suiping County Housing and Urban-Rural Development Department (遂平縣住房和城鄉建設局), (i) the plan for demolishing the aforesaid temporary structures shall not be implemented; (ii) it would not make any order for the demolition of the temporary structures of Shun Da School and Tong Tai School for a period of 2 years from the date of the said notification and would not impose any penalty or other enforcement action against Shun Da School and Tong Tai School in respect of the construction and usage of the temporary structures; and (iii) we shall report to Suiping County People's Government Planning Office after 2 years from the date of the notification.</p>

---

## BUSINESS

---

No.	The Incident and the reasons	Legal consequences	Maximum potential penalty	Rectification measures and internal control
				<p data-bbox="1098 342 1414 544">As advised by our PRC Legal Advisers, we will not be ordered to demolish the temporary structures within a period of two years from 19 October 2018 and will not be subject to any penalty or other enforcement actions for the construction or usage of the temporary structures according to the above confirmation.</p> <p data-bbox="1098 572 1414 774">Our Directors are of the view that as the temporary structures are mainly used for storage and ancillary facilities for which our main office buildings would be able to accommodate, the demolition of the temporary structures would not have any material effect on our business operations.</p> <p data-bbox="1098 802 1414 1004">Our Controlling Shareholders have entered into the Deed of Indemnity indemnifying us against all claims, charges, monetary fines, settlement payments and any associated costs and expense which would be incurred or suffered by our Group in connection with the aforesaid past non-compliance.</p> <p data-bbox="1098 1032 1414 1596">We have enhanced our internal control policy in May 2017 to ensure our compliance with the applicable laws and regulations. For any proposed construction works in the future, whether it is of temporary or permanent nature and irrespective of whether it is a simple structure, we will require our appointed building contractor to obtain all necessary approvals and permits in accordance with all the applicable laws and regulations and to provide documentary evidence of all necessary approvals and permits before the commencement of any construction works, and if considered appropriate, we will consult our legal advisers on the proposed construction works before commencing any works. For the demolition of the aforesaid temporary structures, we will provide further updates to the Stock Exchange as and when appropriate.</p>

Our Directors consider that the non-compliance incidents disclosed above would not affect the suitability of our Directors to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules nor our suitability of the Listing under Rule 8.04 of the Listing Rules, having taken into account the factors that: (i) our Group has fully rectified or have taken steps to rectify all of the non-compliance incidents; (ii) our Group has implemented the internal control measures to avoid recurrence of the non-compliance incidents; (iii) there was no reoccurrence of similar non-compliance incidents since the

---

## BUSINESS

---

implementation of the internal control measures; and (iv) the non-compliance incidents were unintentional, and did not involve any dishonesty or fraudulent act on the part of our Directors which would raise any issue on to the integrity of our Directors.

### INTERNAL CONTROL

We have designated appropriate personnel in our Group to monitor the on-going compliance by our Group with the relevant PRC laws and regulations which govern our business operations and oversee the implementation of any necessary measures. Our Board will review our internal control policies and their implementation at regular intervals. In addition, we plan to provide our Directors, senior management and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to identifying any potential non-compliance. Since 1 January 2017, we have been in full compliance with the relevant PRC laws and regulations relating to the social insurance and housing provident fund.

In addition, we have appointed Mr. Tsang Chi Hon as our company secretary, who has extensive experience in audit and accounting and is also familiar with the provisions of the Listing Rules, and will advise our Company on matters such as corporate governance and compliance with the Listing Rules. For further details of Mr. Tsang's qualifications and experiences, please refer to the section headed "Directors and senior management" in this prospectus.

We have engaged Moore Stephens Advisory Services Limited, an independent professional party, as our internal control consultant ("Internal Control Consultant"), to review our internal control and risk management systems, so that we could improve our overall internal control system. The internal control review covered areas including corporate governance, financial reporting and information disclosure and operation control. In January 2017, our Internal Control Consultant conducted an initial internal control review and provided some recommendations for enhancement of the internal control systems. Our Internal Control Consultant also performed a follow-up review and confirmed that our Group has implemented the remedial actions as recommended by the Internal Control Consultant. The Internal Control Consultant further confirmed that it has no further recommendation on enhancement of our Group's internal control systems.

Taking into account the rectification measures taken by us in connection with the non-compliance incidents disclosed in the paragraph headed "Non-compliance" above and the above internal control measures, we believe our current internal control system is appropriate for our business operations. Our Board will regularly review the administration and the adequacy of our internal control policies and develop and revise our internal control policies to cater for our expansion.

### RISK MANAGEMENT

Our management has established and implemented a risk management policy to address potential risks associated with our business operations, including strategic risk, operational risk, financial risk and legal compliance risk. Our risk management policy sets forth procedures to identify, analyse, categorise, mitigate and monitor various risks. Our management is responsible for the oversight of the overall risk management as well as the assessment and update of our risk management policy on an annual basis. Our risk management policy also sets forth the reporting of hierarchy risks identified, if any, in our operations.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

### DIRECTORS

Our Board presently consists of six Directors including two executive Directors, one non-executive Director and three independent non-executive Directors. The following table sets out the brief information regarding our Directors:

Name	Age	Date of joining our Group	Position	Date of appointment as Director	Roles and responsibility	Relationship with other Directors and/or senior management
Mr. Qi Xiangzhong (齊向中)	42	25 December 2012	Founder, Chairman and executive Director	22 February 2017	Major decision-making, overall strategic planning and determining corporate policies and general management of our Group	Nil
Ms. Zhao Yuxia (趙玉霞)	48	1 May 2014	Executive Director, chief executive officer and chief financial officer	22 May 2017	Overall management of our business operation as well as financial planning of operations of our Group	Nil
Dr. Yeung Cheuk Kwong (楊卓光)	56	8 June 2018	Non-executive Director	8 June 2018	Responsible for advising on finance and investor relationship of our Group	Nil
Mr. Chan Siu Wah (陳小華)	45	19 September 2019	Independent non-executive Director	19 September 2019	Supervising and providing independent judgment to our Board	Nil
Mr. Cheng Chun Shing (鄭鎮昇)	45	19 September 2019	Independent non-executive Director	19 September 2019	Supervising and providing independent judgment to our Board	Nil
Mr. Goh Teng Hwee (吳挺飛)	53	19 September 2019	Independent non-executive Director	19 September 2019	Supervising and providing independent judgment to our Board	Nil

### Executive Directors

**Mr. Qi Xiangzhong (齊向中)**, aged 42, our Controlling Shareholder, was appointed as a Director on 22 February 2017. He was redesignated as an executive Director and was appointed as the Chairman on 22 May 2017. He is primarily responsible for major decision-making, overall strategic planning and determining corporate policies and general management of our Group.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

In December 2012 and April 2014, he as a founder established Shun Da School and Tong Tai School, respectively. He has served as the executive director and legal representative of Tong Tai School and Shun Da School and the executive director, general manager and legal representative of Tongtai Cultural since their respective establishments. Throughout the entire period of his directorship in our Group, Mr. Qi has been heavily involved in, and played a critical role in, the development of our Group's business.

Prior to the establishment of our Company, Mr. Qi has accumulated 12 years of experience in business management. From July 1998 to June 2004, Mr. Qi served at Suiping Hexing Town Health Centre\* (遂平縣和興鄉衛生院) and the last position of Mr. Qi held at such health centre was physician (醫務人員), responsible for giving diagnosis to patients. From October 2004 to April 2012, Mr. Qi served as a vice general manager and sales director, responsible for corporate management, sales business and sales planning, of Jiaozuo City Yuntai Mountain Pharmaceutical Company Limited\* (焦作市雲台山醫藥股份有限公司), which is a company principally engaged in the wholesale of medicines. From November 2013 to February 2017, Mr. Qi was the sole shareholder and a person-in-charge, responsible for business management, of Suiping County Bama Tea Shop\* (遂平縣八馬茶業店), which was an enterprise engaged in the food retail business. Since May 2012, Mr. Qi has been an investor and a person-in-charge, responsible for business development and management, of Suiping County Zhutangxiang Gangguanzhuan Village Huanyu Environment Construction Material Factory\* (遂平縣褚堂鄉崗官莊村環宇環保建材廠), which is engaged in the manufacturing and sale of powder ash air-entrained bricks. Since June 2014, Mr. Qi has been a shareholder and a person-in-charge, responsible for business development and management, of Suiping County Changfeng Plant Cultivation Cooperative\* (遂平縣長豐種植專業合作社), which is engaged in the purchase of agricultural products.

Mr. Qi graduated from Kaifeng Medical School\* (開封醫學高等專科學校) (now known as Henan Province University\* (河南大學)) with a Higher Diploma in Clinical Medicine in July 1998. Mr. Qi further obtained the PRC medical practitioner qualification (執業醫師資格) from Henan Provincial Department of Health\* (河南省衛生廳) in December 2005 and the PRC practising certificate of medical practitioner\* (執業醫師執業證書) from Zhumadian City Bureau of Health\* (駐馬店市衛生局) in December 2006.

Mr. Qi was awarded with several prizes and titles including the Honorary President of WuFang Volunteer Federation\* (吳房義工聯合會名譽會長) in February 2016; Advanced Worker of 2015 and 2016\* (2015及2016年度先進工作者) awarded by Henan Province Road Transport Association\* (河南省道路運輸協會) in March 2016 and February 2017 respectively; the Manager of "Civilised, Trustworthy and Quality Service"\* (「文明誠信、優質服務」經理人) by China Road Transport Associations (中國道路運輸協會) in August 2017; the Special Contribution Award\* (特別貢獻獎) by Junior Chamber of Zhumadian City\* (駐馬店市青年商會) in February 2018; the "May 1st Labour Medal"\* (五一勞動獎章) by the Labour Union of Zhumadian City\* (駐馬店市總工會) in April 2018; The Outstanding Constructor of Socialism with Chinese Characteristics of the 2nd Zhumadian City Non-State Operated Economic Person\* (第二屆駐馬店市非公有制經濟人士優秀中國特色社會主義事業建設者) and The Model Labour and Pioneer Worker of Zhumadian City\* (駐馬店市勞動模範先進工作者) by the Chinese Communist Party Municipal Committee of The People's Government of Zhumadian City\* (中共駐馬店市委) in November 2018 and April 2019 respectively. Mr. Qi was appointed as a member of the 3rd executive committee of Zhumadian City Federation of Industry and Commerce\* (駐馬店市工商聯合會) in March 2016 and a member, standing member and vice president of the 7th executive committee of Suiping County Federation of Industry and Commerce\* (遂平縣工商聯合會) in May 2016. Also, Mr. Qi was appointed as the chairman of the Driver

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Training Service Industry Council of the Zhumadian City Road Transport Association\* (駐馬店市道路運輸協會駕駛員培訓行業協會理事長) in March 2017. In addition, Mr. Qi is elected as a deputy to the 4th Zhumadian City People's Congress (駐馬店市第四屆人民代表大會代表) in April 2017.

**Ms. Zhao Yuxia (趙玉霞)**, aged 48, was appointed as a Director on 22 May 2017. She was redesignated as an executive Director and was appointed as the chief executive officer and the chief financial officer of our Group on 22 May 2017. She is primarily responsible for overall management of our business operation as well as financial planning of operations of our Group.

In May 2014, she joined our Group as the financial controller of Tong Tai School, and was responsible for our Group's financial management. From December 1992 to July 2001, Ms. Zhao served as a financial audit assistant, responsible for handling audit work and preparing financial statements and audited reports, of Suiping County Audit Firm\* (遂平縣審計師事務所), which is an accounting firm in the PRC. From August 2001 to September 2009, Ms. Zhao served as a financial audit assistant, responsible for handling audit work, of Suiping County Yongxing Joint Audit Firm\* (遂平縣永興聯合會計師事務所), which is an accounting firm in the PRC. From October 2009 to April 2014, Ms. Zhao was a finance manager, responsible for overseeing the accounting and financial management, of Zhumadian City Hongyuan Packing Company Limited\* (駐馬店宏遠包裝有限公司), which is a company principally engaged in the sales of cardboards and paper.

Ms. Zhao obtained a Diploma in Corporate Finance and Accounting from Anyang City Accounting School\* (安陽市財會學校) in July 1992. She further completed an Accounting Program from Henan Province School of Economic\* (河南財經學院) (now known as Henan Province University of Economics and Law\* (河南財經政法大學)) in June 1997 and obtained the Assistant Accountant\* (助理會計師) Qualification from the Ministry of Finance of the PRC\* (中華人民共和國財政部) in December 1997.

### **Non-executive Director**

**Dr. Yeung Cheuk Kwong (楊卓光)**, aged 56, was appointed as a Director on 8 June 2018 and was re-designated as a non-executive Director on 19 September 2019. He is primarily responsible for advising on finance and investor relationship of the Group.

Dr. Yeung is a member of the Hong Kong Institute of Certified Public Accountants. He has extensive experience and knowledge in corporate finance, corporate governance and investment in various asset classes, such as fixed income securities and equities. From October 1995 to April 2000, Dr. Yeung served as the executive director of Great Wall Electronic International Limited (now known as EPI (Holdings) Limited) (Stock code: 689), a company whose shares are listed on the Main Board of the Stock Exchange and was principally engaged in manufacture of consumer electronic products. He was responsible for corporate planning, business development, information technology strategy, financing activities, accounting function and supervision. From April 2000 to January 2010, Dr. Yeung was the chief financial officer and company secretary of Ngai Lik Industrial Holdings Limited (now known as Yuan Heng Gas Holdings Limited) (Stock code: 332). He also served as the executive director of the said company from April 2000 to February 2010. The said company is listed on the Main Board of the Stock Exchange and was previously engaged in investment holding. Its subsidiaries were principally engaged in design, manufacture and sales of electronic products and sales of motorcycle parts. He oversaw the finance and accounting, legal affairs, human resources, general administration, information technology and corporate planning and development.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

From January 2014 to July 2014, Dr. Yeung was an adviser to China Internet and its subsidiaries. Since July 2014, he has served as the chief executive officer of China Internet, the holding company of Greater Sino. China Internet is principally engaged in investment in equity securities and debt securities. He was responsible for the day-to-day management, strategic planning and the execution of the strategic decisions. Since February 2016, Dr. Yeung has also been one of the licensed representatives of Silverstone Investments Limited, a corporation licensed by the SFC to carry on Type 9 (asset management) regulated activities under the SFO. He has been responsible for investment management advisory. Since December 2017, Dr. Yeung has been appointed as the Adjunct Professor of Zhongnan University of Economics and Law, the PRC.

Dr. Yeung graduated with a Professional Diploma in Accountancy with distinction from Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1986. He further obtained a Bachelor degree of Science in Economics from the University of London, the United Kingdom, in August 1990, a Master degree of Laws in Corporate and Financial Law from The University of Hong Kong in November 2007, a Bachelor degree of Law from The Manchester Metropolitan University, the United Kingdom, in July 2008, a Master degree of Science in Finance and a Doctor degree of Business Administration from the City University of Hong Kong in October 2010 and July 2014, respectively.

He was admitted as a Certified Public Accountant of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountant) in January 1991, a Fellow Member of the Association of Chartered Certified Accountants in October 1994, an Associate Member of the Institute of Chartered Accountants in England and Wales in February 2006, and a full member of CPA Australia in July 2018.

Dr. Yeung has served as an executive committee member of Hong Kong Electronics Industry Council under the Federation of Hong Kong Industries since July 2015.

Since 1 August 2015, Dr. Yeung has served as the director of Greater Sino, a substantial Shareholder.

### **Independent Non-executive Directors**

**Mr. Chan Siu Wah (陳小華)**, aged 45, was appointed as an independent non-executive Director on 19 September 2019 and is mainly responsible for supervising and providing independent judgment to our Board.

Mr. Chan is a member of the Hong Kong Institute of Certified Public Accountants and has over 20 years of experience in accounting and finance. From August 1996 to April 2000, Mr. Chan worked in W.M. Sum & Co., an accounting firm, as an auditor and was responsible for performing audit and taxation assignments. Mr. Chan then joined Arthur Andersen Hong Kong as an experienced staff accountant in May 2000 and as a senior in September 2001 in the Assurance and Business Advisory Services Department. From July 2002, subsequent to the combination of PricewaterhouseCoopers Ltd. and Arthur Andersen Hong Kong practices, Mr. Chan was transferred to PricewaterhouseCoopers Ltd. as a senior associate, responsible for taking charge of a group of audits. Mr. Chan left PricewaterhouseCoopers Ltd. in January 2003 as a senior associate. From February 2003 to August 2007, Mr. Chan joined Sunray Holdings Limited as a financial controller and was responsible for taking charge of group accounting, financial reporting and listing compliance matters. Sunray Holdings Limited had been listed on the Main Board of the Singapore Exchange

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Securities Trading Limited between November 2003 and March 2014, principally engaged in the development, manufacturing and marketing of medical systems and consumables for the women's healthcare market in the PRC. From October 2007 to April 2012, Mr. Chan served as the financial controller and joint company secretary of Dukang Distillers Holdings Limited where he was responsible for the financial reporting and company secretarial matters. Dukang Distillers Holdings Limited has been listed on the Main Board of the Singapore Exchange Securities Trading Limited since September 2008, whose principal business is the production and sales of Chinese white wine. From April 2012 to August 2013, Mr. Chan served as an audit manager in S.W. Chan & Co., an accounting firm, and was responsible for performing audit, taxation and company secretarial services. Since July 2013, Mr. Chan has served as a director and practicing certified public accountant at Alliance Ascent CPA Limited and is responsible for overseeing the development and operation of the accounting firm.

Mr. Chan graduated with a degree of Bachelor of Business Administration in Accounting and Finance from The University of Hong Kong in November 1996 and received the Master of Corporate Governance degree from The Hong Kong Polytechnic University in October 2011.

Mr. Chan was admitted as a member and was further admitted as a fellow member of The Association of Chartered Certified Accountants in October 1999 and October 2004 respectively. Mr. Chan was admitted as an associate member of the Hong Kong Society of Accountants (now known as the Hong Kong Institute of Certified Public Accountants) in March 2000. Subsequently, Mr. Chan was registered as a certified public accountant (practising) in July 2013. Mr. Chan was also admitted as an associate member of The Hong Kong Institute of Chartered Secretaries in April 2012.

**Mr. Cheng Chun Shing (鄭鎮昇)**, aged 45, was appointed as an independent non-executive Director on 19 September 2019 and is mainly responsible for supervising and providing independent judgment to our Board.

Mr. Cheng is a member of the Hong Kong Institute of Certified Public Accountants and has about 20 years of experience in accounting, auditing, corporate financial management and corporate governance. Mr. Cheng had been under the employment of KPMG, Hong Kong from September 1997 to September 2003, with his last position as an assistant manager. He was responsible for audit planning, field auditing, staff supervision and coordinating, preparation of reports and financial statements. From January 2004 to November 2004, Mr. Cheng worked as an accounting officer in the finance department of CLP Power Hong Kong Limited, and was responsible for budgeting and reporting. Subsequently, Mr. Cheng joined Grant Thornton Hong Kong in December 2004 as a manager, and was then promoted to senior manager where he was responsible for preparing corporate financial reports before the merger of business with BDO Limited in January 2011. Following the merger, Mr. Cheng was transferred to BDO Limited and employed as a senior manager until August 2011. Mr. Cheng was appointed as the group financial controller and as company secretary of Sustainable Forest Holdings Limited (Stock code: 723) for the period between November 2011 and December 2014 and between September 2012 and September 2014 respectively, and was mainly responsible for overall accounting and financial reporting matters of the group and for handling the company secretarial matters of the group respectively. Sustainable Forest Holdings Limited (Stock code: 723) is a company listed on the Main Board of the Stock Exchange which was principally engaged in the ownership and management of forest plantation trees, the sale of timber logs and manufacturing of engineered-wood products. From February 2015 to February 2017, Mr. Cheng was appointed as the chief financial officer and company secretary of LC Group Holdings Limited (now known as Hope Life International Holdings

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Limited) (Stock code: 1683), a company listed on the Main Board of the Stock Exchange, which was principally engaged in the provision of one-stop integrated interior design solutions. He was responsible for overseeing the overall financial management of the Company and its subsidiaries and company secretarial matters. Since June 2017, Mr. Cheng has been appointed as an independent non-executive director of Genes Tech Group Holdings Company Limited (Stock code: 8257), a company listed on GEM of the Stock Exchange, which is principally engaged in providing turnkey solutions and trading of used semiconductor manufacturing equipment and parts. Since October 2017 and March 2018 respectively, Mr. Cheng has served as the financial controller and the company secretary of BeijingWest Industries International Limited (Stock code: 2339), a company listed on the Main Board of the Stock Exchange, which is principally engaged in the manufacture and sale of automotive parts and components, trading of automotive parts and components and provision of technical services. He is responsible for the company's and secretarial matters.

Mr. Cheng obtained a Bachelor degree of Arts in Accountancy from The Hong Kong Polytechnic University in November 1997 and a Master degree of Business Administration (Executive Master of Business Administration Programme) from The Chinese University of Hong Kong in November 2018. He was admitted as an associate member of the Hong Kong Society of Accountants (now known as Hong Kong Institute of Certified Public Accountants) in January 2001 and was admitted as a fellow member in October 2014. Mr. Cheng was also admitted as an associate member of The Institute of Chartered Accountants in England and Wales in January 2008 and was admitted as a fellow member in January 2018.

**Mr. Goh Teng Hwee (吳挺飛)**, aged 53, was appointed as an independent non-executive Director on 19 September 2019 and is mainly responsible for supervising and providing independent judgment to our Board.

Mr. Goh has more than 19 years of experience in legal practice. He has been serving as a consultant of Oldham, Li & Nie since November 2000 and is specialised in the area of commercial contracts, civil and criminal litigation.

Mr. Goh attended The Polytechnic of Wales, United Kingdom (now known as University of South Wales) and obtained a Bachelor degree of Laws in June 1990. He subsequently obtained a Master degree of Laws from the University of London, United Kingdom in August 2015. He was admitted to practice law as attorney at law, New York, United States of America, in January 1997. He was then qualified in the United Kingdom and Hong Kong as a solicitor in May 1998 and December 1999, respectively.

Save as disclosed above, none of our Directors:

- (i) held any other positions in our Company or other members of our Group as at the Latest Practicable Date;
- (ii) had any other relationship with any Directors, senior management or substantial Shareholders or Controlling Shareholders of our Company as at the Latest Practicable Date; and
- (iii) held any other directorships in listed public companies in the three years prior to the Latest Practicable Date.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Save as disclosed above, to the best of the knowledge, information and belief of our Directors after having made all reasonable enquiries, there was no other matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders and there was no information relating to our Directors that is required to be disclosed pursuant to Rule 13.51(2)(h) to (v) of the Listing Rules as at the Latest Practicable Date.

### SENIOR MANAGEMENT

The following table sets out certain information concerning members of our senior management:

Name	Date of joining our Group	Age	Position	Roles and responsibility	Relationship with other Directors and/or senior management
Mr. Sun Tao (孫濤)	1 May 2014	50	Head of business department	Overseeing our Group's business operations including trainee enrolment and driving instructor management	Nil
Mr. Zhang Changling (張長嶺)	1 September 2014	63	Head of administration department	Supervising our Group's general logistics and administration work, vehicle maintenance and file management	Nil

**Mr. Sun Tao (孫濤)**, aged 50, joined our Group as a vice principal and the head of business department of Tong Tai School in May 2014. He has been mainly responsible for overseeing our business operations including the enrolment of trainees and driving instructor management.

Prior to joining our Group, Mr. Sun was employed by Zhumadian City Motor Transport Company Limited, Suiping Branch\* (駐馬店市汽車運輸有限公司遂平分公司) as an account clerk between September 1991 and June 1998, and was then promoted to the position of business manager responsible for overall business operations from June 1998 to April 2014.

Mr. Sun obtained a Diploma in Statistics from Henan Province Planning and Statistics School\* (河南省計劃統計學校) in July 1991. Mr. Sun further obtained a Higher Diploma in Accounting from Henan Province School of Economics\* (河南財經學院) (now known as Henan Province University of Economics and Law\* (河南財經政法大學) in December 1997. He also obtained the Qualification Certificate of Speciality and Technology in Road Transport issued by the Ministry of Personnel of the People's Republic of China\* (中華人民共和國人事部) in November 2003 and the qualification of National Motor Vehicle level II Driving Instructor\* (全國二級機動車駕駛教練員) in September 2015.

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Mr. Sun was awarded Spring Festival Transportation Advanced Worker\* (春運先進工作者) by Zhumadian City Motor Transport Corporation\* (駐馬店市汽車運輸總公司) in March 2006 and Outstanding Communist\* (優秀共產黨員) by Zhumadian City Motor Transport Corporation (Chinese Communist Party) Committee\* (中共駐馬店市汽車運輸總公司委員會) in March 2007.

Mr. Sun has not held any directorships in any public companies, the securities of which are or have been listed on any securities markets in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

**Mr. Zhang Changling (張長嶺)**, aged 63, joined our Group as a vice principal and the head of administration department of Tong Tai School in September 2014. He has been mainly responsible for supervising our Group's general logistics work and administration work, vehicle maintenance and file management.

Prior to joining our Group, Mr. Zhang worked at Suiping County Waterworks\* (遂平縣自來水廠) as a treasurer, responsible for financial management, from December 1975 to December 1978. He then worked for Suiping County Shenzhai Town Finance Office\* (遂平縣沈寨鎮財政所) as a vice director (副所長) between December 1978 and December 1989 mainly responsible for preparation of budget and final accounts. Mr. Zhang was then transferred to Suiping County Quyang Road Finance Office\* (遂平縣濯陽街道辦事處財政所) as a director (所長) from December 1989 to December 2005 and responsible for business operations management.

Mr. Zhang passed the National Civil Servant Training Course and was granted a certificate by Personnel Department of Henan Province\* (河南省人事廳) in November 1994.

Mr. Zhang has not held any directorships in any public companies, the securities of which are or have been listed on any securities markets in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

### COMPANY SECRETARY

**Mr. Tsang Chi Hon (曾志漢)**, aged 45, was appointed as our company secretary on 22 May 2017 and has been mainly responsible for the company secretarial and related matters of our Group. Mr. Tsang is a member of the Hong Kong Institute of Certified Public Accountants and has more than 15 years of experience in audit and accounting. Mr. Tsang joined Baker Tilly Hong Kong Business Services Limited as an auditor in October 1999 and left the company as a senior auditor in February 2004. In March 2004, Mr. Tsang joined Grant Thornton Hong Kong as a senior in the assurance division and was subsequently promoted to supervising senior in October 2004 responsible for supervising the field work staff and reviewing the working papers. He was further promoted to supervisor in October 2005 and was entrusted with a portfolio of the firm's clients and also assisted the audit manager in the review function. He held the same position when he left the firm in March 2007. From May 2007 to July 2008, Mr. Tsang joined Reyoung Pharmaceutical Holdings Limited, a company listed on the Main Board of the Singapore Exchange Securities Trading Limited, as a group financial controller mainly responsible for the finance and accounting functions of the group companies. From May 2009 to September 2009, Mr. Tsang was employed by Luxworld Limited as a financial reporting manager, responsible for financial reporting functions. From November 2009 to February 2014, Mr. Tsang served as chief financial officer in Zuoan Fashion Limited, a

---

## DIRECTORS AND SENIOR MANAGEMENT

---

company previously listed on the New York Stock Exchange which mainly engages in the offering a range of products, including men's casual apparel, footwear and lifestyle accessories, and was responsible for the finance and accounting functions of the group companies.

Mr. Tsang has since 25 November 2013 been an independent non-executive director of Xinhua News Media Holdings Limited (Stock code: 309), a company listed on the Main Board of the Stock Exchange which principally engages in the provision of integrated municipal solid waste treatment, centralised medical waste treatment, professional cleaning and related services and television screen broadcast business. From January 2017 to August 2018, Mr. Tsang was a company secretary of Swee Seng Holdings Limited, which is a Singapore-based motor vehicle group engaged in the sales, hire purchase financing and leasing of motor vehicles.

Mr. Tsang graduated from The University of Hong Kong in December 2009 with a Bachelor of Accounting and was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants in April 2006.

Save as disclosed above, Mr. Tsang has not held any directorships in any public companies, the securities of which are or have been listed on any securities markets in Hong Kong or overseas in the past three years immediately preceding the date of this prospectus.

### BOARD COMMITTEES

The Board has established an audit committee (the “**Audit Committee**”), a nomination committee (the “**Nomination Committee**”) and a remuneration Committee (the “**Remuneration Committee**”). The committees operate in accordance with the terms of reference established by our Board.

#### **Audit Committee**

We established an Audit Committee on 19 September 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraphs C.3.3 and C.3.7 of the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The Audit Committee consists of all the three independent non-executive Directors, namely, Mr. Cheng Chun Shing, Mr. Chan Siu Wah and Mr. Goh Teng Hwee. The chairman of Audit Committee is Mr. Cheng Chun Shing. The primary duties of the Audit Committee are, among other things, to review and supervise the financial information, financial reporting process, internal control and risk systems of our Group and to make recommendations to our Board on the appointment and removal of external auditors.

#### **Remuneration Committee**

We established a Remuneration Committee on 19 September 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1.2 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Remuneration Committee consists of four members, three of whom are our independent non-executive Directors, namely, Mr. Cheng Chun Shing, Mr. Chan Siu Wah and Mr. Goh Teng Hwee, and the remaining member is our executive Director, Mr. Qi. The chairman of the Remuneration Committee is Mr. Chan Siu Wah. The primary duties of Remuneration Committee are, amongst other things, to make recommendations to our Board on the remuneration of our Directors and senior

---

## DIRECTORS AND SENIOR MANAGEMENT

---

management of our Company, determine on behalf of our Board specific remuneration packages and conditions of the employment for our Directors and senior management of our Company, and to assess the performance of our Directors and senior management of our Company.

### Nomination Committee

We established the Nomination Committee on 19 September 2019 with written terms of reference in compliance with paragraph A.5.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The Nomination Committee consists of four members, namely, Mr. Qi, Mr. Cheng Chun Shing, Mr. Chan Siu Wah and Mr. Goh Teng Hwee. The chairman of the Nomination Committee is Mr. Qi. The primary duties of the Nomination Committee are, amongst other things, to make recommendations to our Board regarding candidates to fill vacancies or changes on our Board, and to assess the independence of our independent non-executive Directors.

### BOARD DIVERSITY

To enhance the effectiveness of our Board and to maintain high standard of corporate governance, we have adopted the board diversity policy which sets out the objective and approach to achieve and maintain diversity of our Board. Our Company seeks to achieve board diversity through the consideration of a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service with our Group.

Our Nomination Committee will (i) report annually, in the corporate governance report contained in our annual report, on our Board's composition under diversified perspectives and monitor the implementation of the board diversity policy; (ii) review the board diversity policy, as appropriate, to ensure the effectiveness of the board diversity policy; and (iii) discuss any revisions that may be required, and recommend any such revisions to our Board.

### REMUNERATION POLICY

Our Directors' remuneration is determined with reference to the prevailing market practice, our Company's remuneration policy and their duties, responsibilities and time commitment with our Group. During the three years ended 31 December 2018 and the four months ended 30 April 2019, the aggregate remuneration paid, and benefits in kind, discretionary bonus and pension scheme contributions granted to our Directors by any member of our Group were approximately RMB152,000, RMB155,000, RMB155,000 and RMB52,000 respectively. Each of the executive Directors has entered into a service agreement with our Company for an initial term of three years commencing from the Listing Date subject to termination provisions contained therein. Each of the executive Directors is entitled to a basic salary. Under the service agreements, the basic annual remunerations payable by our Company to the executive Directors are set out below:

<b>Executive Directors</b>	<b>RMB</b>
Mr. Qi Xiangzhong	240,000
Ms. Zhao Yuxia	240,000

---

## DIRECTORS AND SENIOR MANAGEMENT

---

Each of the non-executive Director and independent non-executive Directors has signed an appointment letter with our Company with an initial term of three years commencing from the Listing Date subject to termination provisions contained therein. Under the appointment letters, the basic annual remuneration payable by our Company to the non-executive Director and independent non-executive Directors are as follows:

<b>Non-executive Director</b>	<i>RMB</i>
Dr. Yeung Cheuk Kwong	120,000
<b>Independent Non-executive Directors</b>	<i>RMB</i>
Mr. Chan Siu Wah	120,000
Mr. Cheng Chun Shing	120,000
Mr. Goh Teng Hwee	120,000

The Director's fee for each of the non-executive Director and independent non-executive Directors during the three-year term is initially fixed, subject to our Board's review from time to time in its discretion after taking into account the recommendation of the Remuneration Committee. The remuneration of each of the non-executive Director and independent non-executive Directors is determined by reference to market terms, seniority, his/her experiences, duties and responsibilities within our Group. Our Directors are entitled to statutory benefits as required by law from time to time such as pension. Save as disclosed above, no other remuneration have been made or are payable by our Group to our Directors in respect of the Track Record Period. Our Directors estimate that under the current proposed arrangement, the aggregate basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Company to our Directors will be approximately RMB960,000. Prior to the Listing, the remuneration policy of our Group to reward its employees and directors is based on their performance, qualifications, competence displayed and market comparables. Remuneration package typically comprises salary, contribution to pension schemes and discretionary bonuses relating to the profit of the relevant company.

Upon and after the Listing, the remuneration package of our executive Directors and the senior management will be linked more to the performance of our Group and the return to its Shareholders. The Remuneration Committee will review annually the remuneration of all our Directors to ensure that it is attractive enough to attract and retain a competent team of executive members.

### COMPLIANCE ADVISER

Pursuant to Rule 3A.19 of the Listing Rules, our Company has appointed Cinda Capital as the Compliance Adviser. The Compliance Adviser will advise us on the following matters pursuant to Rule 3A.23 of the Listing Rules:

- (1) before the publication of any regulatory announcement, circular or financial report;
- (2) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;

---

## DIRECTORS AND SENIOR MANAGEMENT

---

- (3) where our Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in this prospectus or where the business activities, developments or results of our Group deviate from any forecast, estimate, or other information in this prospectus; and
- (4) where the Stock Exchange makes an inquiry of our Company under Rule 13.10 of the Listing Rules.

The terms of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of our financial results for our Company's first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

## SUBSTANTIAL SHAREHOLDERS

### SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, 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 our Group:

Name	Capacity/Nature of interest	Number of Shares held as at the Latest Practicable Date	Approximate percentage of interests in our Company as at the Latest Practicable Date	Number of Shares held immediately after completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>	Approximate percentage of interests in our Company immediately after completion of the Capitalisation Issue and the Share Offer <i>(Note 1)</i>
Mr. Qi <i>(Note 2)</i>	Interest in a controlled corporation	688	68.8%	206,400,000	51.6%
Ms. Gao Dongju <i>(Note 3)</i>	Spouse interest	688	68.8%	206,400,000	51.6%
Alpha Leap	Beneficial owner	688	68.8%	206,400,000	51.6%
Mr. Ling <i>(Note 4)</i>	Interest in a controlled corporation	172	17.2%	51,600,000	12.9%
Ms. Hui Ching Ping <i>(Note 5)</i>	Spouse interest	172	17.2%	51,600,000	12.9%
Cosmic Hero	Beneficial owner	172	17.2%	51,600,000	12.9%
China Internet <i>(Note 6)</i>	Interest in a controlled corporation	140	14.0%	42,000,000	10.5%
Ample Star <i>(Note 6)</i>	Interest in a controlled corporation	140	14.0%	42,000,000	10.5%
Greater Sino	Beneficial owner	140	14.0%	42,000,000	10.5%

*Notes:*

- The calculation is based on the total number of Shares in issue immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme).
- Alpha Leap is beneficially owned as to 100% by Mr. Qi. Mr. Qi is deemed to be interested in the Shares in which Alpha Leap is interested under Part XV of the SFO. Mr. Qi is the sole director of Alpha Leap.
- Ms. Gao Dongju is the spouse of Mr. Qi. She is deemed to be interested in the Shares in which Mr. Qi is interested under Part XV of the SFO.

---

## SUBSTANTIAL SHAREHOLDERS

---

4. Cosmic Hero is beneficially owned as to 100% by Mr. Ling. Mr. Ling is deemed to be interested in the Shares in which Cosmic Hero is interested under Part XV of the SFO. Mr. Ling is the sole director of Cosmic Hero.
5. Ms. Hui Ching Ping is the spouse of Mr. Ling. She is deemed to be interested in the Shares in which Mr. Ling is interested under Part XV of the SFO.
6. Greater Sino is beneficially owned as to 100% by Ample Star, which in turn is beneficially owned as to 100% by China Internet. As such, Ample Star and China Internet are deemed to be interested in the Shares in which Greater Sino is interested under Part XV of the SFO.

Save as disclosed above, we are not aware of any person who will, immediately after completion of the Capitalisation Issue and the Share Offer (without taking into account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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 member of our Group. Our Directors are not aware of any arrangement which may at a subsequent date result in a change of control of our Company.

---

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

---

### OUR CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), Alpha Leap will directly hold approximately 51.6% of the issued share capital of our Company. Alpha Leap is wholly-owned by Mr. Qi. For the purpose of the Listing Rules, Mr. Qi and Alpha Leap are the Controlling Shareholders of our Company.

Mr. Qi is our founder, Chairman and executive Director. For more details in relation to the biographical information and experience of Mr. Qi, please refer to the section headed “Directors and senior management – Executive Directors” in this prospectus. Alpha Leap is an investment holding company, which has no business interest apart from its shareholding in our Group and of which Mr. Qi is the sole director.

### NO COMPETING BUSINESS

Our Controlling Shareholders confirm that as at the Latest Practicable Date, neither of them nor their respective close associates have any interest in any business that competes or is likely to compete, whether directly or indirectly, with the business of our Group, that would require disclosure under Rule 8.10 of the Listing Rules.

### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors do not expect that there will be any transaction between our Group and our Controlling Shareholders upon or shortly after the Listing.

Our Group is capable of carrying on our business independently from and does not place undue reliance on our Controlling Shareholders and their respective close associates, taking into consideration the following factors:

#### **Management independence**

Although Mr. Qi will retain controlling interest in our Company upon completion of the Share Offer, the daily management and operation of the business of our Group will be the responsibility of executive Directors and senior management of our Group. Our Board consists of six Directors, of whom two are executive Directors, one is a non-executive Director and three are independent non-executive Directors. With three independent non-executive Directors out of a total six Directors in our Board, there will be sufficient independent opinion within our Board to protect the interests of our independent Shareholders.

Each of our Directors is aware of his/her fiduciary duties as a Director which require, among other things, that he/she acts for the benefit and in the best interests of our Company and does not allow any conflict between his/her duties as a Director and his/her personal interest. In the event that there is a latent conflict of interest arising out of any transaction to be entered into between our Group and our Directors or

---

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

---

their respective close associates, the interested Director(s) shall abstain from voting at the relevant meetings of our Board in respect of such transactions and shall not be counted in the quorum. The three independent non-executive Directors will also bring independent judgment to the decision-making process of our Board.

Having considered the above factors, our Directors are satisfied that our Board, as a whole and together with our senior management, is capable of managing our Group's business independently from our Controlling Shareholders.

### **Operational independence**

Our Group has established our own operational structure comprising individual departments, each with specific areas of responsibilities including accounting, administration and operation. We have established a set of internal control procedures to facilitate the effective operation of our business. We have sufficient operational resources, such as suppliers, customers, marketing, sales and general administrative resources to operate our business independently. We have not entered into any connected transaction with our Controlling Shareholders or their respective close associates that will continue after Listing.

Accordingly, our Directors consider that there is no material reliance by our Group on the Controlling Shareholders or their close associates.

### **Financial independence**

As of the Listing Date, we do not have any loans, advances and balances due to and from our Controlling Shareholders or any guarantees provided by, or granted to, any of our Controlling Shareholders.

We have our own finance and accounting department and make financial decisions according to our own business needs. Our finance and accounting department operates independently from our Controlling Shareholders and does not share any other functions or resources with our Controlling Shareholders.

We have been able to obtain financing from banks to support our daily operation without the support of our Controlling Shareholders. We have our own treasury function and our Directors further believe that we will continue to have independent access to third party financing on market terms and conditions for our business operations as and when required after Listing.

In view of the abovementioned, our Directors consider that our Group will be financially independent from our Controlling Shareholders and/or any of their respective close associates.

## **CORPORATE GOVERNANCE MEASURES**

Our Directors recognise the significance of good corporate governance to protect the interest of our Shareholders. We would adopt the following corporate governance measures to manage latent conflict of interests between our Group and the Controlling Shareholders:

- (a) where a Shareholders' meeting is held for a proposed transaction in which the Controlling Shareholders have a material interest, the Controlling Shareholders shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;

---

## RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

---

- (b) where a Board meeting is held for issues in which a Director has material interest in relation of which a conflict or potential conflict of interest with our Group may emerge, the Director must make full disclosure regarding such issues to our Board, and such Director shall abstain from voting on the resolutions and shall not be counted in the quorum for the voting;
- (c) we are committed to ensuring that our Board has a balanced composition of executive and non-executive Directors including independent non-executive Directors to ensure that there is a strong independent element on our Board, which can efficaciously exercise independent judgment and will be able to deliver neutral and professional advice to safeguard the interest of the minority Shareholders;
- (d) pursuant to the Corporate Governance Code in accordance with Appendix 14 to the Listing Rules, our Directors including the independent non-executive Directors, will be able to obtain independent professional advice from external parties in suitable circumstances at our Group's cost;
- (e) any transaction between (or proposed to be made between) our Group and the connected persons will be subject to the requirements under Chapter 14A of the Listing Rules, including, where applicable, the announcement, reporting, annual review, circular (including independent financial advice) and independent Shareholders' approval requirements and with those conditions imposed by the Stock Exchange for the granting of waiver from strict compliance with relevant requirements under the Listing Rules; and
- (f) our Group has appointed Cinda Capital as the Compliance Adviser, which will provide advice and guidance to our Group in respect of compliance with the applicable laws and the Listing Rules including various requirements relating to Directors' duties and corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest between our Group and our Controlling Shareholders and/or Directors to protect the minority Shareholders' rights after Listing.

---

## SHARE CAPITAL

---

### AUTHORISED AND ISSUED SHARE CAPITAL

<b>Authorised share capital:</b>	<i>HK\$</i>
10,000,000,000 Shares of HK\$0.01 each	100,000,000

Assuming the Over-allotment Option is not exercised, the share capital of our Company will be as follows:

Shares issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:

<b>Number of Shares</b>	<i>HK\$</i>
1,000 Shares in issue as at the Latest Practicable Date	10
299,999,000 Shares to be issued pursuant to the Capitalisation Issue	2,999,990
<u>100,000,000</u> Shares to be issued pursuant to the Share Offer	<u>1,000,000</u>
 <u><u>400,000,000</u></u>	 <u><u>4,000,000</u></u>

Assuming the Over-allotment Option is fully exercised, the share capital of our Company will be as follows:

Shares issued and to be issued, fully paid or credited as fully paid upon completion of the Capitalisation Issue and the Share Offer:

<b>Number of Shares</b>	<i>HK\$</i>
1,000 Shares in issue as at the Latest Practicable Date	10
299,999,000 Shares to be issued pursuant to the Capitalisation Issue	2,999,990
100,000,000 Shares to be issued pursuant to the Share Offer	1,000,000
<u>15,000,000</u> Shares to be issued pursuant to the Over-allotment Option	<u>150,000</u>
 <u><u>415,000,000</u></u>	 <u><u>4,150,000</u></u>

In the event that the Over-allotment Option is fully exercised, the issued share capital of our Company immediately after completion of the Capitalisation Issue and the Share Offer will be HK\$4,150,000 divided into 415,000,000 Shares.

---

## SHARE CAPITAL

---

### ASSUMPTIONS

The above tables assume that the Share Offer has become unconditional and our Shares are issued pursuant thereto. It does not take into account any Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as referred to below or otherwise.

### MINIMUM PUBLIC FLOAT

Pursuant to Rule 8.08(1) of the Listing Rules, at the time of the Listing and at all times thereafter, we must maintain the minimum prescribed percentage of at least 25% of our total issued share capital in the hands of the public.

### RANKING

The Offer Shares are ordinary shares in the share capital of our Company and rank equally with all Shares currently in issue or to be issued, and in particular, will be entitled to all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of this prospectus except for any entitlement under the Capitalisation Issue.

### SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 19 September 2019. The principal terms of the Share Option Scheme are summarised in the paragraph headed “Statutory and general information – D. Share Option Scheme” in Appendix V to this prospectus.

We did not have any outstanding share option(s), warrant(s), convertible instrument(s) or similar right(s) convertible into our Shares as at the Latest Practicable Date.

### GENERAL MANDATE TO ISSUE SHARES

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares in the share capital of our Company with a total number not exceeding the sum of:

- (a) 20% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and
- (b) the total number of Shares repurchased by our Company (if any) pursuant to the general mandate to repurchase Shares granted to our Directors referred to below.

---

## SHARE CAPITAL

---

Our Directors may, in addition to our Shares which they are authorised to issue under the general mandate, allot, issue and deal in our Shares pursuant to a rights issue, scrip dividend schemes or similar arrangements, or upon the exercise of any options which may be granted under the Share Option Scheme.

This general mandate to issue Shares will remain in effect until the earliest of:

- (a) the conclusion of our next annual general meeting; or
- (b) the expiry of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or
- (c) when varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

Further details of this general mandate are set out in the paragraph headed “Statutory and general information – A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 19 September 2019” in Appendix V to this prospectus.

### **GENERAL MANDATE TO REPURCHASE SHARES**

Subject to the Share Offer becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all powers of our Company to repurchase Shares with a total number not exceeding 10% of the total number of Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer (excluding Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme).

This general mandate only relates to repurchases made on the Stock Exchange, or any other stock exchange on which our Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and which is in accordance with the Listing Rules (or of such other stock exchange). A summary of the relevant Listing Rules is set out in the paragraph headed “Statutory and general information – A. Further information about our Company – 6. Repurchase of Shares by our Company” in Appendix V to this prospectus.

This general mandate to repurchase Shares will remain in effect until whichever is the earliest of:

- (a) the conclusion of our next annual general meeting; or
- (b) the expiry of the period within which our Company is required by any applicable laws or its Articles of Association to hold its next annual general meeting; or
- (c) when varied or revoked by an ordinary resolution of the Shareholders in a general meeting.

Further details of this repurchase mandate are set out in the paragraph headed “Statutory and general information – A. Further information about our Company – 3. Written resolutions of our Shareholders passed on 19 September 2019” in Appendix V to this prospectus.

---

## SHARE CAPITAL

---

### **CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED**

Our Company has only one class of shares, namely ordinary shares, each of which ranks pari passu with the other shares.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, our Company may from time to time by ordinary resolution of Shareholders (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into several classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken. In addition, our Company may, subject to the provisions of the Companies Law, reduce its share capital or capital redemption reserve by its Shareholders passing a special resolution. For further details, please refer to the section headed “Summary of the constitution of the Company and Cayman Islands Companies Law” in Appendix IV to this prospectus.

Pursuant to the Companies Law and the terms of the Memorandum and the Articles, all or any of the special rights attached to our Shares or any class of our Shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued Shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of our Shares of that class. For further details, please refer to the section headed “Summary of the constitution of the Company and Cayman Islands Companies Law” in Appendix IV to this prospectus.

---

## FINANCIAL INFORMATION

---

*You should read this section in conjunction with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus ("Historical Financial Information"). You should read the whole of the Accountants' Report and not rely merely on the information in this section. The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs").*

*The following discussion and analysis contains certain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depends on a number of risks and uncertainties over which we do not have control. You should review the section headed "Risk factors" in this prospectus for a discussion of important factors that could cause our actual results to differ materially from the results described in or implied by the forward-looking statements.*

### OVERVIEW

We are a provider of driving training services operating in Zhumadian City, Henan Province of the PRC. During the Track Record Period, we offered extensive driving courses for preparation for Driving Tests of Large Vehicles and Small Vehicles. According to the Frost & Sullivan Report, in 2018, we ranked first among other driving schools in Zhumadian City, with a market share of approximately 7.2% in terms of revenue. As at the Latest Practicable Date, our Group operated two driving schools, namely, Tong Tai School and Shun Da School. Tong Tai School is a qualified level I driving school which offers driving training services for both Large Vehicles and Small Vehicles. Shun Da School is a qualified level II driving school which offers driving training services for Small Manual Cars (C1).

### BASIS OF PRESENTATION

Pursuant to the Reorganisation, details of which are set out in the section headed "History and development" in this prospectus, our Company became the holding company of the companies now comprising our Group on 23 May 2017. The Reorganisation is considered to be a restructuring of entities under common control. Before and after the Reorganisation, there has been no change in management of our Group and the ultimate owners of our Group remain the same. Accordingly, the Historical Financial Information has been prepared on the historical cost basis and the principle of merger accounting under Accounting Guideline 5 ("**Merger Accounting for Common Control Combinations**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and conventions applicable to group reorganisation for the presentation of business combination.

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with the HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Listing Rules and by the Companies Ordinance.

---

## FINANCIAL INFORMATION

---

Details regarding the basis of preparation and presentation of the Historical Financial Information are set out in Note 2 to the Accountants' Report set out in Appendix I to this prospectus.

The Accountants' Report set out in Appendix I to this prospectus is not qualified or modified.

### **SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL POSITION**

Our business, results of operations and financial position are affected by a number of factors, and among those, many of which are beyond our control. Please refer to the section headed "Risk factors" in this prospectus. Below is a summary of some of the key factors:

#### **Demand for driving training services**

During the Track Record Period, we derived all of our revenue from the provision of driving training services through our two driving schools located in Zhumadian City, Henan Province. Our trainees are mainly from Zhumadian City and nearby cities in Henan Province. Accordingly, our results of operations and financial conditions are mostly affected by the demand for driving training services in Henan Province and particularly Zhumadian City.

Our Directors believe that the key factors which drive the demand for driving training services include population growth, expansion of logistics industry and increase in household income and living standard in Zhumadian City. These factors would stipulate the demand for Large Vehicles and Small Vehicles which in turn would lead to an increase in the number of vehicle drivers and demand for driving training services in Zhumadian City. According to the Frost & Sullivan Report, the market size of driving training services in Zhumadian City has increased at a CAGR of approximately 11.4% from 2014 to 2018. Future changes in the trend of the aforesaid factors may have an adverse impact on the demand for driving training services and our results of operations and financial position may be adversely affected.

#### **Number of trainees**

Our revenue mainly depends on the number of trainees who attended our driving courses and the amount of course fees that we charge. During the Track Record Period, the number of trainees who attended our driving courses increased from 14,085 for the year ended 31 December 2016 to 14,659 for the year ended 31 December 2017 and then to 15,324 for the year ended 31 December 2018 and representing an increase of approximately 4.1% and 4.5%, respectively. Our Directors believe that the increases for the three years ended 31 December 2018 were contributed by a number of factors including: (i) the adjustments of our course fees to a level comparable to other market players as our sale and marketing efforts to increase the competitiveness of our driving courses; (ii) the general increase in the demand for driving training services in Zhumadian City; and (iii) the building up of our reputation as a leading provider of driving training services in Zhumadian City. The number of trainees who attended our driving courses decreased from 6,284 for the four months ended 30 April 2018 to 6,024 for the four months ended 30 April 2019, representing a decrease of approximately 4.1% mainly attributable to increase in portion of enrolment for premium courses while the number of enrolment for premium courses of Small Vehicles did not increase to the similar extent to the decrease for standard courses of Small Vehicles. Considering (i) the increase in course fees for Small Vehicles in 2018; (ii) increase in average number of training hours of our trainees at our schools; and (iii)

---

## FINANCIAL INFORMATION

---

continuous increase in revenue generated from Small Vehicles from the year ended 31 December 2017 to the year ended 31 December 2018 and from the four months ended 30 April 2018 to the four months ended 30 April 2019, our Directors believe the increase in revenue contributed by premium courses will be higher than the decrease in revenue contributed by standard courses.

Our ability to maintain the number of trainees is generally dependent on, among other things, our reputation, the service quality of our driving instructors, various types of training facilities and equipment and our competitiveness in the market. If we are unable to maintain our reputation, our training facilities and equipment and the service quality of our driving instructors against our competitors, our number of trainees may decrease which in turn may have a material adverse impact on our results of operations and financial position.

### **Course fees**

Our revenue will also be affected by the level of course fees that we are able to charge. Our course fees are determined by us after having considered, among others, market conditions, utilisation of our capacities, demand for our training services, costs of our services, prices of driving courses of comparable service providers and our positioning in the local market. Our business and results of operations depend on the level of course fees that we are able to charge and our ability to maintain and raise our course fees.

According to the Frost & Sullivan Report, the number of driving training services providers in Zhumadian City reached 76 in 2018, and is estimated to increase at a CAGR of approximately 9.5% and reach 125 in 2023. Zhumadian City is considered as a newly emerged regional market which will face increasing market competition and challenges due to increasing market players and improving regulatory environment in the market. Some of our competitors may adopt aggressive pricing strategies to gain market shares. There can be no assurance that we will be able to maintain or raise our course fees. Our business, results of operations and financial position will be adversely affected if we are unable to maintain or raise our course fees in the future. For a sensitivity analysis of the effect of our profit or loss during the Track Record Period with a hypothetical fluctuation of 52% in our course fees income, please refer to the paragraph headed “Sensitivity analysis” in this section.

### **Costs of operations**

Our results of operations will also depend, in part, on our ability to control our operating costs and expenses. For the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, our cost of services rendered represented approximately 27.6%, 28.5%, 35.0%, 42.4% and 36.1% of our total revenue, respectively. Our cost of services rendered primarily comprises employee benefit expenses, fuel expenses and depreciation charges. Our employee benefit expenses recorded in cost of services rendered mainly comprises (i) salaries and wages of driving instructors and other supporting staff; (ii) staff welfare; and (iii) social insurance and housing provident funds which accounted for approximately 13.3%, 14.6%, 15.2%, 20.8% and 13.5% of our total revenue for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, respectively. Our employee benefit expenses recorded in cost of services rendered increased from approximately RMB6.2 million for the year ended 31 December 2016 to approximately RMB9.0 million for the year ended 31 December 2017 and then to approximately RMB11.8 million for the year ended 31 December 2018, as a result of our continuing efforts to recruit additional driving instructors to cope with our business expansion; the bonus payment paid to our driving instructors

---

## FINANCIAL INFORMATION

---

and other supporting staff; and the increase of their compensation as part of our efforts to retain quality driving instructors so as to maintain the quality of our services. For the four months ended 30 April 2018 and 2019, our employee benefit expenses recorded in cost of services rendered increased from RMB3.6 million to approximately RMB3.8 million which was also mainly attributable to our continuing efforts to recruit additional driving instructors to cope with our business expansion in relation to the provision of driving training services of Large Vehicles which was partially offset by the decrease in average salaries as a result of the decreased overtime payment to our driving instructors.

According to the Frost & Sullivan Report, the average monthly income of driving instructors in Zhumadian City increased from RMB3,928 in 2014 to RMB5,111 in 2018 at a CAGR of approximately 6.8% and is expected to rise steadily in the future, along with the increasing demand for driving training services in Zhumadian City.

We expect our employee benefit expenses will continue to be one of our most significant costs and expenses components going forward, particularly in light of the expected increase in the average monthly income of driving instructors in Zhumadian City, along with the increasing demand for driving training services in Zhumadian City. If we are unable to raise our course fees in line with the increase of our costs of services rendered, particularly the increase of our employee benefit expenses, our business, results of operations and financial position will be adversely affected. For a sensitivity analysis of the effect of our profit or loss during the Track Record Period with a hypothetical fluctuation of 42% in our employee benefit expenses recorded in our costs of services rendered, please refer to the paragraph headed “Sensitivity analysis” in this section.

Our fuel expenses comprised the gasoline and diesel expenses used for our training vehicles and test vehicles which accounted for approximately 11.5%, 13.6%, 28.4%, 21.4% and 23.2% of our total cost of services for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, respectively. Our fuel expenses increased from approximately RMB1.5 million for the year ended 31 December 2016 to approximately RMB2.4 million for the year ended 31 December 2017 and then to approximately RMB7.7 million for the year ended 31 December 2018. For the four months ended 30 April 2018 and 2019, our fuel expenses increased from RMB1.6 million to approximately RMB2.4 million. Such increases were primarily attributable to the increase in consumption of gasoline and diesel as a result of the increase in actual number of training hours of our trainees and the increase in the domestic price of gasoline and diesel. We expect that our fuel expenses will continue to be a major component of our cost of services rendered. As we are unable to control the domestic price of gasoline and diesel, any increase in the domestic price of gasoline and diesel would adversely affect our results of operations and financial position. For a sensitivity analysis of the effect of our profit or loss during the Track Record Period with a hypothetical fluctuation of 34% in the domestic price of gasoline and diesel, please refer to the paragraph headed “Sensitivity analysis” in this section.

### **SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENT AND ESTIMATES**

The Historical Financial Information was prepared in conformity with the HKFRSs, which required our Group to adopt accounting policies and make estimates and assumptions that our Directors believed to be appropriate in the circumstances for the purpose of giving a true and fair view of the results and financial position of our Group. However, different policies, estimates and assumptions in critical areas could lead to materially different results. Our Directors have continually assessed these estimates based on their

---

## FINANCIAL INFORMATION

---

experience and knowledge of current business, the expectations based on available information and other reasonable assumptions, which together form our basis for making judgements about matters that are not apparent from other sources. Since the use of estimates is an integral component of financial reporting progress, the actual result could differ from those estimates. Our Directors believe the following accounting policies involve the most significant judgments and estimates used in the preparation of the Historical Financial Information. For details of our significant accounting policies, which are important for an understanding of our financial position and results of operations, please refer to Note 4 to the Accountants' Report set out in Appendix I to this prospectus; and for details of our significant accounting judgements and estimates which were used in the preparation of the Historical Financial Information, please refer to Note 5 to the Accountants' Report set out in Appendix I to this prospectus.

### **Application of HKFRS 9 and HKFRS 15**

The Group has applied HKFRS 9, "Financial instruments" and HKFRS 15, "Revenue from contracts with customers" consistently throughout the Track Record Period. The application of HKFRS 9 and HKFRS 15 does not have any significant impact on the financial position and performance of the Group compared to the requirements of HKAS 39, "Financial instruments: recognition and measurement" and HKAS 18, "Revenue". For details of HKFRS 9 and HKFRS 15, please refer to Note 4 to the Accountants' Report set out in Appendix I to this prospectus.

### **Application of HKFRS 16**

The Group has applied HKFRS 16 "Leases" for the first time during the four months ended 30 April 2019 and HKAS 17 "Leases" for the three years ended 31 December 2018. The application of HKFRS 16 does not have any significant impact on the financial position and performance or any key financial ratios of our Group compared to that of HKAS 17. For details of the impacts on the application of HKFRS 16, please refer to Note 3 to the Accountants' Report set out in Appendix I to this prospectus.

### **Revenue recognition**

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

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

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

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. If stand-alone selling price is not directly observable, the Group estimates it using

---

## FINANCIAL INFORMATION

---

appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

For driving training service income of standard course, premium course without uncapped training hours and additional training fees for which the control of services is transferred over time, the progress towards complete satisfaction of the performance obligation is measured based on the direct measurements of training hours provided by the Group to the customer relative to the remaining training hours promised under the contract.

Under HKFRS 15 “Revenue from contracts with customers” adopted by the Group for the revenue recognition, the Group estimates an amount of variable consideration by using the expected value which is the sum of probability-weighted amounts in a range of possible consideration amounts. An expected value may be an appropriate estimate of the amount of variable consideration if the Group has a large number of contracts with similar characteristics.

For driving training service income of premium course with uncapped training hours for which the control of services is transferred over time, the progress towards complete satisfaction of the performance obligation is measured based on the direct measurements of actual training hours over the expected total training hours to be provided using the expected value method. The expected total hours of training to be provided is determined by the Group with reference to the historical records of training hours for completion of premium courses.

For contracts that contain variable consideration (mainly represents driving training service income of premium course with uncapped training hours, as explained below) , the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating the assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstances during the reporting period.

For contracts that contain more than one performance obligation, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis. The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. The Group does not allocate any transaction price to the complimentary supporting services as the stand-alone selling price of these services is insignificant as compared to the total stand-alone selling prices of the performance obligations determined.

---

## FINANCIAL INFORMATION

---

Payments are typically received from customers in advance of revenue recognition and they are presented as contract liability under current liabilities.

### **Property, plant and equipment**

Property, plant and equipment including buildings and leasehold land (classified as finance leases) held for use in the production or supply of services, or for administrative purposes (other than construction in progress 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 professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress 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 each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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 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.

### **Inventories**

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

### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

## FINANCIAL INFORMATION

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

### 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 year. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The 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.

### SUMMARY OF RESULTS OF OPERATIONS

Set forth below is a summary of our consolidated statements of profit or loss and other comprehensive income for the periods indicated, extracted from the Accountants' Report set out in Appendix I to this prospectus.

	For the year ended 31 December			For the four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i>
Revenue	46,285	61,509	77,699	17,127	28,279
Cost of services rendered	(12,792)	(17,517)	(27,208)	(7,270)	(10,220)
Gross profit	33,493	43,992	50,491	9,857	18,059
Other income	157	248	1,116	294	271
Other gain and losses, net	(51)	(351)	634	20	11
Selling and distribution expenses	(1,649)	(2,417)	(1,758)	(684)	(633)
Administrative expenses	(2,930)	(4,447)	(6,302)	(1,758)	(2,018)
Listing and other expenses	(1,762)	(8,810)	(10,333)	(338)	(2,144)
Finance costs	(2,508)	(2,374)	(1,910)	(603)	(1,594)
Profit before tax	24,750	25,841	31,938	6,788	11,952
Income tax expense	(6,631)	(8,939)	(10,663)	(1,817)	(3,585)
Profit and total comprehensive income for the year/period	<u>18,119</u>	<u>16,902</u>	<u>21,275</u>	<u>4,971</u>	<u>8,367</u>

## FINANCIAL INFORMATION

### DISCUSSION ON MAJOR ITEMS OF THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

#### Revenue

Our Group was engaged in the provision of driving training services. During the Track Record Period, all of our revenue was derived from the provision of driving training services for Large Vehicles and Small Vehicles through our two driving schools located in Zhumadian City, namely, Tong Tai School and Shun Da School. Total revenue of our Group for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019 amounted to approximately RMB46.3 million, RMB61.5 million, RMB77.7 million, RMB17.1 million and RMB28.3 million, respectively. The following table sets out the breakdown of our revenue by schools and types of vehicles for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
<b>Tong Tai School</b>										
- Large Vehicles <sup>(1&amp;4)</sup>	30,385	65.6	48,760	79.3	64,438	82.9	14,265	83.3	23,596	83.4
- Small Vehicles <sup>(2&amp;5(i))</sup>	9,521	20.6	5,640	9.2	4,738	6.1	1,103	6.4	1,349	4.8
<b>Shun Da School</b>										
- Small Vehicles <sup>(3&amp;5(ii))</sup>	6,379	13.8	7,109	11.5	8,523	11.0	1,759	10.3	3,334	11.8
Total Small Vehicles	15,900	34.4	12,749	20.7	13,261	17.1	2,862	16.7	4,683	16.6
Total <sup>(6)</sup>	46,285	100.0	61,509	100.0	77,699	100.0	17,127	100.0	28,279	100.0

*Notes:*

- Comprising revenue generated from the provision of driving courses for Large Buses (A1), Towing Vehicles (A2), City Buses (A3), Medium Buses (B1) and Large Trucks (B2).
- Comprising revenue generated from the provision of driving courses for Small Manual Cars (C1) and Small Automatic Cars (C2).
- Comprising revenue generated from the provision of driving courses for Small Manual Cars (C1).
- Comprising revenue generated from the provision of additional driving training services at our training fields, which include the training services provided on the test venue in Tong Tai School.
- Comprising revenue generated from the provision of additional driving training services at our training fields at (i) Tong Tai School; and (ii) Shun Da School.

## FINANCIAL INFORMATION

6. For the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, we generated revenue from the provision of additional driving training services of approximately RMB6.2 million, RMB4.3 million, RMB1.4 million, RMB0.5 million and RMB0.2 million, respectively, representing approximately 13.5%, 6.9%, 1.8%, 2.8% and 0.7% of our total revenue, respectively.

### *Driving training services of Large Vehicles*

Our driving training services for Large Vehicles are principally offered to the individuals who may seek to pursue a vocational driver career. For the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, the revenue generated from the provision of driving training services for Large Vehicles amounted to approximately RMB30.4 million, RMB48.8 million, RMB64.4 million, RMB14.3 million and RMB23.6 million, respectively, representing approximately 65.6%, 79.3%, 82.9%, 83.3% and 83.4% of our total revenue, respectively.

During the Track Record Period, we offered standard courses and premium courses of each type of Large Vehicles. Premium courses of Large Vehicles, being VIP courses, which are packaged with various complimentary supporting services including pick-up services, catering services and/or accommodation without additional charges. The following table sets out the breakdown of our revenue for Large Vehicles by types of driving courses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April								
	2016		2017		2018		2018		2019						
	Number of trainees <sup>(Note)</sup>	RMB'000 (unaudited)	Number of trainees <sup>(Note)</sup>	RMB'000											
Large Vehicles															
Standard courses	2,004	15,816	52.1	2,311	16,325	33.5	776	4,618	7.1	400	1,887	13.2	243	1,047	4.4
Premium courses	663	9,844	32.4	2,451	29,783	61.1	5,074	59,071	91.7	1,699	12,064	84.6	2,258	22,451	95.2
Additional training services	N/A	4,725	15.5	N/A	2,652	5.4	N/A	749	1.2	N/A	314	2.2	N/A	98	0.4
Total	2,667	30,385	100.0	4,762	48,760	100.0	5,850	64,438	100.0	2,099	14,265	100.0	2,501	23,596	100.0

*Note:* Refers to such trainees who have contributed to the revenue in the relevant year/period.

Our revenue from the provision of driving training services for Large Vehicles increased by approximately RMB18.4 million, or approximately 60.5%, from approximately RMB30.4 million for the year ended 31 December 2016 to approximately RMB48.8 million for the year ended 31 December 2017. Our revenue from the provision of driving training services for Large Vehicles increased by approximately RMB15.7 million, or approximately 32.2%, from approximately RMB48.8 million for the year ended 31 December 2017 to approximately RMB64.4 million for the year ended 31 December 2018. Our revenue from the provision of driving training services for Large Vehicles increased by approximately RMB9.3 million, or approximately 65.4%, from approximately RMB14.3 million for the four months ended 30 April 2018 to approximately RMB23.6 million for the four months ended 30 April 2019. The increases were mainly attributable to the increase in the number of trainees who attended our premium courses.

During the Track Record Period, we adjusted our course fees for all types of Large Vehicles to a level comparable to other market players as our sale and marketing efforts to increase the competitiveness of our driving courses. During the year ended 31 December 2018, our number of course enrolments for

## FINANCIAL INFORMATION

premium courses of Large Vehicles continued to increase and reached 4,606. With the completion of our new dormitory building in the beginning of 2018, our complimentary accommodation and catering services for our premium courses have been enhanced, which we believe will further enhance the competitiveness of our premium courses and enable us to increase the course fees in the coming years.

During the Track Record Period, the revenue generated from our premium courses increased both in magnitude and proportion. Our Directors believe that this was mainly attributable to the Driving Training Curriculum and the Assessment Framework Adjustment, which imposed the requirements on minimum training hours and certain new requirements on the On-site Driving Test and the On-road Driving Test, respectively. Our Directors believe that as a result of the Driving Training Curriculum and the Assessment Framework Adjustment, our premium courses, which offered uncapped training hours before 21 March 2018 and training hours which satisfied the requirement on minimum training hours on or after 21 March 2018, became more attractive.

### *Driving training services of Small Vehicles*

Our driving training services for Small Vehicles are offered to the individuals for preparation for Driving Tests. For the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, the revenue generated from the provision of driving training services for Small Vehicles amounted to approximately RMB15.9 million, RMB12.7 million, RMB13.3 million, RMB2.9 million and RMB4.7 million, respectively. Revenue generated from the provision of driving training services for Small Vehicles as a percentage of our total revenue decreased from approximately 34.4% for the year ended 31 December 2016 to approximately 20.7% for the year ended 31 December 2017 and then to approximately 17.1% for the year ended 31 December 2018 and remained stable at approximately 16.7% and 16.6% for the four months ended 30 April 2018 and the four months ended 30 April 2019, respectively. Such decreases were mainly attributable to the significant increase in revenue generated from the provision of driving training services for Large Vehicles.

During the Track Record Period, we offered standard and premium courses for Small Vehicles (comprising Small Manual Cars (C1) and Small Automatic Cars (C2)). Premium courses consist of VIP courses, economy courses and holidays and weekends courses, which are designed to meet different needs of our trainees.

The following table sets out the breakdown of our revenue for Small Vehicles by types of driving courses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April								
	2016		2017		2018		2018		2019						
	Number of trainees <sup>(Note)</sup>	RMB'000	Number of trainees <sup>(Note)</sup>	RMB'000	Number of trainees <sup>(Note)</sup>	RMB'000	Number of trainees <sup>(Note)</sup>	RMB'000 (unaudited)	Number of trainees <sup>(Note)</sup>	RMB'000					
<b>Small Vehicles</b>															
Standard courses	10,308	11,896	74.8	7,822	7,498	58.9	4,249	2,901	21.9	2,526	1,277	44.6	624	375	8.0
Premium courses	1,110	2,494	15.7	2,075	3,639	28.5	5,225	9,733	73.4	1,659	1,418	49.5	2,899	4,214	90.0
Additional training services	N/A	1,510	9.5	N/A	1,612	12.6	N/A	627	4.7	N/A	167	5.9	N/A	94	2.0
<b>Total</b>	<b>11,418</b>	<b>15,900</b>	<b>100.0</b>	<b>9,897</b>	<b>12,749</b>	<b>100.0</b>	<b>9,474</b>	<b>13,261</b>	<b>100.0</b>	<b>4,185</b>	<b>2,862</b>	<b>100.0</b>	<b>3,523</b>	<b>4,683</b>	<b>100.0</b>

---

## FINANCIAL INFORMATION

---

*Note:* Refers to such trainees who have contributed to the revenue in the relevant year/period.

Our revenue from the provision of driving training services of Small Vehicles decreased by approximately RMB3.2 million, or approximately 19.8%, from approximately RMB15.9 million for the year ended 31 December 2016 to approximately RMB12.7 million for the year ended 31 December 2017. Such decrease was mainly attributable to the decrease in the number of trainees who attended our standard courses for Small Vehicles. Our revenue from the provision of driving training services of Small Vehicles increased by approximately RMB0.5 million, or approximately 4.0%, from approximately RMB12.7 million for the year ended 31 December 2017 to approximately RMB13.3 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in the number of trainees who attended our premium courses for Small Vehicles. Our revenue from the provision of driving training services for Small Vehicles increased by approximately RMB1.8 million, or approximately 63.6%, from approximately RMB2.9 million for the four months ended 30 April 2018 to approximately RMB4.7 million for the four months ended 30 April 2019. Such increase was mainly attributable to the increase in number of trainees of our premium courses for Small Vehicles and the increase in course fees of premium courses for Small Vehicles in 2018.

During the Track Record Period, the revenue generated from our premium courses increased both in magnitude and proportion. Our Directors believe that this was mainly attributable to the Driving Training Curriculum and the Assessment Framework Adjustment, which imposed the requirement on minimum training hours and certain new requirements on the On-site Driving Test and the On-road Driving Test, respectively. Our Directors believe that as a result of the Driving Training Curriculum and the Assessment Framework Adjustment, our premium courses, which offered uncapped training hours before 21 March 2018 and training hours which satisfied the minimum training hours requirement on or after 21 March 2018, became more attractive.

### **Cost of services rendered**

For the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, our Group's cost of services rendered amounted to approximately RMB12.8 million, RMB17.5 million, RMB27.2 million, RMB7.3 million and RMB10.2 million, respectively. Our cost of services rendered mainly comprises employee benefit expenses paid to our driving instructors and other supporting staff, depreciation and amortisation charges, fuel expenses and other expenses.

## FINANCIAL INFORMATION

The following table sets out the breakdown of our cost of services rendered during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Employee benefit expenses	6,175	48.3	8,990	51.3	11,778	43.3	3,563	49.0	3,817	37.3
Depreciation charges	2,687	21.0	2,756	15.7	3,027	11.1	711	9.8	2,307	22.6
Fuel expenses	1,476	11.5	2,384	13.6	7,730	28.4	1,557	21.4	2,372	23.2
Depreciation of rights-of-use assets	-	-	-	-	-	-	-	-	561	5.5
Amortisation charges	1,297	10.1	1,297	7.4	1,297	4.8	432	5.9	36	0.4
Rental charges	228	1.8	228	1.3	216	0.8	76	1.0	20	0.2
Insurance charges	216	1.7	221	1.3	281	1.0	79	1.1	56	0.5
Catering expenses	165	1.3	953	5.5	1,799	6.6	448	6.2	553	5.4
Other expenses	548	4.3	688	3.9	1,080	4.0	404	5.6	498	4.9
<b>Total</b>	<b>12,792</b>	<b>100.0</b>	<b>17,517</b>	<b>100.0</b>	<b>27,208</b>	<b>100.0</b>	<b>7,270</b>	<b>100.0</b>	<b>10,220</b>	<b>100.0</b>

The increase in the employee benefit expenses of our Group from approximately RMB9.0 million for the year ended 31 December 2017 to approximately RMB11.8 million for the year ended 31 December 2018 was attributable to the combined effect of (i) the increase in the number of driving instructors for the year ended 31 December 2018 compared to that for the year ended 31 December 2017; and (ii) the decrease in the average monthly overtime pay received by our driving instructors as a result of the increase in the number of driving instructors for the year ended 31 December 2018. For the four months ended 30 April 2018 and 2019, the increase in depreciation charges was mainly attributable to the increase in depreciation charges for the transfer of construction in progress upon the completion of part of the dormitory building since January 2019.

The following table sets out the breakdown of our cost of services rendered for the provision of driving training services of Large Vehicles and Small Vehicles during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Large Vehicles	6,476	50.6	11,469	65.5	20,332	74.7	5,274	72.5	7,949	77.8
Small Vehicles	6,316	49.4	6,048	34.5	6,876	25.3	1,996	27.5	2,271	22.2
<b>Total</b>	<b>12,792</b>	<b>100.0</b>	<b>17,517</b>	<b>100.0</b>	<b>27,208</b>	<b>100.0</b>	<b>7,270</b>	<b>100.0</b>	<b>10,220</b>	<b>100.0</b>

---

## FINANCIAL INFORMATION

---

Our employee benefit expenses mainly include (i) salaries and wages of our driving instructors and other supporting staff; (ii) staff welfare; and (iii) social insurance and housing provident funds. Employee benefit expenses were our Group's major cost component during the Track Record Period, which accounted for approximately 48.3%, 51.3%, 43.3%, 49.0% and 37.3% of our cost of services rendered for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, respectively, and representing approximately 13.3%, 14.6%, 15.2%, 20.8% and 13.5% of our total revenue, respectively. Our depreciation charges comprise depreciation on (i) training vehicles; (ii) equipment; (iii) building and leasehold improvements; and (iv) office equipment and furniture and fixtures of our teaching affair office and vehicle management department. Fuel expenses comprise the gasoline and diesel expenses used for training vehicles and test vehicles. Our amortisation charges comprise amortisation charges on prepaid land lease payments and intangible assets. Rental charges primarily consist of rental payment for the training fields of Shun Da School. Insurance charges primarily consist of insurance charges for our training vehicles and test vehicles. Catering expenses mainly include the catering expenses for our trainees of our premium courses of Large Vehicles and Small Vehicles in Tong Tai School. Other expenses mainly include utilities expenses, repair and maintenance expenses and motor vehicles expenses.

### **Gross profit and gross profit margin**

Gross profit represents our revenue less cost of services rendered. For the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, our gross profit was approximately RMB33.5 million, RMB44.0 million, RMB50.5 million, RMB9.9 million and RMB18.1 million, respectively, and our gross profit margin was approximately 72.4%, 71.5%, 65.0%, 57.6% and 63.9%, respectively.

## FINANCIAL INFORMATION

The following table sets out our gross profit and gross profit margin by types of vehicles during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Large Vehicles										
– Standard courses ( <i>Note</i> )	16,112	78.4	17,036	89.8	4,635	86.4	1,830	83.1	993	86.8
– Premium courses	<u>7,797</u>	79.2	<u>20,255</u>	68.0	<u>39,471</u>	66.8	<u>7,161</u>	59.4	<u>14,654</u>	65.3
Sub-total:	<u>23,909</u>	78.7	<u>37,291</u>	76.5	<u>44,106</u>	68.4	<u>8,991</u>	63.0	<u>15,647</u>	66.3
Small Vehicles										
– Standard courses ( <i>Note</i> )	8,372	62.4	6,217	68.2	2,176	61.7	714	49.4	290	61.8
– Premium courses	<u>1,212</u>	48.6	<u>484</u>	13.3	<u>4,209</u>	43.2	<u>152</u>	10.7	<u>2,122</u>	50.4
Sub-total:	<u>9,584</u>	60.3	<u>6,701</u>	52.6	<u>6,385</u>	48.1	<u>866</u>	30.3	<u>2,412</u>	51.5
Total:	<u>33,493</u>	72.4	<u>43,992</u>	71.5	<u>50,491</u>	65.0	<u>9,857</u>	57.6	<u>18,059</u>	63.9

*Note:* The gross profit of standard courses includes the gross profit generated from the provision of additional training services, which was insignificant to our Group during the Track Record Period.

The gross profit margin of our premium courses for both Large Vehicles and Small Vehicles was in general lower than that of our standard courses for each of the two years ended 31 December 2018 and the four months ended 30 April 2018 and 30 April 2019. This was mainly attributable to the lower hourly rates of our premium courses compared to those of our standard courses for each of the two years ended 31 December 2018 and the four months ended 30 April 2018 and 30 April 2019.

The gross profit margin of our premium courses for Small Vehicles for the year ended 31 December 2017 and the four months ended 30 April 2018 were lower than that for the rest of the Track Record Period. Our Directors believe that this was mainly attributable to the significant decrease in our course fees of premium courses for Small Vehicles to a level comparable to other market players and the special promotions since January 2017 as part of our sale and marketing efforts to increase the competitiveness of our driving courses and that such course fees were not increased until April 2018.

---

## FINANCIAL INFORMATION

---

### *Standard courses for Large Vehicles*

The gross profit margin of our standard courses for Large Vehicles increased by approximately 11.4 percentage points from approximately 78.4% for the year ended 31 December 2016 to approximately 89.8% for the year ended 31 December 2017. This was mainly attributable to the increase in the hourly rates of standard courses for Large Vehicles during the two years ended 31 December 2017 as a result of the significant reductions in the number of training hours generally offered by our standard courses for Large Vehicles in January and October 2016 in view of the market condition at the relevant time and the indirect influence brought by the issue of the Driving Training Curriculum on 18 August 2016, respectively, which was partially offset by the slight decrease in the course fees of our standard courses for Large Vehicles during the two years ended 31 December 2017 in general.

The gross profit margin of our standard courses for Large Vehicles decreased by approximately 3.4 percentage points from approximately 89.8% for the year ended 31 December 2017 to approximately 86.4% for the year ended 31 December 2018. This was mainly attributable to the decrease in the hourly rates of standard courses for Large Vehicles as a result of the our adjustment in the course fees of our standard courses of Large Vehicles to a level comparable to other market players by increasing their numbers of training hours generally in June 2017 to make up the impact caused by the cessation of providing training at the test venues in our driving schools.

The gross profit margin of our standard courses for Large Vehicles increased by 3.7 percentage points from 83.1% for the four months ended 30 April 2018 to 86.8% for the four months ended 30 April 2019 which was mainly attributable to the increase in course fees of our standard courses for Large Vehicles in response to the requirement of the Driving Training Curriculum that trainees registered on or after 1 October 2018 must satisfy the relevant minimum training hours requirement before they apply for taking the relevant Driving Tests.

### *Premium courses for Large Vehicles*

The gross profit margin of our premium courses for Large Vehicles decreased by approximately 11.2 percentage points from approximately 79.2% for the year ended 31 December 2016 to approximately 68.0% for the year ended 31 December 2017. This was mainly attributable to (i) our reductions in course fees of premium courses for Large Vehicles in January 2016 and January 2017 as part of our sale and marketing efforts to increase the competitiveness of our driving courses; and (ii) the effect from the increase in the cost of services rendered as a result of the increase in average number of training hours taken by our trainees before they were granted with driving licences since 1 October 2016 according to the Driving Training Curriculum issued on 18 August 2016.

The gross profit margin of our premium courses for Large Vehicles decreased by approximately 1.2 percentage points from approximately 68.0% for the year ended 31 December 2017 to approximately 66.8% for the year ended 31 December 2018. This was mainly attributable to the combined effect of the increase in fuel expenses as offset by the increase in course fees for our premium courses for Large Vehicles in January and May 2018 in general in view of the high utilisation rates of our training fields after the increase in number of course enrolments in premium courses for Large Vehicles since the second quarter of 2018.

---

## FINANCIAL INFORMATION

---

The gross profit margin of our premium courses for Large Vehicles increased by 5.9 percentage points from 59.4% for the four months ended 30 April 2018 to 65.3% for the four months ended 30 April 2019 which was mainly attributable to the increases in course fees of our premium courses for Large Vehicles in May 2018 in general in view of the high utilisation rates of our training fields after the increase in number of course enrolments of premium courses for Large Vehicles since the second quarter of 2018 and in response to the adjustments of course fees of other market players in Zhumadian City.

### *Standard courses for Small Vehicles*

The gross profit margin of our standard courses for Small Vehicles increased by approximately 5.8 percentage points from approximately 62.4% for the year ended 31 December 2016 to approximately 68.2% for the year ended 31 December 2017. This was mainly attributable to reductions in the number of training hours generally offered by our standard courses for Large Vehicles in January 2016 in view of the market condition at the relevant time and that it was not until June 2017 that our Group increased the number of training hours generally offered by our standard courses for Small Vehicles to make up the impact caused by the cessation of providing training at the test venues in our driving schools.

The gross profit margin of our standard courses for Small Vehicles decreased by approximately 6.5 percentage points from approximately 68.2% for the year ended 31 December 2017 to approximately 61.7% for the year ended 31 December 2018. This was mainly attributable to the decrease in the hourly rates of our standard courses for Small Vehicles as a result of the increase in the number of training hours offered by our standard courses for Small Vehicles in June 2017 while there was no corresponding increase in course fees until April 2018.

The gross profit margin of our standard courses for Small Vehicles increased by approximately 12.4 percentage points from approximately 49.4% for the four months ended 30 April 2018 to approximately 61.8% for the four months ended 30 April 2019 which was mainly attributable to the increase in course fees of our standard course for Small Vehicles in May 2018 in response to the adjustments of course fees of other market players in Zhumadian City.

### *Premium courses for Small Vehicles*

The gross profit margin of our premium courses for Small Vehicles decreased by approximately 35.3 percentage points from approximately 48.6% for the year ended 31 December 2016 to approximately 13.3% for the year ended 31 December 2017. This was mainly attributable to the significant decrease in our course fees of premium courses for Small Vehicles to a level comparable to other market players and the special promotions since January 2017 as part of our sale and marketing efforts to increase the competitiveness of our driving courses.

The gross profit margin of our premium courses for Small Vehicles increased by approximately 29.9 percentage points from approximately 13.3% for the year ended 31 December 2017 to approximately 43.2% for the year ended 31 December 2018. This was mainly attributable to our gradual increase in the course fees of our premium courses for Small Vehicles since April 2018.

## FINANCIAL INFORMATION

The gross profit margin of our premium courses for Small Vehicles increased by approximately 39.7 percentage points from approximately 10.7% for the four months ended 30 April 2018 to approximately 50.4% for the four months ended 30 April 2019 which was mainly attributable to the gradual increase in the course fees of our premium courses for Small Vehicles since April 2018 in response to adjustments of course fees of other market players in Zhumadian City and the requirement of the Driving Training Curriculum that trainees registered on or after 1 October 2018 must satisfy the relevant minimum training hours requirement before they apply for taking the relevant Driving Tests.

### Other income

The following table sets out the breakdown of our other income during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Interest income	54	34.4	70	28.2	203	18.2	32	10.9	77	28.4
Rental income	27	17.2	93	37.5	911	81.6	262	89.1	194	71.6
Government grant	-	-	50	20.2	2	0.2	-	-	-	-
Others	76	48.4	35	14.1	-	-	-	-	-	-
<b>Total</b>	<b>157</b>	<b>100.0</b>	<b>248</b>	<b>100.0</b>	<b>1,116</b>	<b>100.0</b>	<b>294</b>	<b>100.0</b>	<b>271</b>	<b>100.0</b>

Other income comprises bank interest income, rental income, government grant and others. Other income amounted to approximately RMB157,000, RMB248,000, RMB1.1 million, RMB294,000 and RMB271,000 for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, respectively.

Rental income amounted to approximately RMB27,000 for the year ended 31 December 2016, approximately RMB93,000 for the year ended 31 December 2017, representing the rental income derived from the lease of part of the land of Tong Tai School to an Independent Third Party, and approximately RMB911,000, RMB262,000 and RMB194,000 for the year ended 31 December 2018 and the four months ended and 30 April 2018 and 2019, respectively which represented the rental income derived from the lease of the test venue of Tong Tai School to Zhumadian Municipal Public Security Bureau (駐馬店市公安局), an Independent Third Party.

---

## FINANCIAL INFORMATION

---

### Other gain and losses, net

The following table sets out the breakdown of our other gain and losses, net during the Track Record Period:

	Year ended 31 December			Four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i>
Loss on disposal of property, plant and equipment	–	(60)	(26)	–	–
Exchange (loss)/gain, net	<u>(51)</u>	<u>(291)</u>	<u>660</u>	<u>20</u>	<u>11</u>
	<u><u>(51)</u></u>	<u><u>(351)</u></u>	<u><u>634</u></u>	<u><u>20</u></u>	<u><u>11</u></u>

Our other gain and losses, net comprise loss on disposal of property, plant and equipment and net exchange loss or gain. For the two years ended 31 December 2017, our other losses amounted to approximately RMB51,000 and RMB351,000 respectively; while our other gain and loss, net amounted to approximately RMB634,000, RMB20,000 and RMB11,000 for the year ended 31 December 2018 and the four months ended 30 April 2018 and 2019, respectively.

## FINANCIAL INFORMATION

### Selling and distribution expenses

Selling and distribution expenses primarily comprise (i) employee benefit expenses; (ii) marketing and advertising expenses; (iii) service charges; (iv) rental charges; (v) depreciation charges; and (vi) other expenses. The following table sets out the breakdown of our selling and distribution expenses during the Track Record Period:

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	658	39.9	793	32.8	959	54.6	292	42.7	360	56.9
Marketing and advertising expenses	643	39.0	1,172	48.5	379	21.6	219	32.0	195	30.8
Service charges	211	12.8	227	9.4	275	15.6	127	18.6	41	6.5
Rental charges	36	2.2	46	1.9	39	2.2	16	2.4	-	-
Depreciation of rights-of-use assets	-	-	-	-	-	-	-	-	8	1.3
Depreciation charges	10	0.6	8	0.3	5	0.3	2	0.3	2	0.3
Others expenses	91	5.5	171	7.1	101	5.7	28	4.0	27	4.2
<b>Total</b>	<b>1,649</b>	<b>100.0</b>	<b>2,417</b>	<b>100.0</b>	<b>1,758</b>	<b>100.0</b>	<b>684</b>	<b>100.0</b>	<b>633</b>	<b>100.0</b>

Our employee benefit expenses comprise salaries and wages and staff welfare of our sale and marketing staff. Our marketing and advertising expenses mainly include expenses of our promotional activities in Zhumadian City and nearby cities including outdoor advertising and distribution of leaflets to the general public. Service charges mainly comprise the referral fees to our trainees. Rental charges and depreciation of rights-of-use assets comprise our rental payment for our off-school registration centre(s). Our depreciation charges comprise depreciation charges on office equipment of our driving schools. Other expenses mainly include entertainment expenses, office expenses, motor expenses, consumables and utilities charges.

### Administrative expenses

Administrative expenses primarily comprise (i) employee benefit expenses including salaries paid to our administrative staff and staff welfare for our administrative staff; (ii) depreciation charges on office building, leasehold improvements, equipment, furniture and fixtures and office equipment for general administrative purposes; (iii) utilities charges for electricity and water; (iv) legal and professional fees paid for general legal and accounting services; (v) office expenses such as office supplies and telephone charges; (vi) entertainment and travelling expenses; and (vii) other expenses such as fuel expenses of motor vehicles

## FINANCIAL INFORMATION

for office use, motor expenses including repairs and maintenance expenses, insurance charges and other expenses. The following table sets out the breakdown of our administrative expenses during the Track Record Period.

	For the year ended 31 December						For the four months ended 30 April			
	2016		2017		2018		2018		2019	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses	1,333	45.5	1,952	43.9	1,943	30.8	659	37.5	771	38.2
Depreciation charges	788	26.9	892	20.1	1,914	30.4	585	33.2	292	14.5
Utilities charges	273	9.3	330	7.4	659	10.5	243	13.8	241	11.9
IT supporting charges	76	2.6	320	7.2	231	3.7	93	5.3	30	1.5
Donations	-	-	210	4.7	105	1.7	15	0.9	60	3.0
Legal and professional fees	20	0.7	75	1.7	385	6.1	3	0.2	77	3.8
Office expenses	88	3.0	130	2.9	102	1.6	29	1.6	42	2.1
Entertainment and travelling expenses	75	2.6	130	2.9	205	3.3	18	1.0	60	3.0
Consumable tools	65	2.2	10	0.2	-	-	-	-	-	-
Bank charges	41	1.4	79	1.8	163	2.6	35	2.0	73	3.6
Management fee	-	-	-	-	210	3.3	-	-	175	8.7
Others expenses	171	5.8	319	7.2	385	6.0	78	4.5	197	9.8
<b>Total</b>	<b>2,930</b>	<b>100.0</b>	<b>4,447</b>	<b>100.0</b>	<b>6,302</b>	<b>100.0</b>	<b>1,758</b>	<b>100.0</b>	<b>2,018</b>	<b>100.0</b>

For the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, our administrative expenses amounted to approximately RMB2.9 million, RMB4.4 million, RMB6.3 million, RMB1.8 million and RMB2.0 million, respectively. Our employee benefit expenses were the largest component of our administrative expenses for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, which amounted to approximately RMB1.3 million, RMB2.0 million, RMB1.9 million, RMB0.7 million and RMB0.8 million, respectively, representing approximately 2.9%, 3.2%, 2.5%, 3.8% and 2.7% of our total revenue, respectively.

### Listing and other expenses

We incurred Listing and other expenses for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019 of RMB1.8 million, RMB8.8 million, RMB10.3 million, RMB0.3 million and RMB2.1 million, respectively, which were incurred in relation to a previous potential GEM listing exercise, which was terminated, and the Listing.

---

## FINANCIAL INFORMATION

---

### **Finance costs**

Our finance costs comprise interest on bank loans and interest on finance leases. Our finance costs amounted to approximately RMB2.5 million, RMB2.4 million, RMB1.9 million, RMB0.6 million and RMB1.6 million for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, respectively.

### **Income tax expense**

#### *Cayman Islands*

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and is not subject to income tax of the Cayman Islands.

#### *BVI*

No provision for taxation has been recognised for companies incorporated in the BVI as we are not subject to any tax during the Track Record Period.

#### *Hong Kong*

The applicable Hong Kong profits tax rate is 16.5% for the Track Record Period. No provision for Hong Kong profits tax was made as we had no estimated assessable profit arising in Hong Kong during the Track Record Period.

#### *PRC*

For our business operations in the PRC, our subsidiaries in the PRC are subject to the PRC Enterprise Income Tax at the tax rate of 25% on the taxable income in respect of profits earned during the Track Record Period pursuant to the EIT Law and the relevant regulations.

## FINANCIAL INFORMATION

The following table sets out the breakdown of our income tax expense during the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i>
PRC EIT					
Current year	5,845	8,018	10,447	2,586	2,216
Underprovision in prior years	—	50	26	—	—
	5,845	8,068	10,473	2,586	2,216
Deferred taxation	786	871	190	(769)	1,369
	6,631	8,939	10,663	1,817	3,585

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, our Group had no material dispute or unresolved tax issues with the relevant authorities.

### Profit and total comprehensive income for the year

Our profit and total comprehensive income for the year decreased by approximately RMB1.2 million, or approximately 6.7%, from approximately RMB18.1 million for the year ended 31 December 2016 to approximately RMB16.9 million for the year ended 31 December 2017; and increased by approximately RMB4.4 million, or approximately 25.9%, from approximately RMB16.9 million for the year ended 31 December 2017 to approximately RMB21.3 million for the year ended 31 December 2018; and increased by approximately RMB3.4 million, or approximately 68.3%, from approximately RMB5.0 million for the four months ended 30 April 2018 to approximately RMB8.4 million for the four months ended 30 April 2019.

Our net profit margin was approximately 39.1%, 27.5%, 27.4%, 29.0% and 29.6% for the three years ended 31 December 2018 and the four months ended 30 April 2018 and 2019, respectively.

### SENSITIVITY ANALYSIS

We present sensitivity analysis of (i) the effect of the fluctuation of training fees income; (ii) the effect of the fluctuations of our employee benefit expenses of our Group, on our profit before tax during the Track Record Period; and (iii) the effect of the fluctuations of domestic price of gasoline and diesel on our gross profit during the Track Record Period, assuming no change of depreciation charges, amortisation charges or any other costs. The sensitivity analysis involving revenue from training fees, employees benefit expenses and domestic price of gasoline and diesel is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates

---

## FINANCIAL INFORMATION

---

the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis on fluctuation of training fees income and employee benefit expenses below shows the potential impact on our profit before tax with a 52% and 42% increase or decrease in training fees income and employee benefit expenses, respectively, which is based on their respective historical fluctuation for the three years ended 31 December 2018. The sensitivity analysis on fluctuation of domestic price of gasoline and diesel below shows the potential impact on our gross profit with a 34% increase or decrease in the domestic price of gasoline and diesel which is based on the higher of the fluctuation rate of the domestic price of gasoline and diesel for the three years ended 31 December 2018.

The following tables set forth the sensitivity of our profit before tax to the hypothetical changes in our training fees income and employees benefit expenses for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively:

	<b>For the year ended 31 December</b>			<b>For the four months ended 30 April</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Sensitivity analysis of training fees income</b>	<b>Impact on profit before tax (decrease)/increase</b>			
Training fees income (decrease)/ increase				
(52%)	(24,068)	(31,985)	(40,403)	(14,705)
52%	24,068	31,985	40,403	14,705
<b>Sensitivity analysis of employees benefit expenses</b>	<b>Impact on profit before tax increase/(decrease)</b>			
Employees benefit expenses (decrease)/increase				
(42%)	3,430	4,929	6,166	2,078
42%	(3,430)	(4,929)	(6,166)	(2,078)

---

## FINANCIAL INFORMATION

---

The following table sets forth the sensitivity of our gross profit to the hypothetical changes in the domestic price of gasoline and diesel for the three years ended 31 December 2018 and the four months ended 30 April 2019, respectively:

	<b>For the year ended 31 December</b>			<b>For the four months ended 30 April</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Sensitivity analysis of domestic price of gasoline and diesel</b>	<b>Impact on gross profit increase/(decrease)</b>			
Fuel expenses (decrease)/increase				
(34%)	502	811	2,628	806
34%	(502)	(811)	(2,628)	(806)

### PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

**For the year ended 31 December 2017 as compared to the year ended 31 December 2016**

#### *Revenue*

Our revenue increased by approximately RMB15.2 million, or approximately 32.9%, for the year ended 31 December 2017 as compared to that for the year ended 31 December 2016. This increase was primarily attributable to the increase in revenue generated from the provision of driving training services for Large Vehicles of approximately RMB18.4 million.

The revenue generated from the provision of driving training services for Large Vehicles increased by approximately RMB18.4 million, or approximately 60.5%, to approximately RMB48.8 million for the year ended 31 December 2017 from approximately RMB30.4 million for the year ended 31 December 2016. Such increase was mainly attributable to the significant increase in each of the number of trainees who attended our driving courses of Large Vehicles and the actual number of training hours of our trainees of Large Vehicles from 2,667 and 82,710, respectively, for the year ended 31 December 2016 to 4,762 and 176,697, respectively, for the year ended 31 December 2017 as a result of (i) our reductions in course fees of premium courses for Large Vehicles in January 2017 to a level comparable to other market players as part of our sale and marketing efforts to increase the competitiveness of our driving courses; and (ii) the building up of reputation of our Tong Tai School.

The revenue generated from the provision of driving training services for Small Vehicles decreased by approximately RMB3.2 million, or approximately 19.8%, to approximately RMB12.7 million for the year ended 31 December 2017 from approximately RMB15.9 million for the year ended 31 December 2016. Such decrease was mainly attributable to the decrease in each of the number of trainees who attended our standard courses for Small Vehicles and the actual number of training hours of our trainees of standard courses for

---

## FINANCIAL INFORMATION

---

Small Vehicles from 10,308 and 84,803 for the year ended 31 December 2016 to 7,822 and 60,242 for the year ended 31 December 2017 as a result of the increased focus on promoting driving courses for Large Vehicles at Tong Tai School.

### *Cost of services rendered*

Our cost of services rendered increased by approximately RMB4.7 million, or approximately 36.9%, from approximately RMB12.8 million for the year ended 31 December 2016 to approximately RMB17.5 million for the year ended 31 December 2017.

Employee benefit expenses increased by approximately RMB2.8 million, or approximately 45.6%, from approximately RMB6.2 million for the year ended 31 December 2016 to approximately RMB9.0 million for the year ended 31 December 2017 which was mainly attributable to the increase in the number of driving instructors, and increased average salaries of our driving instructors and other supporting staff as a result of the business expansion during the year ended 31 December 2017. Our fuel expenses increased by approximately RMB0.9 million, or approximately 61.5%, from approximately RMB1.5 million for the year ended 31 December 2016 to approximately RMB2.4 million for the year ended 31 December 2017, which was mainly attributable to the increase in the actual number of training hours of our trainees. Our catering expenses increased by approximately RMB0.8 million, or approximately 477.6%, from approximately RMB0.2 million for the year ended 31 December 2016 to approximately RMB1.0 million for the year ended 31 December 2017, which was mainly attributable to the increase in the number of trainees who attended our premium courses of Large Vehicles. Our other expenses increased by approximately RMB0.1 million, or approximately 25.5%, from approximately RMB0.5 million for the year ended 31 December 2016 to approximately RMB0.7 million for the year ended 31 December 2017, mainly attributable to the increase in repair and maintenance expenses of motor vehicles and motor vehicles expenses.

Cost of services rendered for Large Vehicles increased by approximately RMB5.0 million, or approximately 77.1%, from approximately RMB6.5 million for the year ended 31 December 2016 to approximately RMB11.5 million for the year ended 31 December 2017. Such increase was mainly attributable to the increase in the employee benefit expenses paid to our driving instructors of Large Vehicles including the increased average salaries as a result of our business expansion and increase in fuel expenses of motor vehicles and catering expenses for premium courses of Large Vehicles during the year ended 31 December 2017.

Cost of services rendered for Small Vehicles decreased by approximately RMB0.3 million, or approximately 4.2%, from approximately RMB6.3 million for the year ended 31 December 2016 to approximately RMB6.0 million for the year ended 31 December 2017. Such decrease was mainly attributable to the decrease in average number of driving instructors in 2017 which led to the decrease in the employee benefit expenses paid to our driving instructors of Small Vehicles notwithstanding the number of driving instructors of Small Vehicles as at 31 December 2017 restored to a higher level than that as at 31 December 2016.

---

## FINANCIAL INFORMATION

---

### *Gross profit and gross profit margin*

As a result of the increase in our revenue from the provision of driving training services for Large Vehicles, which was primarily attributable to the significant increase in the total number of trainees for Large Vehicles for reasons explained above as partially offset by the increase in actual number of training hours of our trainees of Large Vehicles, our gross profit for Large Vehicles increased by approximately RMB13.4 million, or approximately 56.0%, from approximately RMB23.9 million for the year ended 31 December 2016 to approximately RMB37.3 million for the year ended 31 December 2017.

As a result of the combined effect of the decrease in our revenue from the provision of driving training services for Small Vehicles, which was primarily attributable to the decrease in total number of trainees for Small Vehicles and the increase in actual number of training hours of our trainees of Small Vehicles, our gross profit for Small Vehicles decreased by approximately RMB2.9 million, or approximately 30.1%, from approximately RMB9.6 million for the year ended 31 December 2016 to approximately RMB6.7 million for the year ended 31 December 2017.

Our gross profit margin from the provision of driving training services for Large Vehicles decreased by approximately 2.2 percentage points to approximately 76.5% for the year ended 31 December 2017 from approximately 78.7% for the year ended 31 December 2016, mainly attributable to the greater portion of revenue received from the trainees of premium courses of Large Vehicles compared to that for standard courses of Large Vehicles.

Our gross profit margin from the provision of driving training services for Small Vehicles decreased by approximately 7.7 percentage points to approximately 52.6% for the year ended 31 December 2017 from approximately 60.3% for the year ended 31 December 2016, mainly attributable to the greater portion of revenue received from the trainees of premium courses of Small Vehicles compared to that for standard courses of Small Vehicles.

### *Other income*

Our other income increased by approximately RMB91,000, or approximately 58.0%, from approximately RMB157,000 for the year ended 31 December 2016 to approximately RMB248,000 for the year ended 31 December 2017.

Our interest income increased by approximately RMB16,000, or approximately 29.6%, from approximately RMB54,000 for the year ended 31 December 2016 to approximately RMB70,000 for the year ended 31 December 2017 which was mainly attributable to the increase in interest income from bank balances during the year ended 31 December 2017.

Our rental income increased by approximately RMB66,000, or approximately 244.4%, from approximately RMB27,000 for the year ended 31 December 2016 to approximately RMB93,000 for the year ended 31 December 2017 attributable to the increase in the rental income received from the lease of part of the land of Tong Tai School to Zhumadian Municipal Public Security Bureau (駐馬店市公安局), an Independent Third Party during the year ended 31 December 2017.

---

## FINANCIAL INFORMATION

---

Our government grant increased by approximately RMB50,000 for the year ended 31 December 2017 from nil for the year ended 31 December 2016 which represents the subsidy granted by the financial services bureau of the local government.

### *Other losses*

Our other losses increased by approximately RMB300,000, or approximately 588.2%, from approximately RMB51,000 for the year ended 31 December 2016 to approximately RMB0.4 million for the year ended 31 December 2017 which was mainly attributable to the increase in exchange loss and the loss on disposal of property, plant and equipment during the year ended 31 December 2017.

### *Selling and distribution expenses*

Our selling and distribution expenses increased by approximately RMB0.8 million, or approximately 46.6%, from approximately RMB1.6 million for the year ended 31 December 2016 to approximately RMB2.4 million for the year ended 31 December 2017. Such increase was mainly attributable to the increase in marketing and advertising expenses and employee benefit expenses.

Marketing and advertising expenses increased by approximately RMB0.5 million, or approximately 82.3%, from approximately RMB0.6 million for the year ended 31 December 2016 to approximately RMB1.2 million for the year ended 31 December 2017 which was attributable to the increase in expenses for our promotional activities in Zhumadian City and nearby cities which included outdoor advertising and distribution of leaflets to the general public.

Our employee benefit expenses increased by approximately RMB0.1 million, or approximately 20.5%, to approximately RMB0.8 million for the year ended 31 December 2017 from approximately RMB0.7 million for the year ended 31 December 2016 which was mainly attributable to the increase in the number of sale and marketing staff and the increase in salaries of our sale and marketing staff during the year ended 31 December 2017.

### *Administrative expenses*

Our administrative expenses increased by approximately RMB1.5 million, or approximately 51.8%, from approximately RMB2.9 million for the year ended 31 December 2016 to approximately RMB4.4 million for the year ended 31 December 2017 which was mainly attributable to the increase in employee benefit expenses and IT supporting charges and donations.

Employee benefit expenses increased by approximately RMB0.6 million, or approximately 46.4%, to approximately RMB2.0 million for the year ended 31 December 2017 from approximately RMB1.3 million for the year ended 31 December 2016 which was mainly attributable to the increase in salaries of our administrative staff for the year ended 31 December 2017.

IT supporting charges increased by approximately RMB244,000, or approximately 321.1%, to approximately RMB0.3 million for the year ended 31 December 2017 from approximately RMB76,000 for the year ended 31 December 2016, which was mainly attributable to the increase in telecommunication service charges for the year ended 31 December 2017.

---

## FINANCIAL INFORMATION

---

Donations increased to approximately RMB0.2 million for the year ended 31 December 2017 from nil for the year ended 31 December 2016, which was mainly attributable to donations made to, among others, charitable organisations.

### *Listing and other expenses*

Our listing and other expenses increased by approximately RMB7.0 million, or approximately 400.0%, from approximately RMB1.8 million for the year ended 31 December 2016 to approximately RMB8.8 million for the year ended 31 December 2017. Our listing and other expenses mainly included legal and professional fees paid to professional parties in relation to a previous potential GEM listing exercise which was terminated and fully expensed during the Track Record Period.

### *Finance costs*

Our finance costs slightly decreased by approximately RMB0.1 million, or approximately 5.3%, to approximately RMB2.4 million for the year ended 31 December 2017 from approximately RMB2.5 million for the year ended 31 December 2016.

### *Income tax expense*

Our income tax expenses increased by approximately RMB2.3 million, or approximately 34.8%, from approximately RMB6.6 million for the year ended 31 December 2016 to approximately RMB8.9 million for the year ended 31 December 2017 which was mainly attributable to the increase in taxable profit.

### *Profit and total comprehensive income for the year*

As a result of the foregoing, our profit and total comprehensive income for the year decreased by approximately RMB1.2 million, or approximately 6.7%, from approximately RMB18.1 million for the year ended 31 December 2016 to approximately RMB16.9 million for the year ended 31 December 2017.

### **For the year ended 31 December 2018 as compared to the year ended 31 December 2017**

### *Revenue*

Our revenue increased by approximately RMB16.2 million, or approximately 26.3%, for the year ended 31 December 2018 as compared to that for the year ended 31 December 2017. This increase was primarily attributable to the increase in revenue generated from the provision of driving training services for Large Vehicles of approximately RMB15.7 million.

The revenue generated from the provision of driving training services for Large Vehicles increased by approximately RMB15.7 million, or approximately 32.2%, to approximately RMB64.4 million for the year ended 31 December 2018 from approximately RMB48.8 million for the year ended 31 December 2017. Such increase was mainly attributable to the increase in each of the number of trainees who attended our driving courses of Large Vehicles and the actual number of training hours of our trainees of Large Vehicles from 4,762 and 176,697, respectively for the year ended 31 December 2017 to 5,850 and 318,668, respectively for the year ended 31 December 2018 as a result of (i) continuous increasing demand for the driving training services of our Large Vehicles; (ii) the increase in the number of trainees who attended our premium courses

---

## FINANCIAL INFORMATION

---

of Large Vehicles as a result of the Assessment Framework Adjustment; and (iii) the building up of reputation of our Tong Tai School. Such increase was also attributable to the increase in course fees for our premium courses for Large Vehicles in January and May 2018.

The revenue generated from the driving training services for Small Vehicles increased by approximately RMB0.5 million, or approximately 4.0%, to approximately RMB13.3 million for the year ended 31 December 2018 from approximately RMB12.7 million for the year ended 31 December 2017. Such increase was mainly attributable to the effect brought by the increase in the actual number of training hours of our trainees of Small Vehicles from 126,518 for the year ended 31 December 2017 to 199,353 for the year ended 31 December 2018, which was partially offset by the effect brought by the increase in proportion of training hours from premium courses which had a lower hourly rate than standard courses for the year ended 31 December 2018.

### *Cost of services rendered*

Our cost of services rendered increased by approximately RMB9.7 million, or approximately 55.3%, from approximately RMB17.5 million for the year ended 31 December 2017 to approximately RMB27.2 million for the year ended 31 December 2018. Such increase was mainly attributable to (i) the significant increase in fuel expenses of approximately RMB5.3 million; (ii) the increase in our employee benefit expenses of approximately RMB2.8 million; (iii) the increase in our catering expenses for our trainees of approximately RMB0.8 million; and (iv) the increase in other expenses, including the motor vehicles expenses, of approximately RMB0.4 million.

Our fuel expenses significantly increased by approximately RMB5.3 million, or approximately 224.2%, from approximately RMB2.4 million for the year ended 31 December 2017 to approximately RMB7.7 million for the year ended 31 December 2018 which was mainly attributable to the increase in actual number of training hours of our trainees and the increase in the domestic price of gasoline and diesel. Employee benefit expenses increased by approximately RMB2.8 million, or approximately 31.0%, from approximately RMB9.0 million for the year ended 31 December 2017 to approximately RMB11.8 million for the year ended 31 December 2018 which was mainly attributable to the increase in the number of driving instructors and the salaries and staff welfare for our driving instructors and other supporting staff as a result of our business expansion. Our catering expenses increased by approximately RMB0.8 million, or approximately 88.8%, from approximately RMB1.0 million for the year ended 31 December 2017 to approximately RMB1.8 million for the year ended 31 December 2018 mainly attributable to the increase in the number of trainees who attended our premium courses which included the provision of catering. Our other expenses increased by approximately RMB0.4 million, or approximately 57.0%, from approximately RMB0.7 million for the year ended 31 December 2017 to approximately RMB1.1 million for the year ended 31 December 2018, which was mainly attributable to the increase in repair and maintenance expenses of motor vehicles and motor vehicles expenses.

Cost of services rendered for Large Vehicles increased by approximately RMB8.9 million, or approximately 77.3%, from approximately RMB11.5 million for the year ended 31 December 2017 to approximately RMB20.3 million for the year ended 31 December 2018. Such increase was mainly attributable to (i) the increase in the number of our driving instructors of Large Vehicles; (ii) fuel expenses of Large Vehicles as a result of the increase in actual number of training hours of our trainees of Large Vehicles; and (iii) the increase in the catering expenses as a result of the increase in the number of trainees who attended our premium courses of Large Vehicles.

---

## FINANCIAL INFORMATION

---

Cost of services rendered for Small Vehicles increased by approximately RMB0.8 million, or approximately 13.7%, from approximately RMB6.0 million for the year ended 31 December 2017 to approximately RMB6.9 million for the year ended 31 December 2018. Such increase was mainly attributable to the increase in fuel expenses of Small Vehicles as a result of the increase in actual number of training hours of our trainees of Small Vehicles.

### *Gross profit and gross profit margin*

As a result of the increase in our revenue from the provision of driving training services for Large Vehicles, which was primarily attributable to the significant increase in the number of trainees of premium courses of Large Vehicles for reasons explained above as partially offset by the increase in actual number of training hours of our trainees of premium courses for Large Vehicles, our gross profit for Large Vehicles increased by approximately RMB6.8 million, or approximately 18.3%, from approximately RMB37.3 million for the year ended 31 December 2017 to approximately RMB44.1 million for the year ended 31 December 2018.

As a result of the combined effect of the increase in our revenue from the provision of driving training services for Small Vehicles, which was primarily attributable to the increase in the actual number of training hours of our trainees of Small Vehicles from 125,637 for the year ended 31 December 2017 to 199,353 for the year ended 31 December 2018, which was partially offset by the effect brought by the increase in proportion of training hours from premium courses which had a lower hourly rate than standard courses for the year ended 31 December 2018. Our gross profit for Small Vehicles decreased by approximately RMB0.3 million, or approximately 4.7%, from approximately RMB6.7 million for the year ended 31 December 2017 to approximately RMB6.4 million for the year ended 31 December 2018.

Our gross profit margin from the provision of driving training services for Large Vehicles decreased by approximately 8.1 percentage points to approximately 68.4% for the year ended 31 December 2018 from approximately 76.5% for the year ended 31 December 2017, which was mainly attributable to the fact that for the year ended 31 December 2018, a significant portion of our revenue received from the trainees of Large Vehicles was derived from premium courses with a lower profit margin of 66.8%.

Our gross profit margin from the provision of driving training services for Small Vehicles decreased by approximately 4.5 percentage points to approximately 48.1% for the year ended 31 December 2018 from approximately 52.6% for the year ended 31 December 2017, which was mainly attributable to the fact that for the year ended 31 December 2018, a significant portion of our revenue received from the trainees of Small Vehicles was derived from premium courses with a lower profit margin of 43.2%.

### *Other income*

Our other income increased by approximately RMB0.9 million, or approximately 350.0%, from approximately RMB0.2 million for the year ended 31 December 2017 to approximately RMB1.1 million for the year ended 31 December 2018.

Our rental income increased by approximately RMB0.8 million, or approximately 879.6% from approximately RMB93,000 for the year ended 31 December 2017 to approximately RMB0.9 million, for the year ended 31 December 2018 attributable to the rental income received from the lease of the test venue of Tong Tai School.

---

## FINANCIAL INFORMATION

---

Our interest income increased by approximately RMB133,000, or approximately 190.0%, from approximately RMB70,000 for the year ended 31 December 2017 to approximately RMB203,000 for the year ended 31 December 2018 which was mainly attributable to the increase in interest income from bank balances during the year ended 31 December 2018.

Our government grant from the financial services bureau of the local government decreased to nil for the year ended 31 December 2018 from approximately RMB50,000 for the year ended 31 December 2017.

### *Other gain and losses*

Our other gain and losses increased from other losses of approximately RMB0.4 million for the year ended 31 December 2017 to other gain, net of approximately RMB0.6 million for the year ended 31 December 2018 which was attributable to exchange gains.

### *Selling and distribution expenses*

Our selling and distribution expenses decreased by approximately RMB0.7 million, or approximately 27.3%, from approximately RMB2.4 million for the year ended 31 December 2017 to approximately RMB1.8 million for the year ended 31 December 2018 which was mainly attributable to the decrease in marketing and advertising expenses.

Marketing and advertising expenses decreased by approximately RMB0.8 million, or approximately 67.7%, from approximately RMB1.2 million for the year ended 31 December 2017 to approximately RMB0.4 million for the year ended 31 December 2018 which was mainly attributable to lesser promotional activities for the year ended 31 December 2018.

### *Administrative expenses*

Our administrative expenses increased by approximately RMB1.9 million, or approximately 41.7%, from approximately RMB4.4 million for the year ended 31 December 2017 to approximately RMB6.3 million for the year ended 31 December 2018 which was mainly attributable to the increase in the depreciation charges of office building, office equipment and furniture and fixtures of administration department and finance and accounting department, legal and professional fees, utilities charges, and management fee paid to an Independent Third Party.

Our depreciation charges increased by approximately RMB1.0 million, or approximately 114.6%, from approximately RMB0.9 million for the year ended 31 December 2017 to approximately RMB1.9 million for the year ended 31 December 2018 which was attributable to the depreciation charges of the building under construction which had been transferred to property, plant and equipment upon completion in May 2018.

Our legal and professional fees increased by approximately RMB0.3 million, or approximately 413.3%, from approximately RMB75,000 for the year ended 31 December 2017 to approximately RMB0.4 million for the year ended 31 December 2018 which was attributable to the professional fees of the Pre-IPO Investor II borne by us in relation to the Pre-IPO Investment II.

Our utilities charges increased by approximately RMB0.3 million, or approximately 99.7%, from approximately RMB0.3 million for the year ended 31 December 2017 to approximately RMB0.7 million for the year ended 31 December 2018 which was attributable to the utilities charges paid in relation to the above-mentioned building under construction.

---

## FINANCIAL INFORMATION

---

Our management fee for the year ended 31 December 2018 of approximately RMB0.2 million was attributable to the payment to an Independent Third Party for the management of our dormitory building.

### *Listing and other expenses*

Our Listing and other expenses increased by approximately RMB1.5 million, or approximately 17.3%, from approximately RMB8.8 million for the year ended 31 December 2017 to approximately RMB10.3 million for the year ended 31 December 2018. Our Listing and other expenses for the year ended 31 December 2018 included fees paid to professional parties in relation to the Listing.

### *Finance costs*

Our finance costs decreased by approximately RMB0.5 million, or approximately 19.5%, from approximately RMB2.4 million for the year ended 31 December 2017 to approximately RMB1.9 million for the year ended 31 December 2018, which was attributable to the decrease in weighted average interest rate of our variable-rate borrowings.

### *Income tax expense*

Our income tax expense increased by approximately RMB1.7 million, or approximately 19.3%, from approximately RMB8.9 million for the year ended 31 December 2017 to approximately RMB10.7 million for the year ended 31 December 2018 which was mainly attributable to the increase in taxable profit.

### *Profit and total comprehensive income for the year*

As a result of the foregoing, our profit and total comprehensive income for the year increased by approximately RMB4.4 million, or approximately 25.9%, from approximately RMB16.9 million for the year ended 31 December 2017 to approximately RMB21.3 million for the year ended 31 December 2018.

### **For the four months ended 30 April 2019 as compared to the four months ended 30 April 2018**

#### *Revenue*

Our revenue increased by approximately RMB11.2 million, or approximately 65.1%, for the four months ended 30 April 2019 as compared to that for the four months ended 30 April 2018. This increase was primarily attributable to the increase in revenue generated from the provision of driving training services for Large Vehicles of approximately RMB9.3 million.

The revenue generated from the provision of driving training services for Large Vehicles increased by approximately RMB9.3 million, or approximately 65.4%, to approximately RMB23.6 million for the four months ended 30 April 2019 from approximately RMB14.3 million for the four months ended 30 April 2018. Such increase was mainly attributable to the increase in each of the number of trainees who attended our driving courses of Large Vehicles and the actual number of training hours of our trainees of Large Vehicles from 2,099 and 72,057, respectively, for the four months ended 30 April 2018 to 2,501 and 107,214, respectively, for the four months ended 30 April 2019 as a result of the increase in the number of trainees who attended our premium courses and the higher average course fee due to the increase in course fees of premium course for Large Vehicles in May 2018.

---

## FINANCIAL INFORMATION

---

The revenue generated from the provision of driving training services for Small Vehicles increased by approximately RMB1.8 million, or approximately 63.6%, to approximately RMB4.7 million for the four months ended 30 April 2019 from approximately RMB2.9 million for the four months ended 30 April 2018. Such increase was mainly attributable to the increase in the number of trainees who attended our premium courses for Small Vehicles from 1,659 for the four months ended 30 April 2018 to 2,899 for the four months ended 30 April 2019 as a result of the increased focus on promoting driving courses for Small Vehicles at Shun Da School and Tong Tai School.

### *Cost of services rendered*

Our cost of services rendered increased by approximately RMB3.0 million, or approximately 40.6%, from approximately RMB7.3 million for the four months ended 30 April 2018 to approximately RMB10.2 million for the four months ended 30 April 2019.

Employee benefit expenses increased by approximately RMB0.3 million, or approximately 7.1%, from approximately RMB3.6 million for the four months ended 30 April 2018 to approximately RMB3.8 million for the four months ended 30 April 2019 which was mainly attributable to the increase in the number of driving instructors, despite decreased average salaries of our driving instructors and other supporting staff as a result of the business expansion during the four months ended 30 April 2019. Our fuel expenses increased by approximately RMB0.8 million, or approximately 52.3%, from approximately RMB1.6 million for the four months ended 30 April 2018 to approximately RMB2.4 million for the four months ended 30 April 2019, which was mainly attributable to the increase in the actual number of training hours of our trainees. Our depreciation charges increased by approximately RMB1.6 million, or approximately 224.5% from approximately RMB0.7 million for the four months ended 30 April 2018 to approximately RMB2.3 million for the four months ended 30 April 2019 mainly attributable to the increase in depreciation charges for the transfer of construction in progress upon the completion of part of the dormitory building since January 2019. Our amortisation charges decreased by approximately RMB0.4 million, or approximately 91.7%, from approximately RMB432,000 for the four months ended 30 April 2018 to approximately RMB36,000 for the four months ended 30 April 2019, which was mainly attributable to the reclassification of the amortisation charges of the two parcels of land to depreciation of rights-of-use assets under new accounting standard adopted. Our catering expenses increased by approximately RMB0.1 million, or approximately 23.4%, from approximately RMB0.4 million for the four months ended 30 April 2018 to approximately RMB0.6 million for the four months ended 30 April 2019, which was mainly attributable to the increase in the number of trainees who attended our premium courses of Large Vehicles. Our other expenses increased by approximately RMB0.1 million, or approximately 23.3%, from approximately RMB0.4 million for the four months ended 30 April 2018 to approximately RMB0.5 million for the four months ended 30 April 2019, mainly attributable to the increase in repair and maintenance expenses of motor vehicles and motor vehicles expenses.

Cost of services rendered for Large Vehicles increased by approximately RMB2.7 million, or approximately 50.7%, from approximately RMB5.3 million for the four months ended 30 April 2018 to approximately RMB7.9 million for the four months ended 30 April 2019. Such increase was mainly attributable to the increase in the fuel expenses of Large Vehicles as a result of the increase in the actual number of training hours of our trainees for Large Vehicles; (ii) the increase in depreciation charges for our dormitory building which was completed in May 2018; and (iii) the increase in catering expenses for premium course of Large Vehicles during the four months ended 30 April 2019.

---

## FINANCIAL INFORMATION

---

Cost of services rendered for Small Vehicles increased by approximately RMB0.3 million, or approximately 13.8%, from approximately RMB2.0 million for the four months ended 30 April 2018 to approximately RMB2.3 million for the four months ended 30 April 2019. Such increase was mainly attributable to the increase in fuel expenses of Small Vehicles as a result of the increase in the actual number of training hours of our trainees for Small Vehicles and the increase in depreciation charges of our dormitory building which was completed in May 2018.

### *Gross profit and gross profit margin*

As a result of the increase in our revenue from the provision of driving training services for Large Vehicles, which was primarily attributable to the significant increase in the total number of trainees for our premium of courses of Large Vehicles for reasons explained, our gross profit for Large Vehicles increased by approximately RMB6.7 million, or approximately 74.0%, from approximately RMB9.0 million for the four months ended 30 April 2018 to approximately RMB15.6 million for the four months ended 30 April 2019.

As a result of the combined effect of the increase in our revenue from the provision of driving training services for Small Vehicles, which was primarily attributable to the increase in total number of trainees of our premium courses for Small Vehicles and the increase in actual number of training hours of our trainees of Small Vehicles, our gross profit for Small Vehicles increased by approximately RMB1.5 million, or approximately 178.5%, from approximately RMB0.9 million for the four months ended 30 April 2018 to approximately RMB2.4 million for the four months ended 30 April 2019.

Our gross profit margin from the provision of driving training services for Large Vehicles increased by approximately 3.3 percentage points to approximately 66.3% for the four months ended 30 April 2019 from approximately 63.0% for the four months ended 30 April 2018, mainly attributable to the increase in gross profit margin of our premium courses for Large Vehicles as a result of the increase in course fees of premium courses for Large Vehicles in May 2018.

Our gross profit margin from the provision of driving training services for Small Vehicles increased by approximately 21.2 percentage points to approximately 51.5% for the four months ended 30 April 2019 from approximately 30.3% for the four months ended 30 April 2018, mainly attributable to the increase in gross profit margin of our premium courses for Small Vehicles as a result of the gradual increase in the course fees for our premium courses for Small Vehicles since May 2018.

### *Other income*

Our other income decreased by approximately RMB23,000, or approximately 7.8%, from approximately RMB294,000 for the four months ended 30 April 2018 to approximately RMB271,000 for the four months ended 30 April 2019.

Our interest income increased by approximately RMB45,000, or approximately 140.6%, from approximately RMB32,000 for the four months ended 30 April 2018 to approximately RMB77,000 for the four months ended 30 April 2019 which was mainly attributable to the increase in interest income from bank balances during the four months ended 30 April 2019.

Our rental income decreased by approximately RMB68,000, or approximately 26.0%, from approximately RMB262,000 for the four months ended 30 April 2018 to approximately RMB194,000 for the four months ended 30 April 2019 attributable to the fact that there was a change in the terms of the

---

## FINANCIAL INFORMATION

---

renewed licence agreement between Tong Tai School and the Zhumadian Municipal Public Security Bureau (駐馬店市公安局) in respect of the test venue of Tong Tai School dated 2 February 2019 pursuant to which the Zhumadian Municipal Public Security Bureau shall pay a standard rental charge on monthly basis rather than a licence fee commensurate with the number of On-site Driving Test taken at such test venue.

### *Other gain*

Our other gain decreased by approximately RMB9,000, or approximately 45.0%, from approximately RMB20,000 for the four months ended 30 April 2018 to approximately RMB11,000 million for the four months ended 30 April 2019 which was mainly attributable to the decrease in exchange gain during the four months ended 30 April 2019.

### *Selling and distribution expenses*

Our selling and distribution expenses decreased by approximately RMB51,000, or approximately 7.5%, from approximately RMB684,000 for the four months ended 30 April 2018 to approximately RMB633,000 for the four months ended 30 April 2019. Such decrease was mainly attributable to the increase in marketing and advertising expenses and service charges.

Marketing and advertising expenses decreased by approximately RMB24,000, or approximately 11.0%, from approximately RMB219,000 for the four months ended 30 April 2018 to approximately RMB195,000 for the four months ended 30 April 2019 which was attributable to the decrease in expenses of our promotional activities in Zhumadian City and nearby cities because the Group ceased to give free promotional gifts to new trainees for the four months ended 30 April 2019.

Our service charges decreased by approximately RMB86,000, or approximately 67.7%, to approximately RMB41,000 for the four months ended 30 April 2019 from approximately RMB127,000 for the four months ended 30 April 2018 which was mainly attributable to the decrease in the referral fees paid to our existing trainees in respect of their referrals of new trainees for our driving training services during the four months ended 30 April 2019.

### *Administrative expenses*

Our administrative expenses increased by approximately RMB0.3 million, or approximately 14.8%, from approximately RMB1.8 million for the four months ended 30 April 2018 to approximately RMB2.0 million for the four months ended 30 April 2019 which was mainly attributable to the increase in employee benefit expenses and depreciation charges, legal and professional charges and management fee.

Employee benefit expenses increased by approximately RMB0.1 million, or approximately 17.0%, to approximately RMB0.8 million for the four months ended 30 April 2019 from approximately RMB0.7 million for the four months ended 30 April 2018 which was mainly attributable to the increase in salaries of our administrative staff for the four months ended 30 April 2019.

Legal and professional fees increased by approximately RMB74,000 or approximately 2,466.7%, from approximately RMB3,000 for the four months ended 30 April 2018 to approximately RMB77,000 for the four months ended 30 April 2019, which was mainly attributable to increase in company secretarial fees paid for investment holding companies.

Our management fee for the four months ended 30 April 2019 of approximately RMB0.2 million was attributable to the payment to an Independent Third Party for the management of our dormitory building.

---

## FINANCIAL INFORMATION

---

### *Listing and other expenses*

Our listing and other expenses increased by approximately RMB1.8 million, or approximately 534.3%, from approximately RMB0.3 million for the four months ended 30 April 2018 to approximately RMB2.1 million for the four months ended 30 April 2019. Our listing and other expenses mainly included legal and professional fees paid to professional parties in relation to the Listing.

### *Finance costs*

Our finance costs increased by approximately RMB1.0 million, or approximately 164.3%, from approximately RMB0.6 million for the four months ended 30 April 2018 to approximately RMB1.6 million for the four months ended 30 April 2019 mainly attributable to the decreased capitalised interest upon the completion of leasehold improvement.

### *Income tax expense*

Our income tax expenses increased by approximately RMB1.8 million, or approximately 97.3%, from approximately RMB1.8 million for the four months ended 30 April 2018 to approximately RMB3.6 million for the four months ended 30 April 2019 which was mainly attributable to the increase in taxable profit.

### *Profit and total comprehensive income for the period*

As a result of the foregoing, our profit and total comprehensive income for the period increased by approximately RMB3.4 million, or approximately 68.3%, from approximately RMB5.0 million for the four months ended 30 April 2018 to approximately RMB8.4 million for the four months ended 30 April 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

During the Track Record Period and up to the Latest Practicable Date, we have funded our cash requirements principally from cash generated from our operations and bank loans. We had cash and cash equivalents of approximately RMB6.1 million, RMB31.6 million, RMB77.5 million and RMB81.2 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. We generally deposit our excess cash in interest bearing bank accounts.

During the Track Record Period, our principal uses of cash had been for the funding of required working capital, capital expenditure, such as payments of prepaid land lease, payments of construction costs for our office building and dormitory building and purchase of motor vehicles, and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external bank loans, proceeds from the Share Offer and other funds raised from the capital markets from time to time.

---

## FINANCIAL INFORMATION

---

### Cash flows

The following table sets out a summary of our consolidated statements of cash flows for the Track Record Period:

	For the year ended 31 December			For the four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i> (unaudited)	2019 <i>RMB'000</i>
Net cash from operating activities	38,489	40,539	50,721	11,936	14,009
Net cash used in investing activities	(24,605)	(8,756)	(10,597)	(5,147)	(6,959)
Net cash (used in)/from financing activities	<u>(14,451)</u>	<u>(6,227)</u>	<u>5,722</u>	<u>(1,840)</u>	<u>(3,332)</u>
Net (decrease)/increase in cash and cash equivalents	(567)	25,556	45,846	4,949	3,718
Cash and cash equivalents at the beginning of the year/period	<u>6,652</u>	<u>6,085</u>	<u>31,641</u>	<u>31,641</u>	<u>77,487</u>
Cash and cash equivalents at the end of the year/period, represented by bank balances and cash	<u><u>6,085</u></u>	<u><u>31,641</u></u>	<u><u>77,487</u></u>	<u><u>36,590</u></u>	<u><u>81,205</u></u>

### Cash flows from operating activities

During the Track Record Period, our net cash flows from operating activities mainly represented our profits before income tax, being adjusted for non-cash items such as depreciation of property, plant and equipment, amortisation of prepaid land lease payments and intangible assets and the reallocation of interest expenses and interest income and changes in working capital.

#### *Year ended 31 December 2016*

For the year ended 31 December 2016, net cash generated from operating activities of approximately RMB38.5 million represented operating cash inflows before movements in working capital of approximately RMB32.0 million, net increase in working capital changes of approximately RMB12.6 million and income tax paid of approximately RMB6.1 million.

---

## FINANCIAL INFORMATION

---

Net increase in working capital changes primarily reflected (i) the increase in contract liability of approximately RMB9.0 million mainly in connection with our course fees received that would be recognised as revenue when the performance obligation is satisfied; and (ii) the increase in trade and other payables and accruals of approximately RMB4.9 million mainly attributable to the increase in accrued construction costs, which was partially offset by the increase in trade and other receivables, deposits and prepayments of approximately RMB1.3 million, mainly attributable to the increase in prepayments for listing and other expenses in relation to a previous potential GEM listing exercise.

### *Year ended 31 December 2017*

For the year ended 31 December 2017, net cash generated from operating activities of approximately RMB40.5 million represented operating cash inflows before movements in working capital of approximately RMB33.2 million, net increase in working capital changes of approximately RMB11.9 million and income tax paid of approximately RMB4.5 million.

Net increase in working capital changes primarily reflected (i) the increase in contract liability of approximately RMB8.7 million mainly in connection with our course fees received that would be recognised as revenue when the performance obligation is satisfied; (ii) the increase in trades and other payables and accruals of approximately RMB2.3 million mainly attributable to the increase in accrued expenses, such as the trainees' examination fees payable to the local authority; and (iii) the decrease in trade and other receivables, deposits and prepayments of approximately RMB0.9 million, mainly attributable to the decrease in prepayments for listing and other expenses in relation to a previous potential GEM listing exercise which have been expensed in 2017.

### *Year ended 31 December 2018*

For the year ended 31 December 2018, net cash generated from operating activities of approximately RMB50.7 million represented operating cash inflows before movements in working capital of approximately RMB39.9 million, net increase in working capital changes of approximately RMB18.0 million and income tax paid of approximately RMB7.2 million.

Net increase in working capital changes primarily reflected (i) the increase in contract liability of approximately RMB10.0 million mainly in connection with our course fees received that would be recognised as revenue when the performance obligation is satisfied and (ii) the increase in trade and other payables and accruals of approximately RMB8.7 million mainly attributable to the increase in accrued Listing and other expenses in relation to the Listing, which was partially offset by the increase in trade and other receivables, deposits and prepayments of approximately RMB0.7 million.

### *Four months ended 30 April 2019*

For the four months ended 30 April 2019, net cash generated from operating activities of approximately RMB14.0 million represented operating cash inflows before movements in working capital of approximately RMB16.7 million, net decrease in working capital changes of approximately RMB2.4 million and income tax paid of approximately RMB0.3 million.

Net decrease in working capital changes primarily reflected the increase in contract liability of approximately RMB2.8 million mainly in connection with our course fees received that would be recognised as revenue when the performance obligation is satisfied which was offset by (i) the decrease in trade and

---

## FINANCIAL INFORMATION

---

other payables and accruals of approximately RMB4.8 million mainly attributable to the decrease in accrued Listing and other expenses in relation to the Listing and the decrease in accrued construction costs; and (ii) the increase in trade and other receivables, deposits and prepayments of approximately RMB0.4 million.

### **Cash flows used in investing activities**

#### ***Year ended 31 December 2016***

For the year ended 31 December 2016, we recorded net cash used in investing activities of approximately RMB24.6 million, primarily as a result of the purchases of property, plant and equipment relating to construction and refurbishment of training fields, office equipment and motor vehicles of approximately RMB18.8 million and the deposits paid for the construction in progress of approximately RMB5.9 million for construction and interior decoration of the dormitory building.

#### ***Year ended 31 December 2017***

For the year ended 31 December 2017, we recorded net cash used in investing activities of approximately RMB8.8 million, primarily as a result of the purchases of property, plant and equipment relating to the construction costs of dormitory building, leasehold improvements and equipment, office equipment and motor vehicles of approximately RMB6.9 million and the deposits paid for the construction in progress of approximately RMB2.0 million for construction and interior decoration of the dormitory building.

#### ***Year ended 31 December 2018***

For the year ended 31 December 2018, we recorded net cash used in investing activities of approximately RMB10.6 million, primarily as a result of the purchases of property, plant and equipment relating to the construction costs of dormitory building, leasehold improvements and equipment of approximately RMB9.6 million and the deposits paid for the construction in progress of approximately RMB1.2 million for fitting out of the dormitory building.

#### ***Four months ended 30 April 2019***

For the four months ended 30 April 2019, we recorded net cash used in investing activities of approximately RMB7.0 million, primarily as a result of the purchases of property, plant and equipment relating to the construction costs of dormitory building, leasehold improvements and motor vehicles of approximately RMB6.4 million and the deposits paid for the construction in progress of approximately RMB0.7 million for fitting out of the dormitory building.

### **Cash flows (used in) from financing activities**

#### ***Year ended 31 December 2016***

For the year ended 31 December 2016, we recorded net cash used in financing activities of approximately RMB14.5 million primarily as a result of (i) dividend paid of approximately RMB16.2 million; (ii) interest paid of approximately RMB4.7 million for bank loans and obligations under finance leases as partially offset by net bank loans of approximately RMB9.3 million from proceeds of new bank loans of approximately RMB34.0 million and the repayment of bank loans of approximately RMB24.8 million; and (iii) repayments to a director of approximately RMB4.7 million.

---

## FINANCIAL INFORMATION

---

### *Year ended 31 December 2017*

For the year ended 31 December 2017, we recorded net cash used in financing activities of approximately RMB6.2 million primarily as a result of (i) interest paid of approximately RMB5.2 million for bank loans and obligations under finance leases; (ii) net outflow from bank loans of approximately RMB1.5 million from new proceeds of bank loans of approximately RMB31.4 million, which was partially offset by the repayment of borrowings of approximately RMB32.8 million; and (iii) being partially offset by net advances from a related party of approximately RMB0.4 million.

### *Year ended 31 December 2018*

For the year ended 31 December 2018, we recorded net cash generated from financing activities of approximately RMB5.7 million primarily as a result of (i) proceeds received in relation to the issue of shares to the Pre-IPO investor of approximately RMB13.1 million which was partially offset by the share issue costs derived from the issue of new shares to the Pre-IPO investor of approximately RMB1.4 million; and (ii) interest paid of approximately RMB4.9 million for bank loans obligations under finance leases.

### *Four months ended 30 April 2019*

For the four months ended 30 April 2019, we recorded net cash used in financing activities of approximately RMB3.3 million primarily as a result of (i) interest paid of approximately RMB1.7 million for bank loans and lease liabilities; (ii) share issue costs derived from the Listing of approximately RMB1.3 million; and (iii) repayment of leases liabilities of approximately RMB0.4 million.

### **Sufficiency of working capital**

We intend to continue to finance our working capital with cash generated from our operations, available facilities and the net proceeds from the Share Offer. We will closely monitor the level of our working capital to ensure we are able to implement our strategies and future plans.

We recorded net current liabilities of approximately RMB80.4 million and RMB57.7 million as at 31 December 2016 and 2017, respectively, and net current assets of approximately RMB18.0 million and RMB26.8 million as at 31 December 2018 and 30 April 2019, respectively. We recorded net current liabilities primarily attributable to the fact that we used short-term bank loans to finance our capital expenditures such as prepaid land lease, purchases of motor vehicles and construction costs for our office building and dormitory building. Our net current liabilities position was significantly improved to net assets position as a result of (i) the net proceeds received from the Pre-IPO Investment II; (ii) funds generated from our business operations; and (iii) extension of the short-term bank loans to long-term bank loans for more than one year.

Our Directors confirmed that we had not been requested to early repay our borrowings during the Track Record Period and up to the Latest Practicable Date. Furthermore, we had no difficulties in renewing the existing borrowings during the Track Record Period and up to the Latest Practicable Date and we do not anticipate any difficulties in the renewal in the future.

Based on the internal resources, available facilities and the net proceeds from the Share Offer, our Directors are of opinion that we will have sufficient funds to meet our working capital requirements and financial requirements for capital expenditures for at least the next 12 months from the date of this prospectus.

## FINANCIAL INFORMATION

### NET CURRENT LIABILITIES/ASSETS

The following table sets forth the breakdown of our current assets and current liabilities as at the dates indicated:

	As at 31 December			As at 30 April	As at 31 August
	2016	2017	2018	2019	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
					(Unaudited)
<b>Current Assets</b>					
Prepaid land lease payments	1,189	1,189	1,189	-	-
Trade and other receivables, deposits and prepayments	1,515	665	4,743	5,738	8,177
Bank balances and cash	6,085	31,641	77,487	81,205	96,121
	<u>8,789</u>	<u>33,495</u>	<u>83,419</u>	<u>86,943</u>	<u>104,298</u>
<b>Current Liabilities</b>					
Trade and other payables and accruals	12,401	15,291	25,922	15,778	21,879
Contract liability	10,454	19,125	29,092	31,873	36,471
Amount due to a director	20,050	65	16	16	-
Amount due to a related party	3	400	-	-	-
Tax liabilities	2,483	6,012	9,314	11,224	9,255
Borrowings	43,750	50,300	50	80	50
Obligations under finance leases	-	-	1,068	-	-
Lease liabilities	-	-	-	1,208	1,059
	<u>89,141</u>	<u>91,193</u>	<u>65,462</u>	<u>60,179</u>	<u>68,714</u>
<b>Net Current (Liabilities)/Assets</b>	<u>(80,352)</u>	<u>(57,698)</u>	<u>17,957</u>	<u>26,764</u>	<u>35,584</u>

We recorded net current liabilities of approximately RMB80.4 million as at 31 December 2016 which was primarily attributable to (i) the contract liability in relation to course fees received from the increase in the number of course enrolments; (ii) the trade and other payables and accruals in relation to the accrued construction costs for construction of the dormitory building, accrued salaries and bonus, accrued listing expenses and examination fees payable to the local authority received on behalf of the trainees; (iii) the amount due to Mr. Qi as director; and (iv) the short term bank loans to finance our capital expenditure such as payment of motor vehicles, payment of construction costs associated with the operation of our driving training services.

Our net current liabilities decreased from approximately RMB80.4 million as at 31 December 2016 to approximately RMB57.7 million as at 31 December 2017, primarily attributable to the significant decrease in the amount due to Mr. Qi as director of approximately RMB20.0 million and the increase in bank balances and cash and cash equivalents of approximately RMB25.6 million. The decrease in net current liabilities was partially offset by (i) the increase in contract liability of approximately RMB8.7 million in

---

## FINANCIAL INFORMATION

---

relation to course fees received from the increase in the number of course enrolment; (ii) the increase in trade and other payables and accruals of approximately RMB2.9 million in relation to the increased accrued construction costs for the dormitory building and the leasehold improvement and the increase in examination fees payable to the local authority; (iii) the increase in tax liabilities of approximately RMB3.5 million; and (iv) net increase in short term bank loans of approximately RMB6.6 million.

Our net current liabilities position was significantly improved to net current assets position of approximately RMB18.0 million as at 31 December 2018, which was primarily attributable to (i) the increase in bank balances and cash of approximately RMB45.8 million; (ii) the increase in trade and other receivables, deposits and prepayments of approximately RMB4.1 million attributable to the increase in prepayment for Listing expenses and the increase in other receivables from the local authority for the rental income received from the lease of the test venue; and (iii) reclassification of the short term bank loans to long term bank loans of approximately RMB50.2 million, which were partially offset by (i) the increase in contract liability of approximately RMB10.0 million of course fees received from the significant increase in the number of course enrolment; (ii) the increase in trade and other payables and accruals of approximately RMB10.6 million mainly in relation to the accrued Listing expenses; and (iii) the increase in current portion of obligations under finance leases of approximately RMB1.1 million for the purchase of training vehicles for the expansion of business. Our net current assets further increased to approximately RMB26.8 million as at 30 April 2019, which was primarily attributable to the increase in bank balance and cash of approximately RMB3.7 million as compared with that of 31 December 2018.

Our net current asset increased from approximately RMB18.0 million as at 31 December 2018 to approximately RMB26.8 million as at 30 April 2019, primarily attributable to (i) the increase in bank balances and cash of approximately RMB3.7 million; (ii) the increase in trade and other receivables, deposits and prepayments of approximately RMB1.0 million in relation to the increase in deferred share issue costs; and (iii) the decrease in trade and other payables and accruals of approximately RMB10.1 million in relation to the decrease in accrued construction costs and accrued Listing expenses, which were partially offset by (i) the increase in contract liability of approximately RMB2.8 million in relation to course fees received from course enrolments; and (ii) the increase in tax liabilities of approximately RMB1.9 million.

## FINANCIAL INFORMATION

### STATEMENTS OF FINANCIAL POSITION

The table below sets out our statements of financial position extracted from the Accountants' Report set out in Appendix I to this prospectus:

	The Group				The Company		
	As at 31 December		2018 RMB'000	As at	As at 31 December		As at
	2016 RMB'000	2017 RMB'000		30 April 2019 RMB'000	2017 RMB'000	2018 RMB'000	30 April 2019 RMB'000
<b>Non-current Assets</b>							
Property, plant and equipment	54,741	68,886	79,080	123,155	-	-	-
Prepaid land lease payments	45,091	43,902	42,713	-	-	-	-
Intangible assets	306	198	90	54	-	-	-
Deposits paid for construction in progress	5,886	207	1,171	1,504	-	-	-
Prepayment	313	263	-	29	-	-	-
Investment in a subsidiary	-	-	-	-	-	-	-
	<u>106,337</u>	<u>113,456</u>	<u>123,054</u>	<u>124,742</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Current Assets</b>							
Prepaid land lease payments	1,189	1,189	1,189	-	-	-	-
Trade and other receivables, deposits and prepayments	1,515	665	4,743	5,738	-	3,117	3,756
Amounts due from subsidiaries	-	-	-	-	-	6,452	982
Bank balances and cash	6,085	31,641	77,487	81,205	-	-	-
	<u>8,789</u>	<u>33,495</u>	<u>83,419</u>	<u>86,943</u>	<u>-</u>	<u>9,569</u>	<u>4,738</u>
<b>Current Liabilities</b>							
Trade and other payables and accruals	12,401	15,291	25,922	15,778	946	7,803	5,256
Contract liability	10,454	19,125	29,092	31,873	-	-	-
Amount due to a director	20,050	65	16	16	-	-	-
Amount due to a related party	3	400	-	-	-	-	-
Amount due to a subsidiary	-	-	-	-	8,654	9,290	9,290
Tax liabilities	2,483	6,012	9,314	11,224	-	-	-
Borrowings	43,750	50,300	50	80	-	-	-
Obligations under finance leases	-	-	1,068	-	-	-	-
Lease liabilities	-	-	-	1,208	-	-	-
	<u>89,141</u>	<u>91,193</u>	<u>65,462</u>	<u>60,179</u>	<u>9,600</u>	<u>17,093</u>	<u>14,546</u>
<b>Net Current (Liabilities) Assets</b>	<u>(80,352)</u>	<u>(57,698)</u>	<u>17,957</u>	<u>26,704</u>	<u>(9,600)</u>	<u>(7,524)</u>	<u>(9,808)</u>
<b>Total Assets Less Current Liabilities</b>	<u>25,985</u>	<u>55,758</u>	<u>141,011</u>	<u>151,506</u>	<u>(9,600)</u>	<u>(7,524)</u>	<u>(9,808)</u>
<b>Non-current Liabilities</b>							
Deferred taxation	1,186	2,057	2,247	3,616	-	-	-
Borrowings	8,000	-	50,150	50,100	-	-	-
Obligations under finance leases	-	-	571	-	-	-	-
Lease liabilities	-	-	-	1,380	-	-	-
	<u>9,186</u>	<u>2,057</u>	<u>52,968</u>	<u>55,096</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>16,799</u>	<u>53,701</u>	<u>88,043</u>	<u>96,410</u>	<u>(9,600)</u>	<u>(7,524)</u>	<u>(9,808)</u>
<b>Capital and Reserves</b>							
Share capital	-	-	-	-	-	-	-
Reserves	16,799	53,701	88,043	96,410	(9,600)	(7,524)	(9,808)
<b>Total Equity</b>	<u>16,799</u>	<u>53,701</u>	<u>88,043</u>	<u>96,410</u>	<u>(9,600)</u>	<u>(7,524)</u>	<u>(9,808)</u>

---

## FINANCIAL INFORMATION

---

### DISCUSSION OF MAJOR ITEMS OF THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Property, plant and equipment

During the Track Record Period, our property, plant and equipment primarily consisted of buildings, leasehold improvements, equipment, furniture and fixtures, office equipment, motor vehicles, construction in progress and right-of-use assets. The following table sets out a summary of the net book value of each type of our property, plant and equipment balance as at the respective financial position date below.

	At 31 December			At 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Buildings	9,002	8,547	28,101	29,081
Leasehold improvements	6,610	6,858	10,808	32,988
Equipment	2,196	2,970	2,094	1,857
Furniture and fixtures	284	186	89	56
Office equipment	182	398	341	217
Motor vehicles	10,860	9,341	12,083	9,911
Construction in progress	25,607	40,586	25,564	1,262
Rights-of-use assets	—	—	—	47,783
	<u>54,741</u>	<u>68,886</u>	<u>79,080</u>	<u>123,155</u>

Our property, plant and equipment amounted to approximately RMB54.7 million, RMB68.9 million, RMB79.1 million and RMB123.2 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. Our property, plant and equipment increased by approximately RMB14.1 million, or approximately 25.8%, from approximately RMB54.7 million as at 31 December 2016 to approximately RMB68.9 million as at 31 December 2017 and then increased by approximately RMB10.2 million, or approximately 14.8%, to approximately RMB79.1 million as at 31 December 2018 mainly attributable to the increase in construction costs of the dormitory building which was completed in the first half of 2018. Our property plant and equipment increased by approximately RMB44.1 million, or approximately 55.7%, from approximately RMB79.1 million as at 31 December 2018 to approximately RMB123.2 million as at 30 April 2019 mainly attributable to the reclassification of prepaid land lease payments to rights-of-use assets. Total construction costs for the dormitory building completion were estimated to be approximately RMB51.1 million.

#### Prepaid land lease payments

As at 31 December 2016, 2017 and 2018, our Group had prepaid land lease payments of (i) approximately RMB45.1 million, RMB43.9 million and RMB42.7 million, respectively, which were non-current; and (ii) approximately RMB1.2 million, RMB1.2 million and RMB1.2 million, respectively, which were current.

---

## FINANCIAL INFORMATION

---

Our Group's prepaid land lease payments consisted of our payments of the land use rights for the 2 parcels of land used as the office and training fields of Tong Tai School. The decrease in the balance from 31 December 2016 to 31 December 2017 by approximately RMB1.2 million, or approximately 2.6%, and from 31 December 2017 to 31 December 2018 by approximately RMB1.2 million, or approximately 2.6%, were attributable to the amortisation of prepaid land lease payments.

### Deposits paid for construction in progress

Our deposits paid for construction in progress amounted to approximately RMB5.9 million, RMB0.2 million, RMB1.2 million and RMB1.5 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively, which primarily consisted of prepayment of leasehold improvements and deposits paid for the purchases of equipment.

### Trade and other receivables, deposits and prepayments

The following table sets out a summary of our trade and other receivables, deposits and prepayments balance as at the respective financial position dates below:

	At 31 December			At 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	–	291	241	268
Other receivables	–	–	1,218	1,460
Prepayments	1,824	573	189	241
Deposits	5,890	271	1,174	1,572
Deferred share issue costs	–	–	3,092	3,730
	<u>7,714</u>	<u>1,135</u>	<u>5,914</u>	<u>7,271</u>
Less: Deposits paid for construction in progress classified as non-current assets	(5,886)	(207)	(1,171)	(1,504)
Prepayment classified as non-current assets	<u>(313)</u>	<u>(263)</u>	<u>–</u>	<u>(29)</u>
Trade and other receivables, deposits and prepayments – current portion	<u><u>1,515</u></u>	<u><u>665</u></u>	<u><u>4,743</u></u>	<u><u>5,738</u></u>

## FINANCIAL INFORMATION

Our trade and other receivables, deposits and prepayments as at 31 December 2016, 2017 and 2018 and 30 April 2019 were approximately RMB7.7 million, RMB1.1 million, RMB5.9 million and RMB7.3 million, respectively, of which approximately RMB6.2 million, RMB0.5 million, RMB1.2 million and RMB1.5 million, respectively, was classified as non-current in nature while approximately RMB1.5 million, RMB0.7 million, RMB4.7 million and RMB5.7 million, respectively, was classified as current in nature.

The following is an ageing analysis of trade receivables presented based on the invoice dates:

	At 31 December			At 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	–	271	155	182
31 – 60 days	–	–	–	–
61 – 90 days	–	–	–	–
More than 90 days	–	20	86	86
	<u>–</u>	<u>291</u>	<u>241</u>	<u>268</u>

As at 31 August 2019, approximately RMB182,000 or 67.9% of the trade receivables as at 30 April 2019, which were past due and not impaired, has been subsequently settled.

### Trade and other payables and accruals

The following table sets out the breakdown of our trade and other payables and accruals as at the respective financial position dates indicated:

	At 31 December			At 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	53	900	3,975	742
Accrued construction costs	5,988	6,496	6,750	2,016
Salaries payable	1,968	1,699	2,282	2,478
Accrued listing expenses	–	–	5,047	3,079
Accrued share issue costs	–	–	1,677	1,025
Examination fees payable	2,137	3,777	3,530	3,847
Other tax payables	900	960	1,324	1,514
Other payables	1,355	1,459	1,337	1,077
	<u>12,401</u>	<u>15,291</u>	<u>25,922</u>	<u>15,778</u>

Trade payables mainly comprised catering expenses payable and fuel expenses payable of approximately RMB53,000, RMB0.9 million, RMB4.0 million and RMB0.7 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. Our trade payables increased by approximately RMB0.8 million, or approximately 1,598.1%, from approximately RMB53,000 as at 31 December 2016 to

---

## FINANCIAL INFORMATION

---

approximately RMB0.9 million as at 31 December 2017, and further increased by approximately RMB3.1 million, or approximately 341.7%, to approximately RMB4.0 million as at 31 December 2018, which were mainly attributable to the increase in provision of catering services at our new dormitory building and the increase in fuel expenses payable to the gas station. Our trade payables decreased by approximately RMB3.3 million or approximately 81.3% from approximately RMB4.0 million as at 31 December 2018 to approximately RMB0.7 million as at 30 April 2019 mainly attributable to the repayment of the catering expenses and fuel expenses payable.

Accrued construction costs payable mainly comprised accrued construction costs payable to respective contractors for the construction and fitting out of dormitory building of approximately RMB6.0 million, RMB6.5 million, RMB6.8 million and RMB2.0 million as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively. Our accrued construction costs payable increased by approximately RMB0.5 million, or approximately 8.5%, from approximately RMB6.0 million as at 31 December 2016 to approximately RMB6.5 million as at 31 December 2017 and further increased by RMB0.3 million, or approximately 3.9%, to approximately RMB6.8 million as at 31 December 2018, which were mainly attributable to the increased construction and fitting out costs of the dormitory building. Our accrued construction costs payable decreased by approximately RMB4.8 million or approximately 70.1% from approximately RMB6.8 million as at 31 December 2018 to approximately RMB2.0 million as at 30 April 2019 mainly attributable to the repayment of the construction costs to our constructors.

Our examination fees payable as at 31 December 2016, 2017 and 2018 and 30 April 2019 mainly comprised examination fees payable to the local authority received on behalf of the trainees. Our examination fees payable increased by approximately RMB1.6 million, or approximately 76.7%, from approximately RMB2.1 million as at 31 December 2016 to approximately RMB3.8 million as at 31 December 2017, and then decreased by approximately RMB0.2 million, or approximately 6.5%, to approximately RMB3.5 million as at 31 December 2018 and then increased by approximately RMB0.3 million or approximately 9.0% to approximately RMB3.8 million as at 30 April 2019.

Salaries payable as at 31 December 2016, 2017 and 2018 and 30 April 2019 mainly comprised accrued staff salaries and bonus and staff welfare of approximately RMB2.0 million, RMB1.7 million, RMB2.3 million and RMB2.5 million, respectively. Salaries payable of approximately RMB2.3 million as at 31 December 2018 mainly comprised accrued staff salaries and staff welfare. The increase by approximately RMB0.6 million or 34.3% from approximately RMB1.7 million as at 31 December 2017 to approximately RMB2.3 million as at 30 December 2018 and the subsequent increase by approximately RMB0.2 million or approximately 8.6% to approximately RMB2.5 million as at 30 April 2019 was mainly attributable to the increase in salaries payable to the administrative staff of our Group.

Other payables as at 31 December 2016, 2017 and 2018 and 30 April 2019 of approximately RMB1.4 million, RMB1.5 million, RMB1.3 million and RMB1.0 million, respectively, mainly comprised various miscellaneous charges received on behalf of, among others, government authorities and insurance company, and professional fees payable.

Our Directors confirm that we did not have any material defaults in payment of trade and other payables and accruals during the Track Record Period and as at the Latest Practicable Date.

## FINANCIAL INFORMATION

### Contract liability

Contract liability refers to course fees received by our Group which would be recognised as revenue when a performance obligation is satisfied. Our contract liability increased by approximately RMB8.7 million, or approximately 82.9%, from approximately RMB10.5 million as at 31 December 2016 to RMB19.1 million as at 31 December 2017 and further increased by approximately RMB10.0 million, or approximately 52.1%, to approximately RMB29.1 million as at 31 December 2018 and then further increased by approximately RMB2.8 million, or approximately 9.6%, to approximately RMB31.9 million as at 30 April 2019. Such increases were mainly attributable to the significant increase in the course fees received as a result of the significant increase in the number of course enrolments of, particularly, Large Vehicles, which have not been recognised as revenue prior to the respective year ends.

As at the Latest Practicable Date, out of our contract liability in the amount of approximately RMB31.9 million involving 243,302 unused training hours as at 30 April 2019, approximately RMB21.8 million involving 147,684 unused training hours was subsequently recognised as revenue. The remaining balance of approximately RMB10.1 million involving approximately 95,618 unused training hours had yet to be recognised since some of our trainees have not completed their training courses as at the Latest Practicable Date.

The following table sets out a breakdown of the contract liability of our Group by courses during the Track Record Period.

	2016			At 31 December 2017			2018			At 30 April 2019		
	Contract liability RMB'000	Corresponding number of course enrolments	Corresponding number of unused training hours <sup>(Note)</sup>	Contract liability RMB'000	Corresponding number of course enrolments	Corresponding number of unused training hours <sup>(Note)</sup>	Contract liability RMB'000	Corresponding number of course enrolments	Corresponding number of unused training hours <sup>(Note)</sup>	Contract liability	Corresponding number of course enrolments	Corresponding number of unused training hours <sup>(Note)</sup>
Large Vehicles												
- Standard courses	4,444	684	3,558	4,317	781	5,987	1,897	358	2,494	784	174	1,049
- Premium courses	1,957	220	8,428	9,716	1,064	54,704	17,846	1,598	88,599	18,445	1,915	92,865
Small Vehicles												
- Standard courses	3,160	3,358	17,350	2,785	3,857	24,777	1,547	1,928	12,564	1,164	1,482	9,192
- Premium courses	893	427	13,402	2,307	1,632	54,866	7,802	3,510	105,286	11,480	4,610	140,196
<b>Total</b>	<b>10,454</b>	<b>4,689</b>	<b>42,738</b>	<b>19,125</b>	<b>7,334</b>	<b>140,334</b>	<b>29,092</b>	<b>7,394</b>	<b>208,943</b>	<b>31,873</b>	<b>8,181</b>	<b>243,302</b>

*Note:* The corresponding numbers of unused training hours refer to our training courses with capped number of training hours and our training courses with uncapped number of training hours estimated based on the expected value method.

The following table sets out (i) the contract liability per unused hour of our Group; and (ii) the average course fees on an hourly basis received by our Group during the Track Record Period:

## FINANCIAL INFORMATION

	As at/For the year ended 31 December						As at/For the four months ended 30 April	
	2016		2017		2018		2019	
	Average		Average		Average		Average	
	Contract liability per unused hour	course fees on an hourly basis	Contract liability per unused hour	course fees on an hourly basis	Contract liability per unused hour	course fees on an hourly basis	Contract liability per unused hour	course fees on an hourly basis
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
Large Vehicles								
- Standard courses	1,249	760	721	996	761	699	747	754
- Premium courses	232	264	178	201	201	204	199	217
Small Vehicles								
- Standard courses	182	171	112	152	123	90	127	-
- Premium courses	67	66	42	47	74	74	82	93

*Notes:*

- The average course fee on an hourly basis is calculated according to the following formula:

$$\text{Average course fee on an hourly basis} = \frac{\text{Total amount of course fees received from our trainees enrolled during the year/period}}{\text{Number of training hours offered by the relevant courses during the year/period}}$$

- The contract liability per unused hour is calculated according to the following formula

$$\text{Contract liability per unused hour} = \frac{\text{Total amount of contract liability as at the end of the year/period}}{\text{Number of unused training hours of the relevant course as at the year/period}}$$

As revealed by the above formulae, the contract liability per unused hour of each type of course shall generally differ from the average course fee on an hourly basis of the relevant type of course because the contract liabilities as at the end of a particular year may comprise contract liabilities accrued from preceding year(s).

The contract liability per unused training hour in respect of standard courses for Large Vehicles of RMB1,249 as at 31 December 2016 was significantly higher than the average course fees on an hourly basis of RMB760 for the year ended 31 December 2016 because (a) the hourly rate of standard courses for Large Vehicles increased significantly as a result of the reduction in training hours offered by our standard courses for Large Vehicles in October 2016 in view of the market condition as affected by the issue of the Driving Training Curriculum on 18 August 2016; and (b) most of the contract liabilities in respect of the enrolment fees received after 1 October 2016 were not recognised as revenue before 31 December 2016.

The contract liability per unused training hour in respect of standard courses for Large Vehicles of RMB721 as at 31 December 2017 was lower than the average course fees on an hourly basis of RMB996 for the year ended 31 December 2017 because (a) the hourly rate of standard courses for Large Vehicles

## FINANCIAL INFORMATION

decreased as a result of the increase in training hours offered by our standard courses for Large Vehicles on 9 June 2017 which was made to make up the impact caused by the cessation of providing training at the test venues in our driving schools; and (b) most of the contract liabilities in respect of the enrolment fees were not recognised as revenue before 31 December 2017.

The following table sets out an ageing analysis of the contract liability of our Group:

	2016				At 31 December 2017				2018				At 30 April 2019				
	Contract		Corresponding		Contract		Corresponding		Contract		Corresponding		Contract		Corresponding		
	Course fees	liability	of course	ing number	Course fees	liability	of course	ing number	Course fees	liability	of course	ing number	Course fees	liability	of course	ing number	
RMB'000	RMB'000	enrolments	of unused training hours <sup>(Note)</sup>	RMB'000	RMB'000	enrolments	of unused training hours <sup>(Note)</sup>	RMB'000	RMB'000	RMB'000	RMB'000	enrolments	of unused training hours <sup>(Note)</sup>	RMB'000	RMB'000	enrolments	of unused training hours <sup>(Note)</sup>
0-1 month	3,300	2,835	779	9,917	5,885	5,809	1,619	49,622	6,111	5,878	638	34,360	5,736	5,733	721	39,769	
1 to 2 months	3,707	2,415	804	6,471	5,538	4,459	1,112	31,719	5,243	3,501	427	18,357	7,777	6,769	951	45,949	
2 to 3 months	2,337	1,558	591	4,067	2,955	1,624	507	10,703	2,608	1,369	205	7,202	10,682	6,779	1,158	42,993	
Over 3 to 6 months	3,511	2,049	1,360	11,585	4,996	2,686	1,614	24,500	12,425	9,310	2,045	69,997	7,913	3,719	1,014	27,800	
Over 6 to 12 months	2,625	1,597	1,155	10,698	3,447	2,396	1,110	11,351	6,580	4,382	1,590	40,946	8,641	4,902	1,741	45,277	
Over 12 months	-	-	-	-	3,155	2,151	1,372	12,439	6,751	4,652	2,489	38,081	6,679	3,971	2,596	41,514	
<b>Total</b>	<b>15,481</b>	<b>10,454</b>	<b>4,689</b>	<b>42,738</b>	<b>25,976</b>	<b>19,125</b>	<b>7,334</b>	<b>140,334</b>	<b>39,718</b>	<b>29,092</b>	<b>7,394</b>	<b>208,943</b>	<b>47,428</b>	<b>31,873</b>	<b>8,181</b>	<b>243,302</b>	

*Note:* The corresponding numbers of unused training hours refer to our training courses with capped number of training hours.

### Amount due to a director

Amount due to a director was non-trade in nature, unsecured, interest free and repayable on demand.

As at 31 December 2016, the amount due to a director was approximately RMB20.1 million. The outstanding balance of amount due to a director was partially settled during the year ended 31 December 2016. As at 31 December 2017, such amount was reduced to approximately RMB65,000. As at 31 December 2018 and 30 April 2019, the amount due to a director was further reduced to approximately RMB16,000 and RMB16,000, respectively, which has been fully settled as at the Latest Practicable Date.

### Amount due to a related party

Our amount due to a related party increased from approximately RMB3,000 as at 31 December 2016 to approximately RMB0.4 million as at 31 December 2017 and has been fully settled during the year ended 31 December 2018.

### CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to acquisition of land for Tong Tai School, construction of our office building and dormitory building and purchase of additional motor vehicles for our schools. For the three years ended 31 December 2018 and the four months ended 30

## FINANCIAL INFORMATION

April 2019, our capital expenditures were approximately RMB23.5 million, RMB17.9 million, RMB15.2 million and RMB2.4 million, respectively. The following table sets forth our Group's historical capital expenditures for the periods indicated:

	For the years ended 31 December			For the four months ended
	2016	2017	2018	30 April 2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold improvements	95	566	109	–
Equipment	–	807	29	13
Office equipment	92	333	84	17
Motor vehicles	1,184	266	4,856	1,665
Construction in progress (Note)	22,123	15,892	10,094	330
Right-of-use assets	–	–	–	336
	<u>23,494</u>	<u>17,864</u>	<u>15,172</u>	<u>2,361</u>

*Note:* Construction in progress mainly represented the dormitory building, leasehold improvements and equipment of the dormitory building under construction in the three years ended 31 December 2018 and the four months ended 30 April 2019 which were or will be transferred to buildings, leasehold improvements and equipment upon completion.

Our Group financed and expects to continue to finance, its capital expenditure requirements primarily through borrowings and cash generated from its operating activities and net proceeds from the Share Offer.

The following table sets out the expected capital expenditure of our Group for the two years ending 31 December 2021:

	For the year ending 31 December		Total
	2020	2021	
	<i>RMB'million</i>	<i>RMB'million</i>	<i>RMB'million</i>
Acquisition of a parcel of land	71.6	–	71.6
Construction of training fields	12.0	–	12.0
Purchase of training vehicles	9.5	5.0	14.5
Total:	93.1	5.0	98.1

Save for the expected capital expenditure as disclosed above, as at the Latest Practicable Date, our Group has no other expected capital expenditure for the two years ending 31 December 2021.

---

## FINANCIAL INFORMATION

---

### INDEBTEDNESS

The table below sets forth our indebtedness as at the respective dates indicated:

	<b>At 31</b> <b>December</b> <b>2016</b> <i>RMB'000</i>	<b>At 31</b> <b>December</b> <b>2017</b> <i>RMB'000</i>	<b>At 31</b> <b>December</b> <b>2018</b> <i>RMB'000</i>	<b>At 30</b> <b>April</b> <b>2019</b> <i>RMB'000</i>	<b>At 31</b> <b>August</b> <b>2019</b> <i>RMB'000</i> <small>(unaudited)</small>
<b>Bank borrowings, obligations under finance leases and lease liabilities</b>					
Bank loans – secured and guaranteed	51,750	50,300	–	–	–
Bank loans – secured and unguaranteed	–	–	50,200	50,180	50,150
Obligations under finance lease – secured and unguaranteed	–	–	1,639	–	–
Lease liabilities – unsecured and unguaranteed	–	–	–	463	378
Lease liabilities – secured and unguaranteed	–	–	–	835	757
Lease liabilities – secured and guaranteed	–	–	–	1,290	934
Sub-total	<u>51,750</u>	<u>50,300</u>	<u>51,839</u>	<u>52,768</u>	<u>52,219</u>
<b>Other borrowings</b>					
Amount due to a director – unsecured	<u>20,050</u>	<u>65</u>	<u>16</u>	<u>16</u>	<u>–</u>
Total	<u><u>71,800</u></u>	<u><u>50,365</u></u>	<u><u>51,855</u></u>	<u><u>52,784</u></u>	<u><u>52,219</u></u>
<b>Among which:</b>					
Current	63,800	50,365	1,134	1,304	1,109
Non-current	<u>8,000</u>	<u>–</u>	<u>50,721</u>	<u>51,480</u>	<u>51,110</u>
Total	<u><u>71,800</u></u>	<u><u>50,365</u></u>	<u><u>51,855</u></u>	<u><u>52,784</u></u>	<u><u>52,219</u></u>

As at 31 August 2019, being our indebtedness statement date, there were no unutilised banking facilities since all our bank loans were fixed sum loans and there were no other credit facilities.

---

## FINANCIAL INFORMATION

---

### Borrowings

Our borrowings during the Track Record Period were denominated in RMB. We primarily use our borrowings in financing the working capital requirement of our operation and capital expenditures. Our Group's loan agreements contain standard terms, conditions and covenants that are customary for commercial bank loans in the PRC which include requirements that our Group shall obtain the lenders' prior consent or notify them for certain transactions, such as disposal of material assets, merger or consolidation and liquidation or winding up. Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, our Group had complied with all material covenants of the loan agreements.

Without taking into account any repayment on demand upon default clause and based on scheduled repayment dates set out in the loan agreements, our borrowings were all repayable within one to three years. The underlying weighted average fixed interest rates of our borrowings were 11.1%, 10.6%, 10.7% and 10.7% per annum and weighted average variable interest rate of our borrowings were 7.8%, 7.1%, 6.7% and 6.7% per annum as at 31 December 2016, 2017 and 2018 and 30 April 2019, respectively.

The following table sets out our bank loans as at the respective dates indicated:

	<b>At 31 December 2016 RMB'000</b>	<b>At 31 December 2017 RMB'000</b>	<b>At 31 December 2018 RMB'000</b>	<b>At 30 April 2019 RMB'000</b>
Not later than 1 year	43,750	50,300	50	80
Later than 1 year and not exceeding 2 years	<u>8,000</u>	<u>–</u>	<u>50,150</u>	<u>50,100</u>
<b>Total</b>	<b><u>51,750</u></b>	<b><u>50,300</u></b>	<b><u>50,200</u></b>	<b><u>50,180</u></b>

As at 31 December 2016, 2017 and 2018 and 30 April 2019, our bank loans amounted to approximately RMB51.8 million, RMB50.3 million, RMB50.2 million and RMB50.2 million, respectively.

As at 31 December 2016, 2017 and 2018, 30 April 2019 and 31 August 2019, all our outstanding bank loans were guaranteed and/or secured:

- (i) Bank loans of RMB17,950,000, RMB17,850,000, nil, nil and nil were secured by the operation right of Tong Tai School and were jointly guaranteed by Mr. Qi and his spouse;
- (ii) Bank loans of RMB14,800,000, nil, nil, nil and nil were secured by the land use right owned by an independent third party ("the Chargor") and were jointly guaranteed by Mr. Qi and his spouse and the legal representative of the Chargor. On 6 March 2017, the security for the loan has been replaced by the land use right of Tong Tai School and that the security of land use right of the Chargor and the guarantee by the legal representative of the Chargor have been released. The bank loans were fully repaid during the year ended 31 December 2017;

---

## FINANCIAL INFORMATION

---

- (iii) Bank loans of RMB9,000,000, RMB9,000,000, nil, nil and nil were secured by the operation right of Shun Da School and were jointly guaranteed by Mr. Qi and three former trustee shareholders of Shun Da School;
- (iv) Bank loans of RMB10,000,000, RMB9,950,000, nil, nil and nil were secured by the land use right of Tong Tai School and were jointly guaranteed by Mr. Qi and his spouse;
- (v) Bank loans of nil, RMB13,500,000, nil, nil and nil were secured by the property of Tong Tai School and was jointly guaranteed by Mr. Qi and his spouse, the legal representative of the Chargor and a company controlled by Mr. Qi. The bank loans were fully repaid and the guarantee was released during the period ended 31 December 2018;
- (vi) Bank loans of nil, nil, RMB17,800,000, RMB17,800,000 and RMB17,800,000 were secured by the operation right of Tong Tai School. On 30 August 2019, the bank stated that the loan would be automatically renewed for one year from its maturity date on 27 January 2020;
- (vii) Bank loans of nil, nil, RMB9,900,000, RMB9,880,000 and RMB9,850,000 were secured by the land use right of Tong Tai School. On 30 August 2019, the bank stated that the loan would be automatically renewed for one year from its maturity date on 17 July 2020;
- (viii) Bank loans of nil, nil, RMB13,500,000, RMB13,500,000 and RMB13,500,000 were secured by the property of Tong Tai School and was jointly guaranteed by Mr. Qi and his spouse. As stated in the letter received from bank dated 29 April 2019, (a) the bank has conditionally released the guarantee by Mr. Qi and his spouse for which the Group is required to provide documentary evidence for the approval of the listing on or before 31 December 2019 and (b) the loan would be automatically renewed for one year from its maturity date on 21 January 2020; and
- (ix) Bank loans of nil, nil, RMB9,000,000, RMB9,000,000 and RMB9,000,000 were secured by the operation right of Shun Da School. On 29 August 2019, the loan was renewed and the maturity date is extended to 29 August 2021.

The Chargor which had provided security for our Group's bank loans set out above was a company established in the PRC principally engaged in the sales of agricultural products, and its legal representative, Mr. Xu, was the majority shareholder. Mr. Qi had previously through business dealings of one of his excluded businesses became acquainted with Mr. Xu. The giving of security by the Chargor was out of the good relationship between Mr. Qi and Mr. Xu, and did not involve any payment of fee or other compensation. However, we do not intend to enter into any similar arrangement with Mr. Xu, the Chargor or any other third parties in the future.

We did not experience any difficulty in obtaining new bank loans and other borrowings or renewal of existing bank loans and borrowings during the Track Record Period and up to the Latest Practicable Date. Our Directors confirm that we did not have any material defaults in payment of trade and other payables and accruals, bank borrowings or other financial obligations and/or breaches of finance covenants during the

---

## FINANCIAL INFORMATION

---

Track Record Period and up to the Latest Practicable Date. Our Directors further confirm that save as disclosed in this prospectus, we did not have any plan to raise material external debt financings as at the Latest Practicable Date.

### Obligations under finance leases

Our Group purchased certain of its training vehicles under finance leases with a lease term of two years. Our obligations under finance leases are secured by the lessors' ownership to the leased motor vehicles.

The table below sets forth our Group's obligations under finance leases as at the respective dates indicated:

	<u>As at 31 December 2016</u>		<u>As at 31 December 2017</u>		<u>As at 31 December 2018</u>	
	<b>Minimum</b>	<b>Present</b>	<b>Minimum</b>	<b>Present</b>	<b>Minimum</b>	<b>Present</b>
	<b>lease</b>	<b>value of</b>	<b>lease</b>	<b>value of</b>	<b>lease</b>	<b>value of</b>
	<b>payments</b>	<b>minimum</b>	<b>payments</b>	<b>minimum</b>	<b>payments</b>	<b>minimum</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	-	-	-	-	1,137	1,068
Within a period of more than one year but not exceeding two years	-	-	-	-	582	571
Less: Future finance charges	-	-	-	-	(80)	-
Present value of lease obligation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,639</u>	1,639
Less: Amount due for settlement within 12 months (shown under current liabilities)		<u>-</u>		<u>-</u>		<u>(1,068)</u>
Amount due for settlement after 12 months		<u>-</u>		<u>-</u>		<u>571</u>

The carrying amount of our motor vehicles held under finance leases was approximately nil, nil, RMB3.1 million as at 31 December 2016, 2017 and 2018. Our Directors confirm that there was no material delay or default in repayment of obligations under finance leases during the Track Record Period and up to the Latest Practicable Date.

---

## FINANCIAL INFORMATION

---

### Lease liabilities

	<b>Minimum lease payments As at 30 April 2019 RMB'000</b>	<b>Present value of minimum lease payments As at 30 April 2019 RMB'000</b>
Lease liabilities due:		
Within one year	1,345	1,208
Within a period of more than one year but not exceeding two years	412	328
Within a period of more than two years but not exceeding five years	619	434
Over five years	824	618
Less: future finance charges	(612)	–
Present value of lease liabilities	2,588	2,588
Less: Amounts due for settlement within 12 months (shown under current liabilities)		(1,208)
Amounts due for settlement after 12 months		1,380

Lease liabilities of the Group were measured at the present value of the lease payments that are not yet paid using its incremented borrowing rates at 1 January 2019. The rates applied are ranging from 7.1% to 7.3% and variable at 125% of PBOC per annum. All lease are entered at fixed prices. The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Leases and rentals are negotiated and fixed for term of two to forty years.

The carrying amounts of our leasehold lands, building and motor vehicles held under lease liabilities were approximately RMB1.2 million, RMB0.1 million and RMB3.0 million as at 30 April 2019, respectively. Our Directors confirm that these was no material delay or default in repayment of lease liabilities during the four months ended 30 April 2019 and up to the Latest Practicable Date.

As at 30 April 2019 and 31 August 2019, all our lease liabilities were guaranteed and/or secured:

- (i) Lease liabilities of RMB463,000 and RMB378,000 were unsecured and unguaranteed;
- (ii) Lease liabilities of RMB835,000 and RMB757,000 were secured by a rental deposit and unguaranteed; and

---

## FINANCIAL INFORMATION

---

- (iii) Lease liabilities of RMB1,290,000 and RMB934,000 were secured by the titles of motor vehicles of Tong Tai School and guaranteed by Mr. Qi.

### CONTINGENT LIABILITIES

As at 31 August 2019, being the latest practicable date for the purpose of this indebtedness statement, our Group did not have any material contingent liabilities or guarantees.

As at the Latest Practicable Date, no member of our Group was involved in any claim, litigation or arbitration of material importance and no claim, litigation or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group. Accordingly, no provision for the contingent liabilities in respect of litigation is necessary.

### DISCLAIMER

Save as disclosed in this prospectus and apart from intra-group liabilities, we did not have outstanding indebtedness or any loan capital issued or outstanding or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities as at 31 August 2019, being our indebtedness statement date. Our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our Group's indebtedness, capital commitments and contingent liabilities since 31 August 2019, being our indebtedness statement date.

### OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

Save as disclosed in the paragraph headed "Commitments" below, our Group has not entered into, nor do we expect to enter into, any material off balance sheet commitments during the Track Record Period.

### COMMITMENTS

Our Group's commitments relate to future aggregate minimum lease payments under our operating lease commitments and capital commitments.

#### Operating lease commitments

As at 31 December 2016, 2017 and 2018, our Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Within one year	283	262	148
Within two to five years	737	600	514
Over five years	<u>2,158</u>	<u>2,010</u>	<u>867</u>
	<u>3,178</u>	<u>2,872</u>	<u>1,529</u>

---

## FINANCIAL INFORMATION

---

Our Group leases off-school registration centre and training fields under operating leases. The leases generally run for an initial period of 1 to 30 years. No contingent rent has been paid for in the three years ended 31 December 2018 and the four months ended 30 April 2019.

Upon the application of HKFRS 16 on 1 January 2019, our Group has recognised lease liabilities for leases previously classified as operating leases and disclosed as operating lease commitments. Details regarding the impact by the adoption of HKFRS 16 are set out in Note 3.1 to the Accountants' Report set out in Appendix I to this Prospectus.

### Capital Commitments

Our capital commitments mainly relate to acquisition of property, plant and equipment for dormitory building. The following table sets forth our Group's capital commitments as at the date indicated:

	As at 31 December			As at
	2016	2017	2018	30 April
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Capital expenditure in respect of the construction of property, plant and equipment contracted for but not provided	<u>20,962</u>	<u>9,941</u>	<u>3,605</u>	<u>3,331</u>

### DIVIDENDS

During the year ended 31 December 2016, our subsidiaries now comprising our Group declared and paid dividends of RMB16.2 million using internally generated funds to their then shareholders. Save for the aforesaid, our Group did not declare and/or paid any other dividend during the Track Record Period.

As our Company is a holding company, its ability to declare and pay dividends will depend on the receipt of sufficient funds from our subsidiaries and, in particular, our operating subsidiaries incorporated in the PRC. Our PRC operating subsidiaries must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the Company Law of the PRC, our PRC operating subsidiaries are required to appropriate 10% of the annual statutory net profit after tax (after offsetting any prior years' losses) to the statutory reserve fund prior to payment of dividends. When the balance of the statutory reserve fund reaches 50% of their respective registered capital, any further appropriation is optional.

Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of our Company and the Cayman Companies Law. The Shareholders in general meeting may approve any declaration of dividends, which must not exceed the amount recommended by the Board. No dividend shall be declared or payable except out of our Company's profits and reserves lawfully available for distribution. Our Company's future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. The determination to pay

---

## FINANCIAL INFORMATION

---

dividends, however, will be made at the discretion of the Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we currently have or that we may enter into in the future. There is no assurance that any particular dividend amount, or any dividend at all, will be declared and paid in the future. Currently, our Company does not have any dividend policy, nor does it have any predetermined dividend distribution ratio.

### **DISTRIBUTABLE RESERVES**

As at 30 April 2019, there was no distributable reserve of our Company available for distribution to our Shareholders.

### **RELATED PARTY TRANSACTIONS**

During the Track Record Period, we had entered into certain related party transactions, details of which are set out in Note 32 to the Accountants' Report set out in Appendix I to this prospectus. Our Directors are of the view that the related party transactions were conducted on normal commercial terms and would not distort our financial results during the Track Record Period or make our historical results not reflective of our future performance.

### **LISTING EXPENSES**

Our Directors are of the view that the financial results of our Group for the year ending 31 December 2019 are expected to be adversely affected by, among others, the Listing expenses in relation to the Share Offer, the nature of which is non-recurring. The total Listing expenses in relation to the Share Offer, primarily consisting of fees paid or payable to professional parties and underwriting fees and commission, are estimated to be approximately RMB35.9 million (equivalent to approximately HK\$40.0 million). Among the estimated total Listing expenses, (i) approximately RMB15.5 million is expected to be accounted for as a deduction from equity upon Listing; and (ii) approximately RMB20.4 million is expected to be recognised as expenses in our consolidated statements of profit or loss and other comprehensive income, of which approximately RMB10.3 million and RMB2.1 million had been recognised for the year ended 31 December 2018 and the four months ended 30 April 2019, respectively and the remaining of approximately RMB8.0 million is expected to be recognised for the eight months ending 31 December 2019 and following the Listing.

Our Directors would like to emphasise that the amount of the Listing expenses is a current estimate for reference only and the final amount to be recognised in the consolidated financial statements of our Group for the year ending 31 December 2019 is subject to adjustment based on audit and the then changes in variables and assumptions.

Prospective investors should note that the financial performance of our Group for the year ending 31 December 2019 is expected to be adversely affected by the estimated non-recurring Listing expenses mentioned above, and may or may not be comparable to the financial performance of our Group in the past.

---

## FINANCIAL INFORMATION

---

### SUMMARY OF KEY FINANCIAL RATIOS

The following table sets out our key financial ratios during the Track Record Period:

		<b>For the year ended 31 December</b>			<b>For the four months ended 30 April 2019</b>
	<i>Notes</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>	
<b>Profitability</b>					
Gross profit margin	1	72.4%	71.5%	65.0%	63.9%
Net profit margin	2	39.1%	27.5%	27.4%	29.6%
Return on equity	3	107.9%	31.5%	24.2%	N/A
Return on total assets	4	15.7%	11.5%	10.3%	N/A
		<b>As at/for the year ended 31 December</b>			<b>As at/for the four months ended 30 April 2019</b>
	<i>Notes</i>	<b>2016</b>	<b>2017</b>	<b>2018</b>	
<b>Liquidity</b>					
Current ratio	5	0.10 times	0.37 times	1.28 times	1.44 times
Quick ratio	6	0.10 times	0.37 times	1.28 times	1.44 times
<b>Capital adequacy</b>					
Gearing	7	4.27 times	0.94 times	0.59 times	0.55 times
Net debt to equity	8	3.91 times	0.35 times	(0.29) times	(0.29) times
Interest coverage	9	5.81 times	5.40 times	6.98 times	8.21 times

*Notes:*

1. Gross profit margin is calculated based on the gross profit for the year/period divided by total revenue for the year/period and multiplied by 100%.
2. Net profit margin is calculated based on the net profit for the year/period divided by total revenue for the year/period and multiplied by 100%.
3. Return on equity is calculated based on net profit for the year/period divided by total equity as at the end of the respective year/period and multiplied by 100%.
4. Return on total assets is calculated based on net profit for the year/period divided by total assets at the end of the respective year/period and multiplied by 100%.
5. Current ratio is calculated based on current assets divided by current liabilities as at the end of the respective year/period.

---

## FINANCIAL INFORMATION

---

6. Quick ratio is calculated based on current assets (excluding inventories) divided by current liabilities as at the end of the respective year/period.
7. Gearing ratio is calculated based on total debt divided by total equity as at the end of the respective year/period. Total debt includes all interest-bearing loans, obligations under finance lease/lease liabilities and amount due to a director.
8. Net debt to equity is calculated based on net debt divided by total equity as at the end of the respective year/period. Net debt includes all interest-bearing loans, obligations under finance lease/lease liabilities and amount due to a director, net of cash and cash equivalents.
9. Interest coverage ratio is calculated based on net profit for the year/period before interest and tax divided by interest expense before interest capitalised for the year/period.

### **Gross profit margin**

Our gross profit margin decreased from approximately 72.4% for the year ended 31 December 2016 to approximately 71.5% for the year ended 31 December 2017 and further decreased to approximately 65.0% for the year ended 31 December 2018, which were mainly attributable to the increase in revenue from the provision of driving training services for Large Vehicles which had lower gross profit margins of 76.5% and 68.4% for the two years ended 31 December 2018, respectively. Our gross profit margin then decreased from approximately 65.0% for the year ended 31 December 2018 to approximately 63.9% for the four months ended 30 April 2019 which was mainly attributable to the increase in the number of course enrolments of our premium courses for Large and Small Vehicles with lower profit margin than our standard courses since the second half of 2018.

### **Net profit margin**

Our net profit margin decreased from approximately 39.1% for the year ended 31 December 2016 to approximately 27.5% for the year ended 31 December 2017 and further decreased to approximately 27.4% for the year ended 31 December 2018, which were mainly attributable to the recognition of (i) listing expenses in relation to a previous potential GEM listing exercise, which was terminated and fully expensed during the Track Record Period, of approximately RMB8.8 million during the year ended 31 December 2017; and (ii) Listing expenses of approximately RMB10.3 million for the year ended 31 December 2018, which eliminated the effect of increase in net profit for the relevant years. Our net profit margin then increased from approximately 27.4% for the year ended 31 December 2018 to approximately 29.6% for the four months ended 30 April 2019 as a result of the decrease in the Listing expenses recognised during the period which was partially offset by the decrease in gross profit margin for the four months ended 30 April 2019.

### **Return on equity**

Our Group recorded a decrease in return on equity from approximately 107.9% for the year ended 31 December 2016 to approximately 31.5% for the year ended 31 December 2017 and then further to approximately 24.2% for the year ended 31 December 2018, which were mainly attributable to the increased equity from the operation resulting from the increase in our net profit from the provision of driving training services of Large Vehicles and Small Vehicles.

---

## FINANCIAL INFORMATION

---

### **Return on total assets**

Our return on total assets decreased from approximately 15.7% for the year ended 31 December 2016 to approximately 11.5% for the year ended 31 December 2017 and then further decreased to approximately 10.3% for the year ended 31 December 2018, which were mainly attributable to the recognition of (i) listing expenses in relation to a potential GEM listing exercise, which was terminated and fully expensed during the Track Record Period, of approximately RMB8.8 million during the year ended 31 December 2017 and (ii) Listing expenses of approximately RMB10.3 million during the year ended 31 December 2018, which eliminated the effect of the increases in net profit for the years.

### **Current ratio**

Our current ratio increased from approximately 0.10 times for the year ended 31 December 2016 to 0.37 times for the year ended 31 December 2017, and further increased to approximately 1.28 times for the year ended 31 December 2018 as a result of the increase in current assets, which were mainly attributable to the significant increase in bank balances and cash of approximately RMB25.6 million and RMB45.8 million for the two years ended 31 December 2018, respectively. Our current ratio then increased from approximately 1.28 times for the year ended 31 December 2018 to approximately 1.44 times for the four months ended 30 April 2019 which was mainly attributable to the decrease in accrued construction costs and accrued Listing expenses.

### **Quick ratio**

Our quick ratio as at 31 December 2016, 2017, 2018 and 30 April 2019 was largely the same as our current ratio since our Group did not have material inventories as at each year/period end during the Track Record Period.

### **Gearing ratio**

Our gearing ratio decreased from approximately 4.27 times as at 31 December 2016 to approximately 0.94 times as at 31 December 2017, which was mainly attributable to the partial settlement of the amount due to a director and the increased equity from operation resulting from the increase in net profit from the provision of driving training services of Large Vehicles and Small Vehicles. Our gearing ratio then decreased from approximately 0.94 times as at 31 December 2017 to approximately 0.59 times as at 31 December 2018 and further decreased to approximately 0.55 times as at 30 April 2019 which was mainly attributable to the increased equity from operation resulting from the increase in net profit from the provision of driving training services of Large Vehicles and Small Vehicles.

### **Net debt to equity**

The net debt to equity ratio decreased from approximately 3.91 times for the year ended 31 December 2016 to approximately 0.35 times for the year ended 31 December 2017 and then improved to net cash position for the year ended 31 December 2018 and for the four months ended 30 April 2019. The decrease was mainly attributable to (i) the partial settlement of the amount due to a director; and (ii) the increase in the cash and cash equivalents from approximately RMB6.1 million for the year ended 31 December 2016 to

---

## FINANCIAL INFORMATION

---

approximately RMB31.6 million for the year ended 31 December 2017, to approximately RMB77.5 million for the year ended 31 December 2018 and then to approximately RMB81.2 million for the four months ended 30 April 2019.

### **Interest coverage ratio**

The interest coverage ratio decreased from approximately 5.81 times for the year ended 31 December 2016 to approximately 5.40 times for the year ended 31 December 2017 as the profit before tax did not increase to the same extent as the increase in bank loan interest. The interest coverage ratio increased from approximately 5.40 times for the year ended 31 December 2017 to approximately 6.98 times for the year ended 31 December 2018 as the profit before tax increased while the bank loan interest decreased as a result of the decrease in weighted average interest rate of our variable-rate borrowings. The interest coverage ratio increased from approximately 6.98 times for the year ended 31 December 2018 to approximately 8.21 times for the four months ended 30 April 2019 as the profit before tax increased.

### **FINANCIAL RISK MANAGEMENT**

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amount due to a director/a related party and borrowings. The Company's financial instruments include other payables and amounts due from (to) subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant changes to the Group's exposure to financial risk or the manner in which the Group manages and measures the risk throughout the Track Record Period.

#### ***Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate borrowings. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and the lending rate quoted by the PBOC arising from the Group's RMB denominated borrowings.

#### ***Sensitivity analysis***

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year. A 50 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

---

## FINANCIAL INFORMATION

---

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2016, 2017 and 2018, and the four months ended 30 April 2019 would decrease/increase by approximately RMB56,000, RMB51,000, RMB57,000 and RMB18,000, respectively.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the exposure does not reflect the exposure during the respective year.

### *Currency risk*

For the year ended 31 December 2016 and 2017, the Group's operations are mainly denominated in RMB with a small extent in other foreign currencies. As the Group does not have significant foreign currency transactions and balances, foreign currency sensitivity analysis is not presented.

As at 31 December 2018 and 30 April 2019, the Group's exposure to foreign currency risk related primarily to certain bank balances and other payables denominated in HK\$. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging foreign currency exposure should the need arise.

### *Credit risk*

As at 31 December 2016, 2017, 2018 and 30 April 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise credit risk, the Group regularly monitors the external credit ratings of the financial institutions based on available information at each reporting date for its bank balances which are placed in these financial institutions. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management team uses other publicly available financial information and the Group's own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For trade and other receivables, the Group determines the expected credit losses on these items individually by estimation based on historical credit loss experience of the debtor, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The management considers that the credit risk on liquid funds is low as counterparties are financial institutions with good reputation.

### *Liquidity risk*

In the management of the liquidity risk, the Group and the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

## FINANCIAL INFORMATION

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The undiscounted principal amount of bank loan of nil, RMB9,000,000, nil and nil which constituted an event of default as at 31 December 2016, 2017 and 2018 and 30 April 2019 are included in the "on demand" time band in the below maturity analysis. For the remaining financial liabilities, the table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

### *The Group*

	Weighted average interest rate	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	Over 1 year <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amounts <i>RMB'000</i>
<b>At 31 December 2016</b>						
Trade and other payables	N/A	3,545	5,988	–	9,533	9,533
Amount due to a director	N/A	20,050	–	–	20,050	20,050
Amount due to a related party	N/A	3	–	–	3	3
Borrowings						
– Fixed rate	11.1%	–	31,875	8,536	40,411	36,950
– Variable rate	7.8%	–	15,305	–	15,305	14,800
		<u>23,598</u>	<u>53,168</u>	<u>8,536</u>	<u>85,302</u>	<u>81,336</u>

	Weighted average interest rate	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	Over 1 year <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amounts <i>RMB'000</i>
<b>At 31 December 2017</b>						
Trade and other payables	N/A	6,136	6,496	–	12,632	12,632
Amount due to a director	N/A	65	–	–	65	65
Amount due to a related party	N/A	400	–	–	400	400
Borrowings						
– Fixed rate	10.6%	9,000	29,574	–	38,574	36,800
– Variable rate	7.1%	–	14,126	–	14,126	13,500
		<u>15,601</u>	<u>50,196</u>	<u>–</u>	<u>65,797</u>	<u>63,397</u>

## FINANCIAL INFORMATION

	Weighted average interest rate	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	Over 1 year <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amounts <i>RMB'000</i>
<b>At 31 December 2018</b>						
Trade and other payables	NA	15,566	6,750	–	22,316	22,316
Amount due to a director	NA	16	–	–	16	16
Borrowings						
– Fixed rate	10.7%	–	3,968	38,934	42,902	36,700
– Variable rate	6.7%	–	898	13,860	14,758	13,500
Obligations under finance leases	5.9%	–	1,137	582	1,719	1,639
		<u>15,582</u>	<u>12,753</u>	<u>53,376</u>	<u>81,711</u>	<u>74,171</u>

	Weighted average interest rate	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	Over 1 year <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amounts <i>RMB'000</i>
<b>At 30 April 2019</b>						
Trade and other payables	N/A	9,770	2,016	–	11,786	11,786
Amount due to a director	N/A	16	–	–	16	16
Borrowings						
– Fixed rate	10.7%	–	3,919	36,570	40,669	36,680
– Variable rate	6.7%	–	822	13,559	14,381	13,500
Lease liabilities	6.6%	–	1,345	1,855	3,200	2,588
		<u>9,786</u>	<u>8,102</u>	<u>52,164</u>	<u>70,052</u>	<u>64,570</u>

### ***The Company***

The Company's financial liabilities are due within one year from end of the reporting period or repayable on demand and interest-free.

### **PROPERTY INTERESTS AND PROPERTY VALUATION REPORT**

Each property occupied by us has a carrying amount below 15% of our total assets, except for the owned properties located in Zhumadian City, Henan Province. LCH (Asia-Pacific) Surveyors Limited, an independent property valuation firm, has valued the properties owned by us in Zhumadian City, Henan Province as at 31 July 2019 in accordance with section 342(1)(b) of Companies (WUMP) Ordinance. The text of its letter and valuation certificate are set out in the Property Valuation Report as set forth in Appendix III to this prospectus.

---

## FINANCIAL INFORMATION

---

The following table presents the reconciliation of the net book value of the relevant property interests, as at 30 April 2019 to their market value as at 31 July 2019 attributed by LCH (Asia-Pacific) Surveyors Limited as stated in the valuation certificate in the Property Valuation Report as set forth in Appendix III to this prospectus:

Net book value of the following properties as at 30 April 2019:

	<i>RMB'000</i>
Buildings, leasehold improvement and construction in progress included in property, plant and equipment as at 30 April 2019	57,575
Rights-of-use assets relating to prepaid land lease payments as at 30 April 2019	43,505
Less: Depreciation and amortisation for the three months ended 31 July 2019	(1,024)
Valuation surplus	<u>41,244</u>
Valuation as at 31 July 2019	<u><u>141,300</u></u>

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

For the unaudited pro forma adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules for illustrating the effect of the Share Offer on the consolidated net tangible assets of our Group as if the Share Offer had taken on 30 April 2019, please refer to Appendix II to this prospectus for details.

### DISCLOSURE UNDER THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as at the Latest Practicable Date, they were not aware of any circumstances which would give rise to any disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

### RECENT DEVELOPMENT

Our business operations have been stable after the Track Record Period. It was recorded that (i) the revenue of the Group during the two months ended 30 June 2019 increased by approximately 51.3% compared to that during the two months ended 30 June 2018; (ii) the revenue of Large Vehicles during the two months ended 30 June 2019 increased by approximately 39.0% compared to that during the two months ended 30 June 2018; (iii) the number of course enrolments in our premium courses for Small Vehicles during the two months ended 30 June 2019 increased by approximately 147.3% compared to that during the two months ended 30 June 2018; and (iv) the amount of course fees received for our standard courses and premium courses for Small Vehicles during the two months ended 30 June 2019 increased by approximately 91.0% compared to that during the two months ended 30 June 2018. To the best of our Director's knowledge, up to the date of this prospectus, there was no material change in the general market conditions that had affected or would affect our Group's business operations or financial condition materially and adversely.

---

## FINANCIAL INFORMATION

---

As at the Latest Practicable Date, our Directors expected a lower overall gross profit margin of our Group for the two years ending 31 December 2020 compared to the overall gross profit margin for the year ended 31 December 2018, being 65.0%. This is mainly because our Directors believe that for the two years ending 31 December 2020, our premium courses of Large Vehicles are expected to contribute a significant portion of our Group's revenue and that the gross profit margin of our premium courses of Large Vehicles will be relatively lower than that of our standard courses of Large Vehicles for the two years ending 31 December 2020. Our Directors expect that the profit of our Group for the year ending 31 December 2019 may be lower than that for the year ended 31 December 2018 mainly due to the estimated slight increase in Listing expenses.

Subsequent to the Track Record Period and up to the Latest Practicable Date, save for the Listing expenses as disclosed in the section headed "Financial information – Listing expenses" in this prospectus and the renovation costs in connection with our dormitory building, we did not have any significant non-recurrent items in our consolidated statement of profit or loss and other comprehensive income.

Our Directors confirm that, save for the Listing expenses and the expected lower overall gross profit margin of our Group for the two years ending 31 December 2020 as disclosed above, as far as they are aware, there had been no material adverse change in our financial or trading position or prospects since 30 April 2019, being the date to which our Company's latest audited consolidated financial statements were made up, up to the date of this prospectus.

### **NO MATERIAL ADVERSE CHANGE**

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 April 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up) up to the date of this prospectus and there is no event since 30 April 2019 which would materially affect the information shown in the Accountants' Report.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

### FUTURE PLANS

#### Business objectives and strategies

As at the Latest Practicable Date, our Group operated in the provision of driving training services in the PRC. Our primary objectives are to maintain our growth in the industry and enhance our overall competitiveness and market share.

Our Directors believe that the Listing will enhance our corporate profile and recognition and the net proceeds from the Share Offer will strengthen our financial position.

Furthermore, a public listing status on the Stock Exchange will give us access to the capital market for corporate finance exercise which will assist us in our future business development, enhance our corporate profile and strengthen our competitiveness.

Our Group will endeavour to achieve its business objectives and adopt the business strategies as set out in the section headed “Business – Our strategies” in this prospectus.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Share Offer of approximately HK\$108.4 million, after deducting underwriting commissions, fees and estimated expenses payable by us in connection with the Share Offer, and assuming an Offer Price of HK\$1.35 per Offer Share, being the mid-point of the indicative Offer Price range stated in this prospectus and the Over-allotment Option is not exercised. If the Offer Price is set at HK\$1.42 per Share, being the high-end of the indicative Offer Price range, the net proceeds from the Share Offer will increase by approximately HK\$7.1 million. If the Offer Price is set at HK\$1.28 per Share, being the low-end of the indicative Offer Price range, the net proceeds from the Share Offer will decrease by approximately HK\$7.1 million.

We currently intend to apply these net proceeds for the following purposes (assuming an Offer Price of HK\$1.35 per Share, being the mid-point of the indicative Offer Price range stated in this prospectus and the Over-allotment Option is not exercised):

- approximately 58.0%, or approximately HK\$62.9 million, will be used to finance the expansion of our training fields for Large Vehicles. We plan to spend:
  - (a) approximately HK\$49.6 million will be used for acquiring a parcel of land of site area of approximately 80,000 sq.m. in Zhumadian City of a consideration of approximately RMB71.6 million (of which approximately RMB44.6 million will be funded by the proceeds from the Share Offer and approximately RMB27.0 million will be funded by internal resources);
  - (b) approximately HK\$13.3 million will be used for constructing the training fields;
- approximately 9.6%, or approximately HK\$10.4 million, will be used as recruiting and training costs for 40 new driving instructors for Large Vehicles;

---

## FUTURE PLANS AND USE OF PROCEEDS

---

- approximately 9.7%, or approximately HK\$10.5 million, will be used for purchasing new training vehicles which are Large Vehicles;
- approximately 12.7%, or approximately HK\$13.8 million, will be used for repayment of bank loans;
- approximately 10.0%, or approximately HK\$10.8 million, will be used for our working capital and general corporate purposes.

The bank borrowings of our Group comprise four loan facilities granted by three licensed banks in China on 25 September 2018, 17 July 2018, 1 September 2018 and 2 August 2018, with the interest rate of 140% of The People's Bank of China ("PBOC") standard lending rate and the fixed interest rate of 9.7%, 10.4% and 11.2% per annum, respectively. The principal amounts of such loan facilities are RMB13.5 million, RMB9.9 million, RMB9.0 million and RMB17.8 million, respectively, with maturity dates on 21 January 2021, 17 July 2021, 29 August 2021 and 27 January 2021, respectively. Such bank borrowings are repayable later than 1 year with outstanding principal amount of RMB50.1 million and the current portion of RMB80,000 repayable within one year as at 30 April 2019. Our Group has used the funds from the loan facilities to fund our general working capital needs. We intend to repay part of the loan with the principal amount of RMB13.5 million by using part of the net proceeds from the Share Offer.

The above allocation of the net proceeds from the Share Offer will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the indicative Offer Price range stated in this prospectus. Any additional proceeds received from the exercise of the Over-allotment Option will also be allocated to the above purposes on a pro rata basis. If the Over-allotment Option is exercised in full, the additional net proceeds that we will receive will be approximately HK\$20.3 million, assuming an Offer Price of HK\$1.35 per Share (being the mid-point of the indicative Offer Price range).

To the extent that the net proceeds are not sufficient to fund the above purposes, we intend to fund the balance through a variety of means, including our internal resources, cash generated from our operations and debt and equity financings. To the extent the net proceeds are not immediately applied to the above purposes, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments.

### REASONS FOR LISTING

One of major reasons for the Listing is to provide us with financial resources for our future expansion, which includes, among others, the acquisition of a parcel of land for development of training fields, the purchase of additional training vehicles and the recruitment of additional driving instructors; and the repayment of bank loans. Although the cost of debt financing is generally lower than that of equity financing, our Directors considered that debt financing for an amount comparable to the expected net proceeds from the Share Offer is unlikely to be available to our Group, given that the value of the real properties owned by the Group as at the Latest Practicable Date is unlikely to be sufficient as security for debt financing of such amount. Furthermore, our Directors believe that our Company will enjoy a lower cost of debt financing after its Shares are listed on the Stock Exchange.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

In particular, our Directors, having considered the followings, believe that our future expansion is best funded by the proceeds from the Share Offer:–

- The two parcels of land of approximately 105,000 sq.m. of our Group together with the buildings erected thereon were valued at RMB141.3 million as at 31 July 2019. Among which the two parcels of land and the office building are subject to mortgages. Our Directors believe that it is unlikely that our Group can obtain refinancing for such mortgaged properties as it is commonly perceived that it is not easy to obtain refinancing from banks in the PRC, not to mention that our Group is still in the process of obtaining building ownership certificate for the dormitory building thereon, as well as the existing outstanding mortgage loans of our Group of approximately RMB50.2 million as at 30 April 2019.
- Given the difference in nature between the existing loans of the Group, being working capital loan; and the loan for the acquisition of the land, being land mortgages, it is also our Directors' understanding that those banks, who have been granting the Group working capital loans, may not be willing to provide this new type of loan to the Group on top of these loans.
- Our Group had communicated with six banks and finance companies, including but not limited to the three principal bankers of the Group regarding possible facilities available to the Group for the acquisition of a new parcel of land. In view of the values of the real properties owned by the Group available to be charged and the substantiality of the amount applied for, the relevant banks and finance companies have unanimously rejected the applications for loans for the specific purpose of acquiring the new parcel of land as part of the Expansion Plan. A bank has also expressed that it will not accept the new parcel of land to be acquired as a collateral.
- Our Directors, having communicated with such banks and finance companies, believe that it is the general requirements among such banks and finance companies that (a) the loan amount will be less than the consideration or the appraised value of the land; (b) the Group shall prove to the satisfaction of the banks and finance companies that it shall have sufficient income to pay for the monthly installments; and (c) the Group may have to provide additional collaterals to secure for the loan.
- Even if in the unlikely event that the Group were able to obtain a facility for the Expansion Plan at some point in the future, our Directors believe that given the lack of acceptable or sufficient collaterals to the banks at this stage and the substantiality of the amount, such facility would not be possible without imposing unfavourable terms including high interest rates and the requirement of personal guarantee and/or additional collaterals provided by our Controlling Shareholder with extensive liabilities. In contrast, with the proceeds from the Share Offer, our Directors believe that our Group may seize the timely opportunity to expand our business and market share. Our Directors believe that this will be in the interest of our Company and the Shareholders.

Compared to purchasing the 40 Large Vehicles with finance lease, our Directors believe that it is more appropriate to purchase them with the proceeds from the Share Offer, considering:–

---

## FUTURE PLANS AND USE OF PROCEEDS

---

- the possible requirement of down payment of the purchase price of each Large Vehicle under the finance lease arrangement based on our Group's previous experience;
- the benefits of avoiding ongoing cash outflow and giving more flexibility to our Group over its working capital by acquiring the 40 Large Vehicles from the proceeds from the Share Offer instead of finance leases which require ongoing payments of rental fees and interests out of the Group's working capital;
- that although our Group entered into finance lease arrangements previously to expand its fleet, there is no guarantee that our Group is able to obtain finance lease arrangement of terms comparably favourable to that of our previous finance lease arrangement and that it is undesirable for our Group to adopt the same approach for the 40 Large Vehicles, taken into account that (i) the gearing ratio of our Group increased as a result of the previous finance lease arrangement; and (ii) the current fleet expansion involves 40 Large Vehicles which is of a scale much more significant than to the vehicles involved in the previous finance lease arrangement – eight A1 Vehicles; and
- that the capital requirement of 40 training vehicles cannot be isolated from, and our Group needs to consider at the same time the capital requirement of and the impact on the cashflow of the Group brought by, the rest of the Expansion Plan.

Having considered our Group's existing four interest-bearing loans totalling approximately RMB50.2 million as at 30 April 2019, our Directors believe that it is prudent and in the best interests of the Shareholders to maintain or lower the current debt level. Having considered that not all the interest-bearing loans may be renewed upon maturity, our Directors consider that it is prudent for our Group to maintain cash reserve in the event that any of such loans is not renewed. Our Directors also believe that, having considered the outstanding amount of such loans, it is unlikely for our Group to obtain additional facilities without providing additional collaterals. Without the proceeds from the Share Offer, the internal resources and operating cashflow expected to be generated by our Group in the near future are insufficient to fund both the expansion of training fields and the repayment of bank loans. Our Directors believe that, after taken into account our Group's internal resources and operating cashflow expected to be generated in the near future, there is a genuine funding need for our Group to expand our existing training fields and to repay the bank loans with the proceeds from the Share Offer.

As at the Latest Practicable Date, most of the collateralisable assets of our Group (i.e. the two parcels of land of approximately 105,000 sq.m. together with the buildings erected thereon) were subject to mortgages in respect of the current bank borrowings of our Group. Our Group does not have other available fixed and collateralisable assets of values sufficient for security or pledge to obtain extra banking facilities in the event of a sudden deterioration of the prevailing market conditions and to meet further requirements in respect of the current debt financing of our Group in addition to regular repayments of interest and the principal which may be imposed by the relevant banks. Our Group also intends to repay certain bank borrowings to release part of our pledged assets and to maintain a more flexible and stable capital structure of our Group.

---

## FUTURE PLANS AND USE OF PROCEEDS

---

Our Directors believe that the potential benefits of Listing will ultimately outweigh the cost of equity financing including the Listing expenses and will also outweigh the cost of debt financing in the long run considering that (i) the Listing expenses is one-off in nature as opposed to the recurring finance cost of the bank borrowings; (ii) it provides access to the capital market for future secondary fund raising opportunities via interest-saving equity issuance through our listed entity as opposed to obtaining other interest-bearing banking facilities from financial institutions had it not been listed; and (iii) without a public listing status on the Stock Exchange, our Group would have difficulties to obtain bank borrowings at more favourable terms in terms of the personal guarantees or other collaterals to be provided by the Controlling Shareholders, whereas after the Listing, our Group may obtain bank borrowings under more favourable terms given its higher transparency, stability and more stringent regulatory supervision in general.

Based on the above, our Directors are of the view that repaying certain current bank borrowings of our Group with the proceeds from the Share Offer is justified and is in the best interest of our Group and our future development.

Set forth below is the amount of net proceeds from the Share Offer to be spent for each of the three years ending 31 December 2021.

	For the year ending 31 December			Total	%
	2019	2020	2021		
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>	
Acquisition of a parcel of land	–	44.6	–	44.6	45.7
Construction of training fields	–	12.0	–	12.0	12.3
Purchase of training vehicles	–	9.5	–	9.5	9.7
Recruitment and training costs for 40 new driving instructors	–	3.0	6.4	9.4	9.6
Repayment of bank loans	–	12.4	–	12.4	12.7
Working capital and general corporate purposes	9.7	–	–	9.7	10.0
<b>Total:</b>	<b>9.7</b>	<b>81.5</b>	<b>6.4</b>	<b>97.6</b>	<b>100.0</b>

---

## UNDERWRITING

---

### **PUBLIC OFFER UNDERWRITERS**

#### **Joint Bookrunners**

Cinda International Capital Limited

ChaoShang Securities Limited

#### **Joint Lead Managers**

Cinda International Capital Limited

ChaoShang Securities Limited

Differ Financial and Securities Limited

#### **Co-Lead Managers**

Bluemount Securities Limited

Central China International Capital Limited

Paragon Securities Limited

### **UNDERWRITING ARRANGEMENTS AND EXPENSES**

#### **The Public Offer**

##### ***Public Offer Underwriting Agreement***

Pursuant to the Public Offer Underwriting Agreement, our Company has agreed to offer the Public Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to, among other conditions, the granting of the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus by the Listing Committee and to certain other conditions set out in the Public Offer Underwriting Agreement, the Public Offer Underwriters have severally and not jointly agreed to subscribe or procure subscribers for their respective applicable proportions of the Public Offer Shares now being offered which are not taken up under the Public Offer on the terms and conditions of this prospectus, the Application Forms and the Public Offer Underwriting Agreement.

The Public Offer Underwriting Agreement is conditional on and subject to the Placing Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

---

## UNDERWRITING

---

### *Grounds for termination*

The Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) shall have the absolute discretion upon giving reasonable notice to our Company to terminate the Public Offer Underwriting Agreement if any of the following events occur at any time prior to 8:00 a.m. on the Listing Date (the “**Termination Time**”) if prior to the Termination Time:

- (a) there has come to the notice of the Sponsor, the Joint Bookrunners or any of the Public Offer Underwriters:
  - (i) any matter or event showing any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement to be untrue, inaccurate or misleading in any respect when given or repeated or there has been a breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement or any other provisions of the Public Offer Underwriting Agreement by any party thereto (other than the Sponsor and the Public Offer Underwriters) which, in any such cases, is considered, in the sole and absolute opinion of the Joint Bookrunners, to be material in the context of the Share Offer; or
  - (ii) any statement contained in this prospectus, the web proof information pack, the formal notice and any announcements issued by our Company (including any supplement or amendment to each of the said documents) has become or been discovered to be untrue, incorrect or misleading in any respect which is considered, in the sole and absolute opinion of the Joint Bookrunners, to be material in the context of the Share Offer; or
  - (iii) any event, series of events, matter or circumstances occurs or arises on or after the date of the Public Offer Underwriting Agreement and before the Termination Time, being an event, matter or circumstance which, if it had occurred before the date of the Public Offer Underwriting Agreement, would have rendered any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement untrue, incorrect or misleading in any respect, and which is considered, in the sole and absolute opinion of the Joint Bookrunners, to be material in the context of the Share Offer; or
  - (iv) any matter which, had it arisen or been discovered immediately before the date of this prospectus and not having been disclosed in this prospectus, would have constituted, in the sole and absolute opinion of the Joint Bookrunners, a material omission in the context of the Share Offer; or
  - (v) any event, act or omission which gives or is likely to give rise to any liability of our Company or any of the executive Directors or our Controlling Shareholders arising out of or in connection with the breach of any of the representations, warranties or undertakings contained in the Public Offer Underwriting Agreement; or

---

## UNDERWRITING

---

- (vi) any material breach by any party to the Public Offer Underwriting Agreement (other than the Sponsor, the Joint Bookrunners and the Public Offer Underwriters) of any provision of the Public Offer Underwriting Agreement which, in the sole and absolute opinion of the Joint Bookrunners, is material; or
- (b) there shall have developed, occurred, existed, or come into effect any event or series of events, matter or circumstance whether occurring or continuing before, on and/or after the date of the Public Offer Underwriting Agreement and including an event or change in relation to or a development of an existing state of affairs concerning or relating to any of the following:
  - (i) any new law or regulation or any change in existing laws or regulations, or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, the PRC, the BVI, the Cayman Islands or any of the jurisdictions in which our Group operates or has or is deemed by any applicable law to have a presence (by whatever name called) or any other jurisdiction relevant to the business and/or operation of our Group (the “**Relevant Jurisdictions**”); or
  - (ii) any change in, or any event or series of events or development resulting or likely to result in any change in local, regional or international financial, equity securities, currency, political, military, industrial, economic, stock market or other market conditions or prospects in or affecting the Relevant Jurisdictions; or
  - (iii) any change in the system under which the value of the HK dollars or Renminbi is linked to that of the US dollars; or
  - (iv) the imposition of any moratorium, suspension or restriction on trading in securities generally on any of the markets operated by the Stock Exchange due to exceptional financial circumstances or otherwise; or
  - (v) any change or development involving a prospective change in taxation or exchange control (or the implementation of any exchange control) in the Relevant Jurisdictions; or
  - (vi) any material adverse change or prospective adverse change in the business or in the financial or trading position or prospects of any member of our Group; or
  - (vii) the imposition of economic sanction or withdrawal of trading privileges, in whatever form, by the Relevant Jurisdictions; or
  - (viii) a general moratorium on commercial banking activities or disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance service in or affecting the Relevant Jurisdictions; or
  - (ix) any event of force majeure including, without limiting the generality thereof, any act of God, military action, riot, public disorder, civil commotion, fire, flood, tsunami, explosion, epidemic, terrorism (whether or not responsibility has been claimed), strike or lock-out; or

---

## UNDERWRITING

---

- (x) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or crisis involving or affecting the Relevant Jurisdictions; or
- (xi) a demand by any creditor for repayment or payment of any material indebtedness of any other member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (xii) any material loss or damage sustained by any member of our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (xiii) a petition is presented for the winding-up or liquidation of any member of our Group or any member of our Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding up of any member of our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurs in respect of any member of our Group; or
- (xiv) save as disclosed in this prospectus, any material litigation or claim of importance of any third party being instigated or threatened against any member of our Group,

which, in the sole and absolute opinion of the Joint Bookrunners:

- (i) is or will be, or is likely to be, adverse to the business, financial, trading or other conditions or prospects of our Group taken as a whole or any member of our Group; or
- (ii) has or will have or is likely to have an adverse effect on the success of the Share Offer or the level of the Offer Shares being applied for or accepted, the distribution of the Offer Shares or the demand or market price of the Shares following the Listing; or
- (iii) for any other reason makes it impracticable, inadvisable or inexpedient for the Public Offer Underwriters to proceed with the Share Offer as a whole.

For the above purpose:

- (i) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the US or a devaluation of Renminbi against any foreign currencies shall be taken as an event resulting in a change in currency conditions; and
- (ii) any normal market fluctuations shall not be construed as events or series of events affecting market conditions referred to above.

---

## UNDERWRITING

---

### *Lock-up undertakings to the Public Offer Underwriters*

#### *Undertakings by our Company*

Our Company has undertaken with the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that, and each of our executive Directors and Controlling Shareholders has undertaken irrevocably and unconditionally with the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters to procure that:

- (a) except for the issue of the Shares pursuant to the Share Offer, the Capitalisation Issue, the grant of options under the Share Option Scheme and the issue of Shares on exercise thereof or as otherwise with the Joint Bookrunners' prior written consent, and unless in compliance with the Listing Rules, our Company will not, and will procure none of our subsidiaries will, during the first six-month period commencing on the date by reference to which disclosure of the shareholding of our executive Directors and our Controlling Shareholders in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "**First Six-Month Period**"):
  - (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any encumbrance over, or agree to transfer or dispose of or create any encumbrances over, either directly or indirectly, conditionally or unconditionally, any Share or other securities of our Company or any securities of our subsidiaries, or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or any securities of our subsidiaries, or interest therein, as applicable), or deposit any Shares or other securities of our Company or securities of our subsidiaries, with a depositary in connection with the issue of depositary receipts; or
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any securities of our subsidiaries, or interest therein as described in paragraph (i) above; or
  - (iii) enter or agree to enter into, conditionally or unconditionally, any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
  - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above,

---

## UNDERWRITING

---

in each case, whether any of the foregoing transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of any Shares or other securities of the Company or any securities of our subsidiaries, or in cash or otherwise (whether or not such transaction will be completed within the First Six-Month Period); and

- (b) in the event of our Company entering into or agreeing to enter into any of the foregoing transactions in respect of any Share or other securities of our Company or any member of our Group or any interest therein by virtue of the aforesaid exceptions or during the six month period commencing from the expiry of the First Six-Month Period (the “**Second Six-Month Period**”), it will take all reasonable steps to ensure that such action will not create a disorderly or false market in any of the Shares or other securities of our Company.

Our Company has further undertaken to and covenanted with each of the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that if at any time during the Second Six-Month Period, it enters into any transactions specified in paragraph (a)(i), (ii) or (iii) above or agrees or contracts to or publicly announces any intention to enter into any such transactions, it shall inform the Sponsor immediately thereafter, disclosing the details of such transactions.

### *Undertakings by our Controlling Shareholders*

Each of our Controlling Shareholders has jointly and severally undertaken to the Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that he/it will not, and will procure that his/its associates or the relevant registered holder(s), nominee(s) or trustee(s) holding on trust for him/it or the companies controlled by him/it will not, without the prior written consent of the Sponsor, the Joint Bookrunners and the Joint Lead Managers (for themselves and on behalf of the Public Offer Underwriters) and unless in compliance with the Listing Rules:

- (a) at any time during the First Six-Month Period:
  - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create any encumbrances over, or agree to transfer or dispose of or create any encumbrances over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of the Company or interest therein) in respect of which he/it is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the “**Lock-Up Securities**”);
  - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lock-Up Securities or any interest therein;

---

## UNDERWRITING

---

- (iii) enter or agree to enter into, conditionally or unconditionally, or effect any transaction with the same economic effect as any of the transactions referred to in paragraph (i) or (ii) above; or
- (iv) offer to or agree to or announce any intention to effect any transactions specified in paragraph (i), (ii) or (iii) above,

in each case, whether any of the foregoing transactions in paragraph (i), (ii) or (iii) above is to be settled by delivery of any Shares or other securities of the Company, in cash or otherwise (whether or not such transaction will be completed within the First Six-Month Period); and

- (b) at any time during the Second Six-Month Period, enter into any of the foregoing transactions in paragraph (a)(i) or (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/it will cease to be a controlling shareholder (as such term is defined in the Listing Rules) of our Company or would together with the other Controlling Shareholders cease to be, or regarded as, controlling shareholders (as such term is defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to and covenanted with each of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Public Offer Underwriters that if at any time during the Second Six-Month Period, he/it enters into any transactions specified in paragraph (a)(i), (ii) or (iii) above or agrees or contracts to or publicly announces any intention to enter into any such transactions, he/it shall inform our Company and the Joint Bookrunners immediately thereafter, disclosing the details of such transactions.

### ***Lock-up undertakings to the Stock Exchange***

#### *Undertakings by our Company*

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that save as pursuant to the Share Offer and the grant and exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, our Company will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which the Shares commence dealings on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealings), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

---

## UNDERWRITING

---

### *Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07(1) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/it shall not and shall procure that the relevant registered holder(s) (if any) shall not, except pursuant to the Share Offer or the Capitalisation Issue:

- (i) save as provided in Rule 10.07(3) of the Listing Rules, in the period commencing on the date by reference to which disclosure of his/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of the Relevant Securities; and
- (ii) save as provided in Rule 10.07(3) of the Listing Rules, in the period of six months commencing from the expiry of the period referred to in paragraph (i) above (the “**Second Six-Month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, our Controlling Shareholders would cease to be controlling shareholders (as defined in the Listing Rules) of our Company on a collective basis.

In addition, in accordance with Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/it will comply with the following requirements:

- (i) in the event that he/it pledges or charges any direct or indirect interest in the Relevant Securities in favor of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 10.07(2) of the Listing Rules, at any time during the First Six-Month Period and the Second Six-Month Period, he/it must inform our Company immediately of such pledge/charge together with the number of securities so pledged/charged; and
- (ii) having pledged or charged any interest in the Shares under (a) above, he/it must inform our Company immediately in the event that he/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Pursuant to Rule 10.07(2) of the Listing Rules, in the event that our Company has been informed of any matter under Rule 10.07(2) of the Listing Rules as described above, we shall forthwith publish an announcement giving details of the same in accordance with the requirements of Rule 10.07(2) of the Listing Rules.

---

## UNDERWRITING

---

### **The Placing**

#### ***Placing Underwriting Agreement***

In connection with the Placing, it is expected that our Company and the Controlling Shareholders will enter into the Placing Underwriting Agreement with, among other parties, the Placing Underwriters and other parties (if any) on terms and conditions that are substantially similar to the Public Offer Underwriting Agreement as described above and on the additional terms described below.

Under the Placing Underwriting Agreement, subject to the conditions set forth therein, the Placing Underwriters are expected to severally, but not jointly, agree to procure subscribers to subscribe for, or failing which they shall subscribe for, 90,000,000 Placing Shares initially being offered pursuant to the Placing. It is expected that the Placing Underwriting Agreement may be terminated on similar grounds as the Public Offer Underwriting Agreement.

Potential investors shall be reminded that in the event that the Placing Underwriting Agreement is not entered into, the Share Offer will not proceed. The Placing Underwriting Agreement is conditional upon and subject to, among other things, the Public Offer Underwriting Agreement having been executed, becoming unconditional and not having been terminated. It is expected that pursuant to the Placing Underwriting Agreement, our Company and Controlling Shareholders will make similar undertakings as those given pursuant to the Public Offer Underwriting Agreement as described in the paragraph headed “Undertakings” above in this section. It is also expected that upon entering into the Placing Underwriting Agreement, the Placing will be fully underwritten.

Our Company is expected to grant to the Placing Underwriters the Over-allotment Option exercisable by the Joint Bookrunners (for themselves and on behalf of the Placing Underwriters), at their sole and absolute discretion, at any time from the Listing Date until the 30th day after the last day for the lodging of applications under the Public Offer and from time to time, to require our Company to allot and issue up to an aggregate of 15,000,000 additional new Shares, representing 15% of the Offer Shares, at the Offer Price per Offer Share under Placing, solely to cover over-allocations, if any, in the Placing. Please refer to the section headed “Structure and conditions of the Share Offer – Over-allotment Option” in this prospectus for further details.

### **COMMISSION AND EXPENSES**

The Underwriters are expected to, receive a commission of 10.5% of the aggregate Offer Price payable for the Offer Shares underwritten by them, out of which they will pay any sub-underwriting commissions. The Sponsor will also receive a documentation and advisory fee. The underwriting commission, documentation and advisory fee, listing fees, the Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Share Offer, assuming an Offer Price of HK\$1.35 (being the mid-point of the indicative Offer Price range), are estimated to amount to approximately HK\$40.0 million in total, and are payable by our Company.

---

## UNDERWRITING

---

### SPONSOR'S AND UNDERWRITERS' INTEREST IN OUR COMPANY

Save as disclosed in this prospectus, neither the Sponsor nor any of its close associates has or may have, as a result of the Share Offer, any interest in any securities of our Company or any other member of our Group (including rights to subscribe for such securities).

Neither the Sponsor nor any of its close associates has accrued any material benefit as a result of the successful outcome of the Share Offer, other than the following:

- (i) by way of the documentation and financial advisory fee to be paid to the Sponsor for acting as sponsor to the Listing; and
- (ii) certain close associates of the Sponsor whose usual and ordinary courses of business involve trading of and dealing in securities may derive commissions from the trading of and dealing in securities of our Company or provide margin financing in connection thereto or purchase or sell securities of our Company or hold securities of our Company for investment purposes after Listing.

None of the directors and employees of the Sponsor has any directorship in our Company or any other companies comprising our Group.

### MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 8.08 of the Listing Rules after completion of the Share Offer.

---

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

---

### THE SHARE OFFER

The Share Offer comprises the Placing and the Public Offer. A total of initially 100,000,000 Offer Shares (subject to the Over-allotment Option) will be made available under the Share Offer, of which:

- (i) 90,000,000 Placing Shares (subject to reallocation and the Over-allotment Option), representing 90% of the Offer Shares, will initially be conditionally placed with professional, institutional and other investors under the Placing; and
- (ii) 10,000,000 Public Offer Shares (subject to reallocation), representing 10% of the Offer Shares, will initially be offered to members of the public in Hong Kong under the Public Offer.

The Public Offer Underwriters have agreed to underwrite the Public Offer Shares under the terms of the Public Offer Underwriting Agreement. The Placing Underwriters are expected to underwrite the Placing Shares pursuant to the terms of the Placing Underwriting Agreement. Further details of the underwriting arrangement are set out in the section headed “Underwriting” in this prospectus.

### Placing

Our Company is expected to offer initially 90,000,000 Placing Shares (subject to reallocation and the Over-allotment Option) at the Offer Price under the Placing. The number of Placing Shares expected to be initially available for application under the Placing represents 90% of the total number of Offer Shares being initially offered under the Share Offer. The Placing is expected to be fully underwritten by the Placing Underwriters subject to the Offer Price being agreed on or before the Price Determination Date.

It is expected that the Placing Underwriters or selling agents nominated by them, on behalf of our Company, will conditionally place the Placing Shares at the Offer Price with professional, institutional and other investors. Professional and institutional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Other investors applying through banks or other institutions who sought the Placing Shares in the Placing may also be allocated the Placing Shares.

Allocation of the Placing Shares will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and the Shareholders as a whole. Investors to whom Placing Shares are offered will be required to undertake not to apply for Shares under the Public Offer.

Our Company, our Directors, the Sponsor, the Joint Bookrunners and the Joint Lead Managers are required to take reasonable steps to identify and reject applications under the Public Offer from investors who receive Shares under the Placing, and to identify and reject indications of interest in the Placing from investors who receive Shares under the Public Offer.

---

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

---

The Placing is expected to be subject to the conditions as stated in the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” in this prospectus.

### Public Offer

Our Company is initially offering 10,000,000 Public Offer Shares for subscription (subject to reallocation) by members of the public in Hong Kong under the Public Offer, representing 10% of the total number of Offer Shares offered under the Share Offer. The Public Offer is fully underwritten by the Public Offer Underwriters subject to the Offer Price being agreed on or before the Price Determination Date. Applicants for the Public Offer Shares are required on application to pay the maximum Offer Price of HK\$1.42 per Share plus 1% brokerage, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy.

An applicant for Shares under the Public Offer will be required to give an undertaking and confirmation in the application submitted by him/her/it that he/she/it has not applied for nor taken up any Shares under the Placing nor otherwise participated in the Placing. Applicants should note that if such undertaking and/or confirmation given by an applicant is breached and/or is untrue (as the case may be), such applicant’s application under the Public Offer is liable to be rejected.

The total numbers of Public Offer Shares available under the Public Offer is to be divided into two pools for allocation purposes: pool A comprising 5,000,000 Public Offer Shares; and pool B comprising 5,000,000 Public Offer Shares as follows:

- Pool A: The Public Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable) or less.
- Pool B: The Public Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Public Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable).

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Public Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Public Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purposes of this paragraph only, the “price” for Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Public Offer Shares from either pool A or pool B but not from both pools and can only apply for Public Offer Shares in either pool A or pool B. Multiple or suspected multiple applications within either pool or between pools or any application for more than 50% of the 10,000,000 Public Offer Shares (that is, 5,000,000 Public Offer Shares) are liable to be rejected.

---

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

---

Allocation of Public Offer Shares to investors under the Public Offer will be based solely on the level of valid applications received under the Public Offer. The basis of allocation may vary, depending on the number of Public Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Public Offer Shares.

For allocation purposes only, the Public Offer Shares being offered for subscription under the Public Offer (after taking into account any adjustment in the number of Offer Shares allocated between the Public Offer and the Placing) will be divided equally into two pools (subject to adjustment of odd lot size): pool A and pool B.

### **BASIS OF ALLOCATION OF THE OFFER SHARES**

The allocation of the Offer Shares between the Placing and the Public Offer is subject to reallocation on the following basis:

- (a) In the event that the Placing Shares are fully subscribed or oversubscribed under the Placing:
  - (i) if the Public Offer Shares are undersubscribed, the Joint Bookrunners, at their sole and absolute discretion, may reallocate all or any of the unsubscribed Public Offer Shares from the Public Offer to the Placing;
  - (ii) if the Public Offer is oversubscribed but the number of Shares validly applied for under the Public Offer represents less than 15 times the number of Shares initially available for subscription under the Public Offer, then Shares may be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to a number equivalent to the number of Shares applied for under the Public Offer but subject to a cap of 20,000,000 Shares, representing 20% of the number of Offer Shares initially available under the Share Offer;
  - (iii) if the number of Shares validly applied for under the Public Offer represents 15 times or more but less than 50 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the total number of Shares available for subscription under the Public Offer will be increased to 30,000,000 Shares, representing 30% of the number of Offer Shares initially available under the Share Offer;
  - (iv) if the number of Shares validly applied for under the Public Offer represents 50 times or more but less than 100 times the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 40,000,000 Shares, representing 40% of the number of Offer Shares initially available under the Share Offer; and

---

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

---

- (v) if the number of Shares validly applied for under the Public Offer represents 100 times or more the number of Shares initially available for subscription under the Public Offer, then Shares will be reallocated to the Public Offer from the Placing, so that the number of Shares available for subscription under the Public Offer will be increased to 50,000,000 Shares, representing 50% of the number of Offer Shares initially available under the Share Offer.
- (b) In the event that the Placing Shares are undersubscribed under the Placing:
  - (i) if the Public Offer Shares are undersubscribed, the Share Offer will not proceed unless fully underwritten by the Underwriters; and
  - (ii) if the Public Offer Shares are oversubscribed, irrespective of the number of times the number of Offer Shares initially available for subscription under the Public Offer, then up to 10,000,000 Offer Shares may be reallocated to the Public Offer from the Placing, so that the total number of the Offer Shares available under the Public Offer will be increased to 20,000,000 Offer Shares, representing 20% of the number of the Offer Shares initially available under the Share Offer.

In circumstances under paragraph (a)(ii), (a)(iii), (a)(iv), (a)(v) and (b)(ii) above, the number of Offer Shares allocated to the Placing will be correspondingly reduced.

In addition, the Offer Shares to be offered in the Public Offer and the Placing may in certain circumstances be reallocated as between these offerings at the sole discretion of the Joint Bookrunners. In accordance with Guidance Letter HKEx-GL91-18 issued by the Stock Exchange, if such reallocation is conducted other than pursuant to Practice Note 18 of the Listing Rules, the maximum total number of Offer Shares that may be allocated to the Public Offer shall be not more than 20,000,000 Offer Shares, representing double of the initial allocation to the Public Offer and the final Offer Price shall be fixed at HK\$1.28 per Offer Share, the low-end of the Offer Price range stated in this prospectus. Details of any reallocation of Offer Shares between the Public Offer and the Placing will be disclosed in the results announcement of the Share Offer, which is expected to be published on Wednesday, 23 October 2019.

If the Public Offer is not fully subscribed for, the Joint Bookrunners (for themselves and on behalf of the Public Offer Underwriters) have the authority to reallocate all or any of the unsubscribed Public Offer Shares originally included in the Public Offer to the Placing in such number as they deem appropriate to satisfy demand under the Placing.

### **OVER-ALLOTMENT OPTION**

Pursuant to the Over-allotment Option, the Joint Bookrunners have the right, exercisable at any time from the Listing Date until the 30th day after the last day for the lodging of applications under the Public Offer and from time to time, to require our Company to allot and issue up to an aggregate of 15,000,000 additional new Shares, representing 15% of the number of Offer Shares initially available under the Share Offer, at the same price per Offer Share at which Offer Shares were initially offered under the Placing, to

---

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

---

cover over-allocations in the Placing, if any, on the same terms and conditions as the Offer Shares that are subject to the Share Offer. In the event that the Over-allotment Option is exercised, an announcement will be made in accordance with the requirements of the Listing Rules.

### STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise the market price of the securities, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Share Offer, the Stabilising Manager, ChaoShang Securities, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilising or supporting the market price of the Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilising Manager, its affiliates or any person acting for it, to conduct any such stabilising action. Such stabilising action, if taken, (i) will be conducted at the absolute discretion of the Stabilising Manager reasonably regards as the best interest of our Company, (ii) may be discontinued at any time and (iii) is required to be brought to an end within 30 days of the last day for lodging applications under the Public Offer.

Stabilisation action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules (Chapter 571W of the Laws of Hong Kong) under the SFO includes (i) over-allocating for the purpose of preventing or minimising any reduction in the market price of the Shares; (ii) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimising any reduction in the market price of the Shares; (iii) purchasing, or agreeing to purchase, the Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimising any reduction in the market price of the Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilising Manager, its affiliates or any person acting for it may, in connection with the stabilising action, maintain a long position in the Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilising Manager, its affiliates or any person acting for it will maintain such a long position;
- liquidation of any such long position by the Stabilising Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of the Shares;

---

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

---

- no stabilising action can be taken to support the price of the Shares for longer than the stabilisation period, which will begin on the Listing Date, and is expected to expire on Friday, 15 November 2019 being the 30th day after the last day for lodging applications under the Public Offer. After this date, when no further stabilising action may be taken, demand for the Shares, and therefore the price of the Shares, could fall;
- the price of the Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilising action; and
- stabilising bids or transactions effected in the course of the stabilising action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules under the SFO will be made within seven days of the expiration of the stabilisation period.

The Joint Bookrunners may, at their option, also cover such over-allocations by purchasing the Shares in the secondary market or through stock borrowing arrangements from holders of Shares or exercise of Over-allotment Option, or by a combination of these means or otherwise as may be permitted under applicable laws, rules and regulations. If the Joint Bookrunners exercise the Over-allotment Option in full, the additional Offer Shares will represent approximately 3.61% of our Company's enlarged issued share capital immediately following completion of the Share Offer and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

### STOCK BORROWING AGREEMENT

In order to facilitate settlement of over-allocations in connection with the Placing, the Stabilising Manager may enter into the Stock Borrowing Agreement with Alpha Leap. If the Stock Borrowing Agreement is entered into and if requested by the Stabilising Manager, Alpha Leap will, subject to the terms of the Stock Borrowing Agreement, make available to the Stabilising Manager up to 15,000,000 Shares held by it, by way of stock lending, in order to cover over-allocations in connection with the Placing, if any.

If such stock borrowing arrangement with Alpha Leap is entered into, it will only be effected by the Stabilising Manager, its affiliates or any person acting for it for the settlement of over-allocations in the Placing and such arrangement is not subject to the restrictions of Rule 10.07(1) of the Listing Rules provided that the following requirements set forth in Rule 10.07(3) of the Listing Rules are complied with:

- such stock borrowing arrangement with Alpha Leap will only be effected by the Stabilising Manager for settlement of over-allocations in the Placing and covering any short position prior to the exercise of the Over-allotment Option;
- the maximum number of Shares borrowed from Alpha Leap under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon the exercise of the Over-allotment Option;

---

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

---

- the same number of Shares so borrowed must be returned to Alpha Leap or its nominees on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the date on which the Over-allotment Option is exercised in full, or (iii) such earlier time as the parties may from time to time agree in writing;
- the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, the Listing Rules and regulatory requirements; and
- no payment will be made to Alpha Leap by the Stabilising Manager or its authorised agents in relation to such stock borrowing arrangement.

The same number of Shares so borrowed must be returned to Alpha Leap or its nominees, as the case may be, on or before the third business day following the earlier of (i) the last day on which the Over-allotment Option may be exercised and (ii) the day on which the Over-allotment Option is exercised in full.

The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Alpha Leap by the Stabilising Manager, its affiliates or any person acting for it in relation to such stock borrowing arrangement.

### APPLICATIONS

The Listing is sponsored by the Sponsor. Applicants under the Public Offer are required to pay, on application, the maximum price of HK\$1.42 per Public Offer Share in addition to any brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% payable on each Public Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed “Price determination” in this section, is less than the maximum price of HK\$1.42 per Share, appropriate refund payments (including the brokerage of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set forth in the section headed “How to apply for the Public Offer Shares” in this prospectus.

### PRICE DETERMINATION

The Offer Price is expected to be fixed on the Price Determination Date, which is expected to be on or around Thursday, 17 October 2019, and in any event not later than 12:00 noon on Tuesday, 22 October 2019, by agreement between the Joint Bookrunners (for themselves and on behalf of the Underwriters) and our Company. The Offer Price will be not more than HK\$1.42 per Share and is expected to be not less than HK\$1.28 per Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Public Offer.

Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range as stated in this prospectus.

---

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

---

The results of applications and the basis of allotment of Public Offer Shares under the Public Offer are expected to be announced on Wednesday, 23 October 2019 in the manner set forth in the section headed “How to apply for the Public Offer Shares” in this prospectus.

**If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach an agreement on the Offer Price on Tuesday, 22 October 2019, the Share Offer will not become unconditional and will lapse immediately.**

If, based on the level of interest expressed by prospective institutional, professional and other investors during the book-building process, the Joint Bookrunners (for themselves and on behalf of the Underwriters) consider it appropriate and together with the consent of our Company, the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range may be reduced below that stated in this prospectus at any time not later than the morning of the last day for lodging applications under the Public Offer.

In such a case, our Company will, as soon as practicable following the decision to make any such reduction, and in any event not later than the morning of the last day for lodging applications under the Public Offer, cause to be published on the website of our Company at [www.china-oriented.com](http://www.china-oriented.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) notice of reduction in the number of Offer Shares being offered under the Share Offer and/or the indicative Offer Price range. Upon issue of such notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) will be fixed within such revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the offering statistics as currently set out in the section headed “Summary” of this prospectus and any other financial information which may change as a result of such reduction. As soon as practicable of such reduction of the number of Offer Shares and/or the indicative Offer Price range, we will also issue a supplemental prospectus updating investors of such reduction together with an update of all financial and other information in connection with such change and, where appropriate, extend the period under which the Public Offer was open for acceptance. In the absence of any such notice and supplemental prospectus so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range stated in this prospectus.

If you have already submitted an application for the Public Offer Shares before the last day for lodging applications under the Public Offer, you will not be allowed to subsequently withdraw your application. However, if the number of Offer Shares and/or the Offer Price range is reduced, applicants will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

In the event of a reduction in the number of the Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Public Offer and the Placing, provided that the number of Offer Shares comprised in the Public Offer shall not be less than 10% of the total number of Offer Shares available under the Share Offer. The Offer Shares to be offered in the Public Offer and the Offer Shares to be offered in the Placing may, in certain circumstances, be reallocated between these offerings solely in the sole discretion of the Joint Bookrunners.

---

## STRUCTURE AND CONDITIONS OF THE SHARE OFFER

---

Before submitting applications for Public Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Public Offer.

### NO OVERSEAS REGISTRATION

The documents issued and to be issued in connection with the Share Offer will not be registered under applicable securities legislation of any jurisdiction other than Hong Kong.

### CONDITIONS OF THE SHARE OFFER

Acceptance of all applications for the Offer Shares pursuant to the Share Offer will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and Capitalisation Issue (including any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme);
- (b) the Offer Price having been fixed on or around the Price Determination Date;
- (c) the Placing Underwriting Agreement having been executed by the relevant parties on or about the Price Determination Date; and
- (d) the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including if relevant, as a result of the waiver of any conditions by the Joint Bookrunners (for themselves or on behalf the Underwriters)) and not having been terminated in accordance with the terms of the Underwriting Agreements,

in each case on or before the dates and times specified in the Underwriting Agreements (unless to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

The consummation of each of the Public Offer and the Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Share Offer will lapse immediately and the Stock Exchange will be notified immediately. We will publish a notice of the lapse of the Public Offer on the next Business Day following such lapse on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.china-oriented.com](http://www.china-oriented.com). In the event of such lapse, all application monies will be returned, without interest, on the terms set out in the section headed "How to apply for the Public Offer Shares". In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance.

---

## **STRUCTURE AND CONDITIONS OF THE SHARE OFFER**

---

Share certificates for the Offer Shares are expected to be issued on Wednesday, 23 October 2019 but will only become valid certificates of title at 8:00 a.m. on Thursday, 24 October 2019 provided that: (a) the Share Offer has become unconditional in all respects; and (b) the right of termination as described in the section headed “Underwriting — Underwriting arrangements and expenses — the Public Offer — Grounds for termination” of this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the share certificates bearing valid certificates of title do so entirely at their own risk.

### **COMMENCEMENT OF DEALINGS IN THE SHARES**

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 24 October 2019. The Shares will be traded in board lots of 4,000 Shares each. The stock code for the Shares is 1871.

### **OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the Stock Exchange granting the listing of, and permission to deal in, our Shares on the Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC.

Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. You should seek advice from your stockbroker or other professional advisers for details of such settlement arrangements as such arrangements will affect your rights and interests.

We have made all necessary arrangements for our Shares to be admitted into CCASS. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

### 1. HOW TO APPLY

If you apply for Public Offer Shares, then you may not apply for or indicate an interest for Placing Shares. To apply for Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service at [www.hkeipo.hk](http://www.hkeipo.hk); or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Joint Bookrunners, the Joint Lead Managers and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Public Offer Shares on a **WHITE** or **YELLOW** Application Form if you, or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company, the Joint Bookrunners and the Joint Lead Managers may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **HK eIPO White Form** service for the Public Offer Shares.

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

Unless permitted by the Listing Rules, you cannot apply for any Public Offer Shares if you are:

- an existing beneficial owner of shares in our Company and/or any of our subsidiaries;
- a director or chief executive officer of our Company and/or any of our subsidiaries;
- a close associate (as defined in the Listing Rules) of any of the above;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Share Offer; and
- have been allocated or have applied for any Placing Shares or otherwise participated in the Placing.

### 3. APPLYING FOR PUBLIC OFFER SHARES

#### Which application channel to use

For Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through [www.hkeipo.hk](http://www.hkeipo.hk). For Public Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

#### Where to collect the Application Form

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 11 October 2019 until 12:00 noon on Wednesday, 16 October 2019 from:

- (i) the following addresses of the Public Offer Underwriters:

<b>Cinda International Capital Limited</b>	45/F, COSCO Tower 183 Queen's Road Central Hong Kong
<b>ChaoShang Securities Limited</b>	Room 2206-10, 22/F China Resources Building 26 Harbour Road Wanchai, Hong Kong
<b>Differ Financial and Securities Limited</b>	Unit 03, 16/F Euro Trade Centre 13 Connaught Road Central Central, Hong Kong

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

<b>Bluemount Securities Limited</b>	Room 2403-05 Jubilee Centre 18 Fenwick Street Wan Chai, Hong Kong
<b>Central China International Capital Limited</b>	Suite 3108 Two Exchange Square 8 Connaught Place Central, Hong Kong
<b>Paragon Securities Limited</b>	Unit No.7, 11/F Commercial Emperor Group Centre No.288 Hennessy Road Hong Kong

(ii) any of the following branches of Bank of China (Hong Kong) Limited:

<b>District</b>	<b>Branch name</b>	<b>Address</b>
Hong Kong Island	Quarry Bay Branch	Parkvale, 1060 King's Road, Quarry Bay, Hong Kong
Kowloon	Hoi Yuen Road Branch	55 Hoi Yuen Road, Kwun Tong, Kowloon
New Territories	Tai Po Plaza Branch	Unit 4, Level 1 Tai Po Plaza, 1 On Tai Road, Tai Po, New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 11 October 2019 until 12:00 noon on Wednesday, 16 October 2019 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

### **Time for lodging Application Forms**

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**BANK OF CHINA (HONG KONG) NOMINEES LIMITED – CHINA ORIENTED INTERNATIONAL PUBLIC OFFER**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

- Friday, 11 October 2019 – 9:00 a.m. to 5:00 p.m.
- Saturday, 12 October 2019 – 9:00 a.m. to 1:00 p.m.
- Monday, 14 October 2019 – 9:00 a.m. to 5:00 p.m.

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

- Tuesday, 15 October 2019 – 9:00 a.m. to 5:00 p.m.
- Wednesday, 16 October 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 16 October 2019, the last application day or such later time as described in the paragraph headed “Effect of bad weather and/or extreme conditions on the opening of the application lists” in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By completing and submitting an Application Form or applying through the **HK eIPO White Form** service, among other things, you (and if you are joint applicants, each of you jointly and severally) for yourself or as an agent or a nominee on behalf of each person for whom you act:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Bookrunners and/or the Joint Lead Managers (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Public Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Companies Ordinance, the Companies (WUMP) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Share Offer in this prospectus;
- (vi) agree that none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing nor participated in the Placing;

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

- (viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sponsor, the Joint Bookrunners, the Joint Lead Managers, and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (a) you understand that the Public Offer Shares have not been and will not be registered under the U.S. Securities Act; and (b) you and any person for whose benefit you are applying for the Public Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Public Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company, our Directors, the Sponsor, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted for making a false declaration;

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
- (a) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and
  - (b) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE**

### **General**

Individuals who meet the criteria in the paragraph headed “Who can apply” in this section above may apply through the **HK eIPO White Form** service for Public Offer Shares to be allotted and registered in their own names through the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

Detailed instructions for application through the **HK eIPO White Form** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

### **Time for submitting applications under the HK eIPO White Form**

You may submit your application to the **HK eIPO White Form** Service Provider at [www.hkeipo.hk](http://www.hkeipo.hk) (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 11 October 2019 until 11:30 a.m. on Wednesday, 16 October 2019 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 16 October 2019 or such later time set forth in the paragraph headed “Effects of bad weather and/or extreme conditions on the opening of the applications lists” in this section.

### **No multiple applications**

If you apply by means of the **HK eIPO White Form**, once you complete payment in respect of any **electronic application instructions** given by you or for your benefit through the **HK eIPO White Form** service to make an application for the Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving **electronic application instructions**

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

under the **HK eIPO White Form** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (WUMP) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

## **6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS**

### **General**

CCASS Participants may give **electronic application instructions** to apply for the Public Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling (852) 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
**Customer Service Centre**  
1/F, One & Two Exchange Square  
8 Connaught Place  
Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Public Offer Shares on your behalf.

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Share Registrar.

### **Giving electronic application instructions to HKSCC via CCASS**

Where you have given **electronic application instructions** to apply for the Public Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
  - agree that the Public Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
  - agree to accept the Public Offer Shares applied for or any lesser number allocated;
  - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the Placing;
  - (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
  - (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorised to give those instructions as their agent;
  - confirm that you understand that our Company, our Directors, the Joint Bookrunners and the Joint Lead Managers will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
  - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Public Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
  - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of our Company, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Share Offer, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Public Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Public Offer results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for giving the **electronic application instructions** to apply for Public Offer Shares;

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies (WUMP) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### **Effect of giving electronic application instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Public Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price initially paid on application, refund of the application monies (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### **Minimum purchase amount and permitted numbers<sup>(1)</sup>**

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 4,000 Public Offer Shares. Instructions for more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Public Offer Shares will be considered and any such application is liable to be rejected.

### **Time for inputting electronic application instructions<sup>(1)</sup>**

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

- Friday, 11 October 2019 – 9:00 a.m. to 8:30 p.m.

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

- Saturday, 12 October 2019 – 8:00 a.m. to 1:00 p.m.
- Monday, 14 October 2019 – 8:00 a.m. to 8:30 p.m.
- Tuesday, 15 October 2019 – 8:00 a.m. to 8:30 p.m.
- Wednesday, 16 October 2019 – 8:00 a.m. to 12:00 noon

*(1) Note:* These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 11 October 2019 until 12:00 noon on Wednesday, 16 October 2019 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 16 October 2019, the last application day or such later time as described in the paragraph headed “Effect of bad weather and/or extreme conditions on the opening of the application lists”.

### **No multiple applications**

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Public Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Public Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

### **Section 40 of the Companies (WUMP) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

### **Personal data**

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, our Hong Kong Share Registrar, the receiving bank, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Public Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Public Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Wednesday, 16 October 2019.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Public Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number;
- or some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through **HK eIPO White Form**, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"**Unlisted company**" means a company with no equity securities listed on the Stock Exchange.

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE PUBLIC OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage fee, SFC transaction levy and the Stock Exchange trading fee in full upon application for Public Offer Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 4,000 Public Offer Shares. Each application or **electronic application instructions** in respect of more than 4,000 Public Offer Shares must be in one of the numbers set out in the table in the Application Form or as otherwise specified on the designated website at [www.hkeipo.hk](http://www.hkeipo.hk).

If your application is successful, brokerage fee will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure and conditions of the Share Offer”.

### 10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The Application Lists will not open if there is/are:

- a tropical cyclone warning signal number 8 or above; or
- an announcement of “extreme conditions” by the Hong Kong Government in accordance with the revised “Code of Practice in Times of Typhoons and Rainstorms” issued by the Hong Kong Labour Department in June 2019; and/or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 16 October 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

If the Application Lists do not open and close on Wednesday, 16 October 2019 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in section headed “Expected timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the Placing, the level of applications in the Public Offer and the basis of allocation of the Public Offer Shares on Wednesday, 23 October 2019 on the website of our Company at [www.china-oriented.com](http://www.china-oriented.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk).

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Public Offer will be available at the times and dates and in the manner specified below:

- in the announcement to be posted on the website of our Company at [www.china-oriented.com](http://www.china-oriented.com) and the Stock Exchange’s website at [www.hkexnews.hk](http://www.hkexnews.hk) by no later than 9:00 a.m. on Wednesday, 23 October 2019;
- from the designated results of allocations website at [www.tricor.com.hk/ipo/result](http://www.tricor.com.hk/ipo/result) and [www.hkeipo.hk/iporesult](http://www.hkeipo.hk/iporesult) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, 23 October 2019 to 12:00 midnight on Tuesday, 29 October 2019;
- by telephone enquiry line by calling (852:) 3691 8488 between 9:00 a.m. and 6:00 p.m. from Wednesday, 23 October 2019 to Tuesday, 29 October 2019 (excluding Saturday, Sunday and public holiday);
- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 23 October 2019 to Friday, 25 October 2019 at all the receiving bank’s designated branches listed above in the paragraph headed “Applying for Public Offer Shares”.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Public Offer Shares if the conditions of the Share Offer are satisfied and the Share Offer is not otherwise terminated. Further details are contained in the section headed “Structure and conditions of the Share Offer”.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Public Offer Shares will not be allotted to you:

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the Application Lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Joint Bookrunners, the Joint Lead Managers, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Public Offer Shares is void:**

The allotment of Public Offer Shares will be void if the Listing Committee does not grant permission to list our Shares either:

- within three weeks from the closing date of the Application Lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the Application Lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Public Offer Shares and Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker’s cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company, the Joint Bookrunners or the Joint Lead Managers believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Public Offer Shares initially available for subscription under the Public Offer.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the conditions of the Share Offer are not fulfilled in accordance with the section headed “Structure and conditions of the Share Offer – Conditions of the Share Offer” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, 23 October 2019.

### 14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Public Offer Shares allotted to you under the Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of our Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Public Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for all or the surplus application monies for the Public Offer Shares, wholly or partially unsuccessfully applied for and/or (ii) the difference between the Offer Price and the maximum Offer Price paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on despatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, 23 October 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, 24 October 2019 provided that the Share Offer has become unconditional and the right of termination described in the section headed “Underwriting” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Public Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 23 October 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Public Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, 23 October 2019, by ordinary post and at your own risk.

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

**(ii) *If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 23 October 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, 23 October 2019, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)*

For Public Offer Shares credited to your designated CCASS Participant's stock account (other than CCASS Investor Participant), you can check the number of Public Offer Shares allotted to you with that CCASS Participant.

- *If you apply as a CCASS Investor Participant*

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Public Offer in the manner described in the paragraph headed "Publication of results" above.

You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 23 October 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Public Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System.

**(iii) *If you apply through the HK eIPO White Form service***

If you apply for 1,000,000 Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate from the Hong Kong Share Registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 23 October 2019, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your share certificate personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

If you apply for less than 1,000,000 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 23 October 2019 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque on or before, Wednesday, 23 October 2019 by ordinary post at your own risk.

*(iv) If you apply via electronic application instructions to HKSCC*

*Allocation of Public Offer Shares*

For the purposes of allocating Public Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of share certificates into CCASS and refund of application monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, 23 October 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Public Offer in the manner specified in the paragraph headed "Publication of results" above on Wednesday, 23 October 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00p.m. on Wednesday, 23 October 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Public Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet

---

## HOW TO APPLY FOR THE PUBLIC OFFER SHARES

---

System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, 23 October 2019. Immediately following the credit of the Public Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Public Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the final Offer Price and the maximum Offer Price initially paid on application (including brokerage fee, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, 23 October 2019.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling our Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-63, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*

# Deloitte.

# 德勤

**ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION  
TO THE DIRECTORS OF CHINA ORIENTED INTERNATIONAL HOLDINGS LIMITED  
(向中國國際控股有限公司) AND CINDA INTERNATIONAL CAPITAL LIMITED**

## **Introduction**

We report on the historical financial information of China Oriented International Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-63, which comprises the consolidated statements of financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019, the statements of financial position of the Company as at 31 December 2017 and 2018 and 30 April 2019, 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 for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-63 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 11 October 2019 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## **Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

## **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 misstatement.

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 and presentation set out in Note 2 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 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 Group's financial position as at 31 December 2016, 2017 and 2018 and 30 April 2019, of the Company's financial position as at 31 December 2017 and 2018 and 30 April 2019 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

### **Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended 30 April 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance***Adjustments*

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

*Dividends*

We refer to Note 13 to the Historical Financial Information which contains information about the dividends declared and paid by subsidiaries of the Company and states that no dividend has been declared or paid by the Company in respect of the Track Record Period.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
11 October 2019

**HISTORICAL FINANCIAL INFORMATION OF THE 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 Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("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

	NOTES	Year ended 31 December			Four months ended 30 April	
		2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Revenue	6	46,285	61,509	77,699	17,127	28,279
Cost of services rendered		<u>(12,792)</u>	<u>(17,517)</u>	<u>(27,208)</u>	<u>(7,270)</u>	<u>(10,220)</u>
Gross profit		33,493	43,992	50,491	9,857	18,059
Other income	8a	157	248	1,116	294	271
Other gain and losses, net	8b	(51)	(351)	634	20	11
Selling and distribution expenses		(1,649)	(2,417)	(1,758)	(684)	(633)
Administrative expenses		(2,930)	(4,447)	(6,302)	(1,758)	(2,018)
Listing and other expenses	10	(1,762)	(8,810)	(10,333)	(338)	(2,144)
Finance costs	9	<u>(2,508)</u>	<u>(2,374)</u>	<u>(1,910)</u>	<u>(603)</u>	<u>(1,594)</u>
Profit before tax	10	24,750	25,841	31,938	6,788	11,952
Income tax expense	11	<u>(6,631)</u>	<u>(8,939)</u>	<u>(10,663)</u>	<u>(1,817)</u>	<u>(3,585)</u>
Profit and total comprehensive income for the year/period		<u>18,119</u>	<u>16,902</u>	<u>21,275</u>	<u>4,971</u>	<u>8,367</u>
Earnings per share						
– Basic (RMB cents)	14	<u>7.02</u>	<u>6.55</u>	<u>7.55</u>	<u>1.93</u>	<u>2.79</u>

## STATEMENTS OF FINANCIAL POSITION

	NOTES	The Group				The Company		
		As at 31 December			As at	As at 31 December		As at
		2016	2017	2018	30 April	2017	2018	30 April
	RMB'000	RMB'000	RMB'000	2019	RMB'000	RMB'000	2019	
				RMB'000			RMB'000	
<b>Non-current Assets</b>								
Property, plant and equipment	15	54,741	68,886	79,080	123,155	-	-	-
Prepaid land lease payments	16	45,091	43,902	42,713	-	-	-	-
Intangible assets	17	306	198	90	54	-	-	-
Deposits paid for construction in progress	18	5,886	207	1,171	1,504	-	-	-
Prepayment	18	313	263	-	29	-	-	-
Investment in a subsidiary	33	-	-	-	-	-	-	-
		<u>106,337</u>	<u>113,456</u>	<u>123,054</u>	<u>124,742</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Current Assets</b>								
Prepaid land lease payments	16	1,189	1,189	1,189	-	-	-	-
Trade and other receivables, deposits and prepayments	18	1,515	665	4,743	5,738	-	3,117	3,756
Amounts due from subsidiaries	19	-	-	-	-	-	6,452	982
Bank balances and cash	20	6,085	31,641	77,487	81,205	-	-	-
		<u>8,789</u>	<u>33,495</u>	<u>83,419</u>	<u>86,943</u>	<u>-</u>	<u>9,569</u>	<u>4,738</u>
<b>Current Liabilities</b>								
Trade and other payables and accruals	21a	12,401	15,291	25,922	15,778	946	7,803	5,256
Contract liability	21b	10,454	19,125	29,092	31,873	-	-	-
Amount due to a director	22	20,050	65	16	16	-	-	-
Amount due to a related party	19	3	400	-	-	-	-	-
Amount due to a subsidiary	19	-	-	-	-	8,654	9,290	9,290
Tax liabilities		2,483	6,012	9,314	11,224	-	-	-
Borrowings	23	43,750	50,300	50	80	-	-	-
Obligations under finance leases	24	-	-	1,068	-	-	-	-
Lease liabilities	25	-	-	-	1,208	-	-	-
		<u>89,141</u>	<u>91,193</u>	<u>65,462</u>	<u>60,179</u>	<u>9,600</u>	<u>17,093</u>	<u>14,546</u>
<b>Net Current (Liabilities) Assets</b>		<u>(80,352)</u>	<u>(57,698)</u>	<u>17,957</u>	<u>26,764</u>	<u>(9,600)</u>	<u>(7,524)</u>	<u>(9,808)</u>
<b>Total Assets Less Current Liabilities</b>		<u>25,985</u>	<u>55,758</u>	<u>141,011</u>	<u>151,506</u>	<u>(9,600)</u>	<u>(7,524)</u>	<u>(9,808)</u>
<b>Non-current Liabilities</b>								
Deferred taxation	26	1,186	2,057	2,247	3,616	-	-	-
Borrowings	23	8,000	-	50,150	50,100	-	-	-
Obligations under finance leases	24	-	-	571	-	-	-	-
Lease liabilities	25	-	-	-	1,380	-	-	-
		<u>9,186</u>	<u>2,057</u>	<u>52,968</u>	<u>55,096</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>16,799</u>	<u>53,701</u>	<u>88,043</u>	<u>96,410</u>	<u>(9,600)</u>	<u>(7,524)</u>	<u>(9,808)</u>
<b>Capital and Reserves</b>								
Share capital	27	-	-	-	-	-	-	-
Reserves	37	16,799	53,701	88,043	96,410	(9,600)	(7,524)	(9,808)
<b>Total Equity</b>		<u>16,799</u>	<u>53,701</u>	<u>88,043</u>	<u>96,410</u>	<u>(9,600)</u>	<u>(7,524)</u>	<u>(9,808)</u>

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000 (Note)	Retained earnings RMB'000	Total RMB'000
At 1 January 2016	22,000	-	-	1,457	11,423	34,880
Profit and total comprehensive income for the year	-	-	-	-	18,119	18,119
Effect of reorganisation (Notes 2(b), 2(c))	(22,000)	-	-	-	-	(22,000)
Capital contribution (Note 2(c))	-	-	2,000	-	-	2,000
Dividends recognised as distribution (Note 13)	-	-	-	-	(16,200)	(16,200)
Transfer to reserve	-	-	-	1,582	(1,582)	-
At 31 December 2016	-	-	2,000	3,039	11,760	16,799
Profit and total comprehensive income for the year	-	-	-	-	16,902	16,902
Capital contribution (Note 2(b))	-	-	20,000	-	-	20,000
Transfer to reserve	-	-	-	1,756	(1,756)	-
At 31 December 2017	-	-	22,000	4,795	26,906	53,701
Profit and total comprehensive income for the year	-	-	-	-	21,275	21,275
Issuance of shares (Note 27)	-	13,067	-	-	-	13,067
Transfer to reserve	-	-	-	3,189	(3,189)	-
At 31 December 2018	-	13,067	22,000	7,984	44,992	88,043
Profit and total comprehensive income for the period	-	-	-	-	8,367	8,367
Transfer to reserve	-	-	-	999	(999)	-
At 30 April 2019	-	13,067	22,000	8,983	52,360	96,410
(Unaudited)						
At 1 January 2018	-	-	22,000	4,795	26,906	53,701
Profit and total comprehensive income for the period	-	-	-	-	4,971	4,971
Transfer to reserve	-	-	-	545	(545)	-
At 30 April 2018	-	-	22,000	5,340	31,332	58,672

Note: In accordance with the Articles of Association of subsidiaries established in the People's Republic of China (the "PRC"), those subsidiaries are required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. The transfer must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December			Four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i> (Unaudited)	2019 <i>RMB'000</i>
<b>Operating activities</b>					
Profit before tax	24,750	25,841	31,938	6,788	11,952
Adjustments for:					
Interest expense	2,508	2,374	1,910	603	1,594
Interest income	(54)	(70)	(203)	(32)	(77)
Loss on disposal of property, plant and equipment	–	60	26	–	–
Depreciation of property, plant and equipment	3,484	3,657	4,946	1,297	3,173
Amortisation of intangible assets	108	108	108	36	36
Amortisation of prepaid land lease payments	1,189	1,189	1,189	397	–
Operating cash flows before movements in working capital	31,985	33,159	39,914	9,089	16,678
Decrease in inventories	28	–	–	–	–
(Increase) decrease in trade and other receivables, deposits and prepayments	(1,317)	900	(723)	16	(386)
Increase (decrease) in trade and other payables and accruals	4,884	2,348	8,734	114	(4,758)
Increase in contract liability	8,985	8,671	9,967	5,578	2,781
Cash generated from operations	44,565	45,078	57,892	14,797	14,315
Tax paid	(6,076)	(4,539)	(7,171)	(2,861)	(306)
<b>Net cash from operating activities</b>	<b>38,489</b>	<b>40,539</b>	<b>50,721</b>	<b>11,936</b>	<b>14,009</b>
<b>Investing activities</b>					
Purchase of property, plant and equipment	(18,773)	(6,875)	(9,635)	(2,685)	(6,356)
Deposits paid for construction in progress	(5,886)	(1,953)	(1,171)	(2,494)	(680)
Interest received	54	70	203	32	77
Proceeds from disposal of property, plant and equipment	–	2	6	–	–
<b>Net cash used in investing activities</b>	<b>(24,605)</b>	<b>(8,756)</b>	<b>(10,597)</b>	<b>(5,147)</b>	<b>(6,959)</b>

	Year ended 31 December			Four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
				(Unaudited)	
<b>Financing activities</b>					
New borrowings raised	34,000	31,350	50,200	-	-
Repayment of obligations under finance leases	(115)	-	(500)	-	-
Share issue costs	-	-	(1,415)	-	(1,290)
Proceeds from issue of shares	-	-	13,067	-	-
Advance from a director	-	15	-	-	-
Repayment to a director	(4,697)	(20,000)	(49)	-	-
Capital contribution	2,000	20,000	-	-	-
Dividends paid	(16,200)	-	-	-	-
Repayment of borrowings	(24,750)	(32,800)	(50,300)	-	(20)
Repayment of leases liabilities	-	-	-	-	(372)
Interest paid	(4,692)	(5,189)	(4,881)	(1,624)	(1,650)
Advance from a related party	3	790	-	-	-
Repayment to a related party	-	(393)	(400)	(216)	-
<b>Net cash (used in) from financing activities</b>	<u>(14,451)</u>	<u>(6,227)</u>	<u>5,722</u>	<u>(1,840)</u>	<u>(3,332)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	(567)	25,556	45,846	4,949	3,718
<b>Cash and cash equivalents at beginning of the year/period</b>	<u>6,652</u>	<u>6,085</u>	<u>31,641</u>	<u>31,641</u>	<u>77,487</u>
<b>Cash and cash equivalents at end of the year/period, represented by bank balances and cash</b>	<u><u>6,085</u></u>	<u><u>31,641</u></u>	<u><u>77,487</u></u>	<u><u>36,590</u></u>	<u><u>81,205</u></u>

## NOTES TO THE HISTORICAL FINANCIAL INFORMATION

## 1. GENERAL INFORMATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 22 February 2017. The address of the registered office and the principal place of business of the Company is set out in the section headed "Corporate Information" of the Prospectus. The Company's immediate and ultimate holding company is Alpha Leap Holdings Limited, which is incorporated in the British Virgin Islands (the "BVI") and is wholly owned by Mr. Qi Xiangzhong ("Mr. Qi", the "Ultimate Controlling Shareholder"), throughout the Track Record Period.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 33.

The Historical Financial Information is presented in Renminbi ("RMB"), which is the currency of the primary economic environment all the group entities operate (the functional currency of group entities).

## 2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

Prior to the reorganisation (the "Reorganisation"), 駐馬店通泰大型機動車駕駛員培訓有限公司 Zhumadian Tongtai Large Vehicles Driver Training Company Limited ("Tong Tai School") and 遂平縣順達駕駛員培訓有限公司 Suiping County Shunda Driver Training Company Limited ("Shun Da School") were beneficially owned by Mr. Qi. In contemplation of the listing of the Company's shares on the Stock Exchange ("Listing"), the Group underwent the Reorganisation that involves the following stages:

- (a) Incorporation of 駐馬店通泰文化傳媒有限公司 Zhumadian Tongtai Cultural Media Company Limited ("Tongtai Cultural")

On 2 June 2016, Tongtai Cultural was established in the PRC with a registered capital of RMB5,000,000, which was wholly owned by 遂平縣騰達教育服務有限公司 Suiping County Tengda Education Services Company Limited ("Tengda Education"), a company established in the PRC on 18 May 2016 and the equity interest of it was owned by Mr. Qi as to 99% and his spouse, acting as a trustee for Mr. Qi as to 1%. The registered capital has not been contributed and is required to be contributed on or before 31 March 2036.

- (b) Acquisition of the entire registered capital of Tong Tai School by Tongtai Cultural

On 1 September 2016, Tongtai Cultural (as purchaser) entered into an equity transfer agreement with Mr. Qi (as vendor) pursuant to which Mr. Qi transferred 100% equity interest of Tong Tai School to Tongtai Cultural at a cash consideration of RMB20,000,000. The consideration was settled in cash during the year ended 31 December 2017. In the same year, Mr. Qi contributed the same amount to the Group.

- (c) Acquisition of the entire registered capital of Shun Da School by Tongtai Cultural

On 9 September 2016, Tongtai Cultural (as purchaser) entered into an equity transfer agreement with Mr. Qi (as vendor) pursuant to which Mr. Qi transferred 51% equity interest of Shun Da School to Tongtai Cultural at a cash consideration of RMB1,020,000.

On the same day, Tongtai Cultural (as purchaser) entered into another two equity transfer agreements with Mr. Shi Jianmin, being an employee of the Group, and Mr. Qi Donghai (as vendors), being a former employee of the Group, holding equity interests of Shun Da School in trust on behalf of Mr. Qi, pursuant to which Mr. Shi Jianmin and Mr. Qi Donghai, at the direction of Mr. Qi, transferred 39% and 5% equity interest of Shun Da School to Tongtai Cultural at cash considerations of RMB780,000 and RMB100,000 respectively.

On 12 September 2016, Tongtai Cultural (as purchaser) entered into an equity transfer agreement with Ms. Gao Rongmei (as vendor), being a relative of Mr. Qi holding equity interests of Shun Da School in trust on behalf of Mr. Qi, pursuant to which Ms. Gao Rongmei, at the direction of Mr. Qi, transferred 5% equity interest of Shun Da School to Tongtai Cultural at a cash consideration of RMB100,000.

The abovementioned considerations were settled in cash during the year ended 31 December 2016. In the same year, Mr. Qi contributed the same amount to the Group.

- (d) Acquisition of 20% equity interest of Tongtai Cultural by Maxi Access Limited (“Maxi Access”)

On 18 September 2016, Maxi Access (as purchaser), an entity which was wholly owned by Mr. Ling Wai Leung (“Mr. Ling”), entered into an equity transfer agreement with Tengda Education (as vendor), pursuant to which Tengda Education transferred 20% equity interest of Tongtai Cultural to Maxi Access at a cash consideration of RMB5,000,000.

- (e) Incorporation of Ample Best International Limited (“Ample Best”)

On 15 December 2016, Ample Best was incorporated in the BVI, with authorised share capital of United States dollars (“US\$”)50,000 divided into 50,000 ordinary shares of a par value of US\$1.00, of which four shares were allotted and issued as fully paid to Alpha Leap Holdings Limited (“Alpha Leap”), a company established in the BVI on 5 May 2016 and was wholly owned by Mr. Qi.

- (f) Incorporation of Wincox Limited (“Wincox”)

On 28 December 2016, Wincox was incorporated in Hong Kong with one ordinary share of Hong Kong dollar (“HK\$”)1.00 allotted and issued to the initial subscriber, an independent third party. Wincox was principally engaged in investment holding activities. On 23 January 2017, the said one ordinary share was transferred to Ample Best.

- (g) Incorporation of the Company

On 22 February 2017, the Company was incorporated and one subscriber share was allotted and issued as nil paid to the initial subscriber, an independent third party, which was subsequently transferred to Alpha Leap on the same date.

- (h) Acquisition of Ample Best by the Company

On 14 March 2017, the Company acquired the four shares in Ample Best (representing the entire issued share capital of Ample Best) from Alpha Leap at the consideration of US\$4.00, which was satisfied by allotment of three shares of HK\$0.01 each by the Company, credited as fully paid to Alpha Leap and crediting of the one nil paid share held by Alpha Leap as fully paid.

- (i) Acquisition of 80% equity interest of Tongtai Cultural by Wincox

On 15 March 2017, Wincox (as purchaser) entered into an equity transfer agreement with Tengda Education (as vendor), pursuant to which Tengda Education transferred 80% equity interest of Tongtai Cultural to Wincox at cash consideration of RMB20,000,000.

- (j) Acquisition of the entire share capital of Maxi Access by Ample Best

On 23 May 2017, Ample Best (as purchaser) entered into a share sale and purchase agreement with Mr. Ling (as vendor), pursuant to which the Mr. Ling (i) transferred the one share in Maxi Access (representing the entire issued share capital of Maxi Access) to Ample Best at the consideration of HK\$1.00, and (ii) assigned the outstanding amount due from Maxi Access of approximately HK\$5,670,000 to Ample Best, at the consideration

of approximately HK\$5,670,000. Such considerations were satisfied by Ample Best procuring the Company to allot and issue one share in itself, credited as fully paid, at the direction of the Mr. Ling, to Cosmic Hero Investments Limited ("Cosmic Hero"), which was established in the BVI with limited liability on 6 June 2016 and is wholly owned by Mr. Ling.

Upon completion of the Reorganisation on 23 May 2017, the Company became the holding company of the companies now comprising the Group. The Reorganisation involved (i) business combination of companies now comprising the Group which is under the common control of Mr. Qi throughout the Track Record Period or from their respective dates of incorporation where there is a shorter period, and (ii) interspersing the Company, Ample Best, Wincox and Maxi Access between Tongtai Cultural and its subsidiaries (including Tong Tai School and Shun Da School) and Mr. Qi during the years ended 31 December 2016 and 2017. Therefore, the Group is regarded as a continuing entity.

The Historical Financial Information has been prepared based on the accounting policies set out in Note 4 which conform with HKFRSs issued by the HKICPA and the principle of merger accounting under Accounting Guideline 5 ("Merger Accounting for Common Control Combinations") issued by the HKICPA and conventions applicable to group reorganisation for the presentation of business combination as steps (a) to (c) described above.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group have been prepared as if the current group structure had been in existence throughout the two years ended 31 December 2017, or since the date of incorporation of relevant group entities, where this is a shorter period. The consolidated statement of financial position at 31 December 2016 present the assets and liabilities of the Group as if the current group structure had been in existence at that date.

### 3. ADOPTION OF NEW AND REVISED HKFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the Hong Kong Accounting Standards ("HKASs"), HKFRSs, amendments and an interpretations ("HK(IFRIC)-Int") issued by the HKICPA which are effective for the accounting period beginning on 1 January 2019 throughout the Track Record Period, except that the Group adopted HKFRS 16 "Leases" ("HKFRS 16") on 1 January 2019 and adopted HKAS 17 "Leases" ("HKAS 17") for the three years ended 31 December 2018. The accounting policies for leases under HKFRS 16 are set out in Note 4 below. Specifically, the Group had elected to consistently apply HKFRS 9 "Financial Instruments" ("HKFRS 9") and HKFRS 15 "Revenue from Contracts with customers" ("HKFRS 15") throughout the Track Record Period.

#### 3.1 Impacts on application on HKFRS 16

The Group has applied HKFRS 16 for the first time during the four months ended 30 April 2019. HKFRS 16 superseded HKAS 17, and the related interpretations. The Group applied the HKFRS 16 in accordance with the transition provisions of HKFRS 16.

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

#### *As a lessee*

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained earnings and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review; and
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

The Group recognised lease liabilities of RMB2,624,000 and right-of-use assets of RMB48,016,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 7.3%.

	<b>At 1 January 2019</b>
<i>Note</i>	<i>RMB'000</i>
Operating lease commitments disclosed as at 31 December 2018	1,529
Less: Recognition exemption – short-term lease	<u>(20)</u>
Lease liabilities relating to operating leases discounted at relevant incremental borrowing rates and recognised upon application of HKFRS 16	985
Add: Obligations under finance leases recognised at 31 December 2018	<i>(a)</i> <u>1,639</u>
Lease liabilities as at 1 January 2019	<u><u>2,624</u></u>
Analysed as	
Current	1,132
Non-current	<u>1,492</u>
	<u><u>2,624</u></u>

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	<i>Notes</i>	<b>Right-of-use assets RMB'000</b>
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	<i>(b)</i>	985
Reclassified from prepaid land lease payments	<i>(c)</i>	43,902
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance leases	<i>(a)</i>	<u>3,129</u>
		<u><u>48,016</u></u>
By class:		
Leasehold lands		44,749
Building		138
Motor vehicles		<u>3,129</u>
		<u><u>48,016</u></u>

*As a lessor*

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	<i>Notes</i>	<b>Carrying amounts previously reported at 31 December 2018 RMB'000</b>	<b>Adjustments RMB'000</b>	<b>Carrying amounts under HKFRS 16 at 1 January 2019 RMB'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	<i>(a),(b),(c)</i>	79,080	44,887	123,967
Prepaid land lease payments	<i>(c)</i>	42,713	(42,713)	–
<b>Current assets</b>				
Prepaid land lease payments	<i>(c)</i>	1,189	(1,189)	–
<b>Current liabilities</b>				
Lease liabilities	<i>(a)</i>	–	1,132	1,132
Obligations under finance leases	<i>(a)</i>	1,068	(1,068)	–
<b>Non-current liabilities</b>				
Lease liabilities	<i>(a)</i>	–	1,492	1,492
Obligations under finance leases	<i>(a)</i>	571	(571)	–

*Notes:*

- (a) In relation to assets previously under finance leases, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to RMB3,129,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance leases of RMB1,068,000 and RMB571,000 to lease liabilities as current and non-current liabilities respectively at 1 January 2019.
- (b) Upon the application of HKFRS 16, an amount of RMB985,000 representing right-of-use assets and lease liabilities relating to operating leases previously under HKAS 17 was recognised.
- (c) Upfront payments for leasehold lands in the PRC were classified as prepaid land lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid land lease payments amounting to RMB1,189,000 and RMB42,713,000 respectively were reclassified to right-of-use assets.

For the purpose of reporting cash flows from operating activities under indirect method for the four months ended 30 April 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

**New and revised HKFRSs in issue but not yet effective**

At the date of this report, the following new and revised standards and interpretation have been issued but are not yet effective:

HKFRS 17	Insurance Contracts <sup>2</sup>
Amendments to HKFRS 3	Definition of a Business <sup>3</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKAS 1 and HKAS 8	Definition of Material <sup>4</sup>

<sup>1</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021.

<sup>3</sup> Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2020.

The directors of the Company anticipate that the application of the new and amendments to HKFRSs will have no material impact on the consolidated financial statements of the Group in the future.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The Historical Financial Information has been prepared in accordance with the accounting policies which conform with the HKFRSs issued by the HKICPA. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. 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 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 HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 for the three years ended 31 December 2018 and HKFRS 16 for the four months ended 30 April 2019, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

The principal accounting policies are set out below.

**Basis of consolidation**

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

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

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

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

**Merger accounting for business combination involving entities under common control**

The Historical Financial Information incorporates the financial statements items of the combining entities in which the common control combination occurs as if they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining entities from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

**Investment in a subsidiary**

Investment in a subsidiary included in the Company's statements of financial position is stated at cost less any identified impairment loss. The results of subsidiary are accounted for by the Company on the basis of dividends received or receivable during the Track Record Period.

**Revenue recognition**

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

***Contracts with multiple performance obligations (including allocation of transaction price)***

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised service separately to a customer. If stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised services to the customer.

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 entity’s performance as the entity performs; or
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point of time when the customer obtains control of the distinct good.

A contract liability represents the Group’s obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

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 services transferred to the customer to date relative to the remaining services promised under the contract, that best depict the Group's performance in transferring control of services.

***Variable consideration***

For contracts that contain variable consideration (mainly represents driving training service income of premium course with uncapped training hours, as explained below), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating the assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the changes in circumstances during the reporting period.

Specifically, revenue is recognised in profit or loss as follows:

For driving training service income of standard course, premium course without uncapped training hours and additional training fees for which the control of services is transferred over time, the progress towards complete satisfaction of the performance obligation is measured based on the direct measurements of training hours provided by the Group to the customer relative to the remaining training hours promised under the contract.

For driving training service income of premium course with uncapped training hours for which the control of services is transferred over time, the progress towards complete satisfaction of the performance obligation is measured based on the direct measurements of actual training hours over the expected total training hours to be provided using the expected value method. The variable consideration in relation to the unit course fee per training hour is dependent on the number of total expected training hours to be provided.

Payments are typically received from customers in advance of revenue recognition and they are presented as contract liability under current liabilities.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

**Property, plant and equipment**

Property, plant and equipment including buildings and leasehold land held for use in the production or supply of services, or for administrative purposes (other than construction in progress 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 professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress 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 each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

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.

#### **Leasing (before application of HKFRS 16 on 1 January 2019)**

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

##### ***The Group as lessor***

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as income in the period in which they are earned.

##### ***The Group as lessee***

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present values of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statements of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see the accounting policy below).

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

#### **Leasing (upon application HKFRS 16 with transitions in accordance with Note 3)**

##### ***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 Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

##### ***The Group as lessor***

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. 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. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognised as income in the period in which they are earned.

#### *Sublease*

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset.

#### *The Group as lessee*

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease agreements in which it is the lessee except for short-term lease (defined as leases with a lease term of 12 months or less).

#### *Short-term lease*

The Group applies the short-term lease recognition exemption to a lease of leasehold land that has a lease term of 12 months or less from the commencement date and does not contain a purchase option. Lease payments on short-term lease are recognised as expense on a straightline basis over the lease term.

#### *Lease liabilities*

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is measured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

#### *Right-of-use assets*

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented in “property, plant and equipment” as the same line item as that within which the corresponding underlying assets would be presented if they are owned in the consolidated statements of financial position.

The Group applies HKAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the accounting policy on impairment of tangible and intangible asset.

#### *Lease modifications*

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

#### *Taxation*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 “Income Taxes” requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

**Intangible assets acquired separately**

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

***Impairment on tangible and intangible assets***

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those 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 tangible and intangible assets are estimated individually, or when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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. 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. 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. 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) 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) in prior years/periods. A reversal of an impairment loss is recognised immediately in profit or loss.

**Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

**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.

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

**Government grants**

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

Government grants that are receivable for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

**Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

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 are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

***Financial assets***

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 marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

***Classification and measurement of financial assets***

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

*Amortised cost and effective interest method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (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) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, 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. If, in subsequent reporting periods, 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.

Interest income is recognised in profit or loss and is included in the "other income" line item.

*Impairment of financial assets*

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, bank balances and amounts due from subsidiaries). 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. Assessment are done based on the 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 reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables without significant financing component. The ECL on these assets are assessed individually for all debtors.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the 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.

*Significant increase in credit risk*

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the 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 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 since initial recognition:

- 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 for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- 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;
- significant increases in credit risk on other financial instruments of the same debtor; and
- 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 Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The 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.

*Definition of default*

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable:

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

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

*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:

- significant financial difficulty of the issuer or the borrower; or
- a breach of contract, such as a default or past due event; or
- 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
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

*Write-off policy*

The 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, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

*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 adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

*Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

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 instruments******Classification as debt or equity***

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with 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 a group are recognised at the proceeds received, net of direct issue costs.

***Financial liabilities subsequently measured at amortised cost***

All of the Group's financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash 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 liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

***Derecognition of financial liabilities***

The Group derecognises financial liabilities when, and only when, the 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, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**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 year/period. Taxable profit differs from 'profit before tax' as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. The 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. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary

differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 rate (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 Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss.

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 and the Group intends to settle its current tax assets and liabilities on a net basis.

#### **Foreign currencies**

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the year/period in which they arise.

#### **Retirement benefit costs**

Payments to defined contribution retirement benefit plan are recognised as an expense when employees have rendered service 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 HKFRS 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, annual leave and sick leave) after deducting any amount already paid.

### **5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group's accounting policies, which are described in Note 4, the directors of the Company are required to make judgement, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated 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 on-going 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.

**Critical judgement in applying accounting policies**

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that has the most significant effect on the amounts recognised in the Historical Financial Information.

***Classification between investment properties and owner-occupied properties***

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

During the Track Record Period, certain portions of a property of the Group were held to earn rentals. However, as these only represented insignificant portions to the entire property which was predominantly used for the supply of services and for administrative purposes and could not be sold separately, the entire property is therefore classified as owner-occupied property.

**Key sources of estimation uncertainty**

The following are the key assumptions concerning the future, and other 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 twelve months.

***Revenue recognition on premium courses with uncapped training hours***

The progress towards complete satisfaction of the performance obligation on these premium courses is measured based on the actual training hours provided over the expected total training hours to be provided. The expected total hours of training to be provided is determined by the directors of the Company based on their best estimates with reference to the historical records of training hours for completion of premium courses.

***Estimated useful lives of property, plant and equipment***

The Group depreciates the property, plant and equipment using straight-line method over shorter of their estimated useful lives, generally for 3 – 20 years, or the lease term, except for motor vehicles recognised as right-of-use assets that the Group expects to exercise purchase options, the related assets are depreciated over their useful lives (i.e. 8 years). The estimated useful lives that the Group depreciates the property, plant and equipment reflect the directors' estimate of the periods that the Group intends to derive future economic benefits from the use of the assets. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in useful lives and therefore depreciation and impairment losses in future years/periods.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the carrying amount of property, plant and equipment is approximately RMB54,741,000, RMB68,886,000, RMB79,080,000 and RMB123,155,000 respectively.

## 6. REVENUE

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Driving training service income					
Standard course	27,712	23,823	7,519	3,164	1,422
Premium course	12,338	33,422	68,804	13,482	26,665
Additional training fees	6,235	4,264	1,376	481	192
	<u>46,285</u>	<u>61,509</u>	<u>77,699</u>	<u>17,127</u>	<u>28,279</u>

All the Group's revenue are recognised over time.

## 7. SEGMENT INFORMATION

The Group is principally engaged in provision of driving training services. For the purposes of assessing performance and allocating resources, the Group's operation is regarded as one reportable and operating segment which is provision of driving training services. The chief operating decision maker, Mr. Qi, reviews the profit for the year/period of the Group as a whole. Accordingly, no segmental analysis is presented.

**Geographical information**

No geographical segment information is presented as the Group's revenue is all derived from the PRC based on the location of services provided and all of the Group's non-current assets are located in the PRC by physical location of assets.

**Information about major customers**

No individual customer accounted for over 10% of the Group's total revenue during the Track Record Period.

## 8. OTHER INCOME AND OTHER GAIN AND LOSSES

## 8a. OTHER INCOME

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest income	54	70	203	32	77
Rental income	27	93	911	262	194
Government grant*	–	50	–	–	–
Others	76	35	2	–	–
	<u>157</u>	<u>248</u>	<u>1,116</u>	<u>294</u>	<u>271</u>

\* The government grant represents a reward received by a subsidiary of the Company. In the opinion of the management of the Group, there was no unfulfilled condition or contingency relating to the grant.

**8b. OTHER GAIN AND LOSSES, NET**

	Year ended 31 December			Four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
				(Unaudited)	
Loss on disposal of property, plant and equipment	–	(60)	(26)	–	–
Exchange (loss) gain, net	(51)	(291)	660	20	11
	<u>(51)</u>	<u>(351)</u>	<u>634</u>	<u>20</u>	<u>11</u>

**9. FINANCE COSTS**

	Year ended 31 December			Four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
				(Unaudited)	
Interest on bank loans	4,685	5,223	4,792	1,590	1,594
Interest on finance leases	7	–	55	–	–
Interest on leases liabilities	–	–	–	–	56
	<u>4,692</u>	<u>5,223</u>	<u>4,847</u>	<u>1,590</u>	<u>1,650</u>
Less: Interest capitalised	(2,184)	(2,849)	(2,937)	(987)	(56)
	<u>2,508</u>	<u>2,374</u>	<u>1,910</u>	<u>603</u>	<u>1,594</u>

## 10. PROFIT BEFORE TAX

	Year ended 31 December			Four months ended 30 April	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
Profit before tax has been arrived at after charging:					
Auditor's remuneration	10	55	55	3	3
Amortisation of intangible assets	108	108	108	36	36
Amortisation of prepaid land lease payments	1,189	1,189	1,189	397	–
Depreciation of property, plant and equipment	3,484	3,657	4,946	1,297	3,173
Rental expense relating to short-term lease	–	–	–	–	20
Listing and other expenses ( <i>Note</i> )	1,762	8,810	10,333	338	2,144
Donation	–	210	105	–	–
Directors' remuneration ( <i>Note 12</i> )	152	155	155	52	52
Other staff costs					
– Salaries and other allowances	7,979	10,553	13,110	4,031	4,456
– Retirement benefit scheme contributions	33	1,027	1,415	465	492
	<u>8,012</u>	<u>11,580</u>	<u>14,525</u>	<u>4,496</u>	<u>4,948</u>
Total staff costs	<u>8,164</u>	<u>11,735</u>	<u>14,680</u>	<u>4,548</u>	<u>5,000</u>

*Note:* Included in listing and other expenses for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019 were professional fees of RMB1,762,000, RMB8,810,000, nil, nil (unaudited) and nil, which were incurred in relation to a previous potential GEM listing exercise that was terminated and fully expensed during the Track Record Period.

## 11. INCOME TAX EXPENSE

	Year ended 31 December			Four months ended 30 April	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000	2019 RMB'000
PRC Enterprise Income Tax ("EIT")					
Current year/period	5,845	8,018	10,447	2,586	2,216
Underprovision in prior years	–	50	26	–	–
	<u>5,845</u>	<u>8,068</u>	<u>10,473</u>	<u>2,586</u>	<u>2,216</u>
Deferred taxation ( <i>Note 26</i> )	<u>786</u>	<u>871</u>	<u>190</u>	<u>(769)</u>	<u>1,369</u>
	<u>6,631</u>	<u>8,939</u>	<u>10,663</u>	<u>1,817</u>	<u>3,585</u>

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during the Track Record Period.

No provision for Hong Kong Profits Tax has been recognised in the Historical Financial Information during the Track Record Period as the Group does not have income which arises in, or derived from, Hong Kong.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

The tax charge for the year/period can be reconciled to the profit before tax per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Four months ended 30 April	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Profit before tax	24,750	25,841	31,938	6,788	11,952
Tax at the domestic income tax rate of 25%	6,188	6,460	7,985	1,697	2,988
Tax effect of expenses not deductible for tax purpose	454	2,447	2,864	132	613
Tax effect of income not taxable for tax purpose	–	–	(179)	(5)	(3)
Underprovision in prior years	–	50	26	–	–
Others	(11)	(18)	(33)	(7)	(13)
Income tax expense for the year/period	6,631	8,939	10,663	1,817	3,585

Under the EIT Law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the Historical Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB36,682,000, RMB65,321,000 and RMB75,076,000 as at 31 December 2017 and 2018 and 30 April 2019, respectively, as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

## 12. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND FIVE HIGHEST PAID EMPLOYEES

### (a) Directors' and chief executive's emoluments

Details of the emoluments paid or payable to the individuals as the directors and the chief executive of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company) during the Track Record Period are as follows:

The directors' emoluments shown below were for their services in connection with the management of the affairs of the Group.

	Year ended 31 December			Four months ended 30 April	
	2016 <i>RMB'000</i>	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>
Directors' fee	–	–	–	–	–
Salaries and other allowances	122	122	122	41	41
Discretionary bonus ( <i>Note v</i> )	30	–	–	–	–
Retirement benefit scheme contributions	–	33	33	11	11
	<u>152</u>	<u>155</u>	<u>155</u>	<u>52</u>	<u>52</u>

**Year ended 31 December 2016**

	Salaries and other allowances <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Directors' fee</b> <i>RMB'000</i>				
<b>Executive directors</b>				
Mr. Qi ( <i>Notes i, ii</i> )	72	18	–	90
Ms. Zhao Yuxia ( <i>Note iii</i> )	50	12	–	62
	<u>122</u>	<u>30</u>	<u>–</u>	<u>152</u>

**Year ended 31 December 2017**

	Salaries and other allowances <i>RMB'000</i>	Discretionary bonus <i>RMB'000</i>	Retirement benefit scheme contributions <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Directors' fee</b> <i>RMB'000</i>				
<b>Executive directors</b>				
Mr. Qi ( <i>Notes i, ii</i> )	72	–	27	99
Ms. Zhao Yuxia ( <i>Note iii</i> )	50	–	6	56
	<u>122</u>	<u>–</u>	<u>33</u>	<u>155</u>

## Year ended 31 December 2018

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit Scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive and non-executive directors</b>					
Mr. Qi ( <i>Notes i, ii</i> )	–	72	–	25	97
Ms. Zhao Yuxia ( <i>Note iii</i> )	–	50	–	8	58
Dr. Yeung Cheuk Kwong ( <i>Note iv</i> )	–	–	–	–	–
	–	122	–	33	155

## Four months ended 30 April 2018 (unaudited)

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit Scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive and non-executive directors</b>					
Mr. Qi ( <i>Notes i, ii</i> )	–	24	–	8	32
Ms. Zhao Yuxia ( <i>Note iii</i> )	–	17	–	3	20
	–	41	–	11	52

## Four months ended 30 April 2019

	Directors' fee	Salaries and other allowances	Discretionary bonus	Retirement benefit Scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Executive and non-executive directors</b>					
Mr. Qi ( <i>Notes i, ii</i> )	–	24	–	8	32
Ms. Zhao Yuxia ( <i>Note iii</i> )	–	17	–	3	20
Dr. Yeung Cheuk Kwong ( <i>Note iv</i> )	–	–	–	–	–
	–	41	–	11	52

Notes:

- (i) Mr. Qi is the chief executive of the Company.

- (ii) Mr. Qi was appointed as a director of the Company on 22 February 2017 and has redesignated as an executive director of the Company on 22 May 2017.
- (iii) Ms. Zhao Yuxia was appointed as a director of the Company on 22 May 2017 and redesignated as an executive director on 22 May 2017.
- (iv) Dr. Yeung Cheuk Kwong was appointed as a director on 8 June 2018 and has redesignated as a non-executive director on 19 September 2019. No emoluments were paid or payable for his services rendered from the date of appointment to 30 April 2019.
- (v) Discretionary bonus is determined collectively by the management of the Group by reference to the individual performance and contribution to the Group.
- (vi) Mr. Chan Siu Wah, Mr. Cheng Chun Shing and Mr. Goh Teng Hwee were appointed as independent non-executive directors of the Company on 19 September 2019.

**(b) Five highest paid employees**

The five highest paid individuals included one, nil, nil, nil (unaudited) and one director of the Company whose emoluments are included in the disclosure in (a) above for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, respectively. The remuneration of the remaining four, five, five, five (unaudited) and four individuals for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, respectively, was as follows:

	Year ended 31 December			Four months ended 30 April	
	2016 RMB'000	2017 RMB'000	2018 RMB'000	2018 RMB'000 (Unaudited)	2019 RMB'000
Salaries and other allowances	306	1,049	852	330	236
Discretionary bonus	69	–	–	–	–
Retirement benefit scheme contributions	–	90	99	36	15
	<u>375</u>	<u>1,139</u>	<u>951</u>	<u>366</u>	<u>251</u>

The number of individuals whose remuneration was within the following band:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018 (Unaudited)	2019
Nil to HK\$1,000,000	<u>4</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>4</u>

During the Track Record Period, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of directors or the five highest paid individuals of the Company has waived any emoluments during the Track Record Period.

**13. DIVIDENDS**

During the year ended 31 December 2016, Tong Tai School and Shun Da School, the subsidiaries of the Company, declared and paid dividends of aggregate amounts of RMB16,200,000 in respect of the year ended 31 December 2016 to their then equity owners. The rate of dividends and number of shares ranking for the dividends are not presented as such information is not considered meaningful having regard to the purpose of this report.

No dividend has been paid or declared by the Company since its incorporation.

**14. EARNINGS PER SHARE**

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Year ended 31 December			Four months ended 30 April	
	2016	2017	2018	2018 (Unaudited)	2019
Earnings:					
Earnings for the purpose of basic earnings per share (in RMB'000)	<u>18,119</u>	<u>16,902</u>	<u>21,275</u>	<u>4,971</u>	<u>8,367</u>
Number of shares:					
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>258,000,000</u>	<u>258,000,000</u>	<u>281,819,178</u>	<u>258,000,000</u>	<u>300,000,000</u>

The number of ordinary shares for the purpose of basic earnings per share has been determined on the assumption that the reorganisation and the capitalisation issue as described in Appendix V to the Prospectus has been effective on 1 January 2016.

No diluted earnings per share for the Track Record Period was presented as there were no potential ordinary shares in issue during the Track Record Period.

## 15. PROPERTY, PLANT AND EQUIPMENT

## The Group

	Buildings RMB'000	Leasehold improvements RMB'000	Equipment RMB'000	Furniture and fixtures RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Right-of-use assets RMB'000	Total RMB'000
<b>Cost</b>									
At 1 January 2016	9,160	7,574	3,906	511	379	13,831	3,909	-	39,270
Additions	-	95	-	-	92	1,184	22,123	-	23,494
Reclassification	425	-	-	-	-	-	(425)	-	-
At 31 December 2016	9,585	7,669	3,906	511	471	15,015	25,607	-	62,764
Additions	-	566	807	-	333	266	15,892	-	17,864
Disposals/Written-off	-	(100)	-	-	(20)	-	-	-	(120)
Reclassification	-	138	775	-	-	-	(913)	-	-
At 31 December 2017	9,585	8,273	5,488	511	784	15,281	40,586	-	80,508
Additions	-	109	29	-	84	4,856	10,094	-	15,172
Disposals/Written-off	-	-	(5)	-	-	(52)	-	-	(57)
Reclassification	20,667	4,449	-	-	-	-	(25,116)	-	-
At 31 December 2018	30,252	12,831	5,512	511	868	20,085	25,564	-	95,623
Adjustments (Note 3)	-	-	-	-	-	(3,321)	-	48,208	44,887
At 1 January 2019	30,252	12,831	5,512	511	868	16,764	25,564	48,208	140,510
Additions	-	-	13	-	17	1,665	330	336	2,361
Reclassification	1,639	22,993	-	-	-	-	(24,632)	-	-
At 30 April 2019	31,891	35,824	5,525	511	885	18,429	1,262	48,544	142,871
<b>Accumulated depreciation</b>									
At 1 January 2016	145	674	966	130	195	2,429	-	-	4,539
Provided for the year	438	385	744	97	94	1,726	-	-	3,484
At 31 December 2016	583	1,059	1,710	227	289	4,155	-	-	8,023
Provided for the year	455	398	808	98	113	1,785	-	-	3,657
Eliminated on disposals/ Written-off	-	(42)	-	-	(16)	-	-	-	(58)
At 31 December 2017	1,038	1,415	2,518	325	386	5,940	-	-	11,622
Provided for the year	1,113	608	900	97	141	2,087	-	-	4,946
Eliminated on disposals/ Written-off	-	-	-	-	-	(25)	-	-	(25)
At 31 December 2018	2,151	2,023	3,418	422	527	8,002	-	-	16,543
Adjustments (Note 3)	-	-	-	-	-	(192)	-	192	-
At 1 January 2019	2,151	2,023	3,418	422	527	7,810	-	192	16,543
Provided for the period	659	813	250	33	141	708	-	569	3,173
At 30 April 2019	2,810	2,836	3,668	455	668	8,518	-	761	19,716
<b>Carrying values</b>									
At 31 December 2016	9,002	6,610	2,196	284	182	10,860	25,607	-	54,741
At 31 December 2017	8,547	6,858	2,970	186	398	9,341	40,586	-	68,886
At 31 December 2018	28,101	10,808	2,094	89	341	12,083	25,564	-	79,080
At 30 April 2019	29,081	32,988	1,857	56	217	9,911	1,262	47,783	123,155

The net book value of motor vehicles of nil, nil and RMB3,129,000 was under finance lease as at 31 December 2016, 2017 and 2018 respectively. Upon application of HKFRS 16 on 1 January 2019, the carrying amounts of the assets previously under finance leases which were still under lease were recategorised as right-of-use assets.

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

Buildings	Over the shorter of lease term or 5% per annum
Leasehold improvements	Over the shorter of lease term or 5% to 20% per annum
Equipment	20% per annum
Furniture and fixtures	20% per annum
Office equipment	20% to 33 <sup>1</sup> / <sub>3</sub> % per annum
Motor vehicles	12.5% per annum
Right-of-use assets	Over the lease term (leasehold lands and building) or 12.5% per annum (motor vehicles)

The carrying amount of right-of-use assets as at 30 April 2019 comprises the following:

	<i>RMB'000</i>
By class:	
Leasehold lands	44,661
Building	130
Motor vehicles	2,992
	<u>47,783</u>

The Group leases a number of property, land parcels and motor vehicles to operate its driving school. The leases are typically made for fixed periods of two to forty years. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

One of the leases for land parcels expired during the four months ended 30 April 2019. The expired contract was renewed by new lease for identical underlying asset. This resulted in addition to right-of-use assets of RMB336,000 for the four months ended 30 April 2019.

The lease liabilities of the Group are arising from the right-of-use assets, except for the leasehold lands in the PRC amounted to RMB43,505,000 as at 30 April 2019 that the lease payments had been fully prepaid upfront and have no corresponding lease liabilities.

Depreciation expenses of right-of-use assets for the four months ended 30 April 2019 comprises the following:

	<i>RMB'000</i>
By class:	
Leasehold lands	424
Building	8
Motor vehicles	137
	<u>569</u>

## 16. PREPAID LAND LEASE PAYMENTS

## The Group

	At 31 December		
	2016	2017	2018
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed for reporting purposes as:			
Current assets	1,189	1,189	1,189
Non-current assets	<u>45,091</u>	<u>43,902</u>	<u>42,713</u>
	<u>46,280</u>	<u>45,091</u>	<u>43,902</u>

During the year ended 31 December 2016, the land use rights which have acquired and held by Mr. Qi on behalf of the Group at a cash consideration of RMB47,568,000 in 2015 were transferred to the Group. Subsequent to 31 December 2016, the land use rights have been pledged to a bank to secure a bank loan granted to the Group as disclosed in Note 23.

Upon application of HKFRS 16 on 1 January 2019, the prepaid land lease payments were classified to right-of-use assets.

## 17. INTANGIBLE ASSETS

## The Group

	<b>System Software RMB'000</b>
<b>COST</b>	
At 1 January 2016, 31 December 2016, 2017 and 2018 and 30 April 2019	<u>540</u>
<b>ACCUMULATED AMORTISATION</b>	
At 1 January 2016	126
Provided for the year	<u>108</u>
At 31 December 2016	234
Provided for the year	<u>108</u>
At 31 December 2017	342
Provided for the year	<u>108</u>
At 31 December 2018	450
Provided for the period	<u>36</u>
At 30 April 2019	<u>486</u>
<b>CARRYING VALUE</b>	
At 31 December 2016	<u><u>306</u></u>
At 31 December 2017	<u><u>198</u></u>
At 31 December 2018	<u><u>90</u></u>
At 30 April 2019	<u><u>54</u></u>

The above intangible assets have finite useful life. Such intangible assets are amortised on a straight-line basis over the estimated useful lives of five years.

## 18. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

## The Group

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	–	291	241	268
Other receivables	–	–	1,218	1,460
Prepayments	1,824	573	189	241
Deposits	5,890	271	1,174	1,572
Deferred share issue costs	–	–	3,092	3,730
	7,714	1,135	5,914	7,271
Less: Deposits paid for construction in progress classified as non-current assets	(5,886)	(207)	(1,171)	(1,504)
Prepayment classified as non-current assets	(313)	(263)	–	(29)
Trade and other receivables, deposits and prepayments – current portion	<u>1,515</u>	<u>665</u>	<u>4,743</u>	<u>5,738</u>

As at 1 January 2016, trade receivables from contracts with customers amounted to nil.

The Group's payment methods with its customers for provision of driving training service are mainly on cash and through online payment platforms. Generally, the course emolument fees are billed in advance with no credit period granted to customers. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances.

The following is an ageing analysis of trade receivables presented based on the invoice dates:

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
0 – 30 days	–	271	155	182
31 – 60 days	–	–	–	–
61 – 90 days	–	–	–	–
More than 90 days	–	20	86	86
	<u>–</u>	<u>291</u>	<u>241</u>	<u>268</u>

The balance of RMB20,000, RMB86,000 and RMB86,000 as at 31 December 2017 and 2018 and 30 April 2019 which is past due more than 90 days are not considered as in default as those balances are mainly with those government authorities with good credit quality and pending for completing their allocating funds procedures. Based on the historical credit loss experience and/or general economic conditions of the debtors, the directors of the Company consider the expected credit loss on these debtors insignificant.

The trade and other receivables are all denominated in the functional currency of the respective entities in the Group.

**The Company**

	At 31 December 2018 <i>RMB'000</i>	At 30 April 2019 <i>RMB'000</i>
Prepayments	25	26
Deferred share issue costs	<u>3,092</u>	<u>3,730</u>
	<u><u>3,117</u></u>	<u><u>3,756</u></u>

**19. AMOUNTS DUE FROM (TO) SUBSIDIARIES/A RELATED PARTY**

**The Group**

The amount is non-trade in nature, unsecured, interest-free and repayable on demand.

**The Company**

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

**20. BANK BALANCES AND CASH**

**The Group**

Bank balances carry interests at floating rates based on daily bank deposits rates during the Track Record Period.

**21. TRADE AND OTHER PAYABLES AND ACCRUALS AND CONTRACT LIABILITY**

**21a. TRADE AND OTHER PAYABLES AND ACCRUALS**

*The Group*

	At 31 December			At 30 April
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	53	900	3,975	742
Accrued construction costs	5,988	6,496	6,750	2,016
Salaries payable	1,968	1,699	2,282	2,478
Accrued listing expenses	–	–	5,047	3,079
Accrued share issue costs	–	–	1,677	1,025
Examination fees payable	2,137	3,777	3,530	3,847
Other tax payables	900	960	1,324	1,514
Other payables	<u>1,355</u>	<u>1,459</u>	<u>1,337</u>	<u>1,077</u>
	<u><u>12,401</u></u>	<u><u>15,291</u></u>	<u><u>25,922</u></u>	<u><u>15,778</u></u>

No credit period is granted by the trade creditors. Trade payables are normally settled within 30 days from the invoice date.

The following is an ageing analysis of trade payables presented based on the invoice date:

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
0 – 30 days	53	304	3,975	742
31 – 60 days	–	430	–	–
61 – 90 days	–	166	–	–
	<u>53</u>	<u>900</u>	<u>3,975</u>	<u>742</u>

*The Company*

	At 31 December		At 30 April
	2017	2018	2019
	RMB'000	RMB'000	RMB'000
Salaries payable	458	1,005	1,103
Accrued listing expenses	–	5,047	3,079
Accrued share issue costs	–	1,677	1,025
Other payables	<u>488</u>	<u>74</u>	<u>49</u>
	<u>946</u>	<u>7,803</u>	<u>5,256</u>

**21b. CONTRACT LIABILITY**

Contract liability represents advance payments from customers. During the years ended 31 December 2016, 2017 and 2018, the amount of RMB1,469,000, RMB10,454,000, RMB19,125,000, respectively, that represented the entire contract liability balances at the beginning of the respective year, was recognised as revenue. During the four months ended 30 April 2019, the amount of RMB18,448,000 included in the contract liability balance of RMB29,092,000 at the beginning of the period was recognised as revenue. Based on the historical pattern, the directors of the Company are of the opinion that the driving training service income are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

During the Track Record Period, the Group allows refund of the total amount of the course fees to the customers before they complete the driving skill written test, after having deducted registration fees and various miscellaneous charges. Depending on the contract terms, the Group allows refund of 51% to 58% of the total amount of the course fees after completion of the driving skill written test but before provision of any driving training services, after having deducted registration fees and various miscellaneous charges. The Group does not allow refund of the course fees to the customers after the commencement of providing driving training services to them. Based on the historical pattern, the Group does not recognise any refund liability as the directors of the Company are of the opinion the amount involved is insignificant.

## 22. AMOUNT DUE TO A DIRECTOR

## The Group

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Qi	20,050	65	16	16

The above balance is non-trade in nature, unsecured, interest-free and repayable on demand.

## 23. BORROWINGS

## The Group

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Bank loans, secured	51,750	50,300	50,200	50,180
The carrying amounts of the above borrowings are repayable:				
Repayable on demand ( <i>Note</i> )	–	9,000	–	–
Within one year	43,750	41,300	50	80
Within a period of more than one year but not exceeding two years	8,000	–	50,150	50,100
	51,750	50,300	50,200	50,180
Less: Amounts due within one year shown under current liabilities	(43,750)	(50,300)	(50)	(80)
Amounts shown under non-current liabilities	8,000	–	50,150	50,100

*Note:* During the year ended 31 December 2017, in respect to the bank loan of RMB9,000,000, the Group failed to repay the bank loan according to the payment schedule stated in the loan agreement and the amount is therefore classified as repayable on demand accordingly. The loan was fully repaid in September 2018.

The Group's bank loans as at 31 December 2016, 2017 and 2018 and 30 April 2019 are secured and/or guaranteed as follows:

- (i) Bank loans of RMB17,950,000, RMB17,850,000, nil and nil respectively were secured by the operation right of Tong Tai School and were jointly guaranteed by Mr. Qi and his spouse;
- (ii) Bank loans of RMB14,800,000, nil, nil and nil respectively were secured by the land use right owned by an independent third party and were jointly guaranteed by Mr. Qi, his spouse and the legal representative of the independent third party. On 6 March 2017, the security for the loan has been replaced by the land use right of Tong Tai School and that the security of land use right of the independent third party and the guarantee by the legal representative of the independent third party have been released;

- (iii) Bank loans of RMB9,000,000, RMB9,000,000, nil and nil respectively were secured by the operation right of Shun Da School and were jointly guaranteed by Mr. Qi and three former trustee shareholders of Shun Da School;
- (iv) Bank loans of RMB10,000,000, RMB9,950,000, nil and nil respectively were secured by the land use right of Tong Tai School and were jointly guaranteed by Mr. Qi, his spouse;
- (v) Bank loans of nil, RMB13,500,000, nil and nil respectively were secured by the land use right of Tong Tai School and was jointly guaranteed by Mr. Qi, his spouse, the legal representative of an independent third party and a related company;
- (vi) Bank loans of nil, nil, RMB17,800,000 and RMB17,800,000 respectively were secured by the operation right of Tong Tai School. As stated in the letter received from bank dated 28 December 2018, the loan would be automatically renewed for one year from its maturity date on 2 August 2019;
- (vii) Bank loans of nil, nil, RMB9,900,000 and RMB9,880,000 respectively were secured by the land use right of Tong Tai School;
- (viii) Bank loans of nil, nil, RMB13,500,000 and RMB13,500,000 respectively were secured by the property of Tong Tai School and was jointly guaranteed by Mr. Qi and his spouse. As stated in the letter received from bank dated 29 April 2019, (a) the bank has conditionally released the guarantee by Mr. Qi and his spouse for which the Group is required to provide documentary evidence for the approval of the listing on or before 31 December 2019 and (b) the loan would be automatically renewed for one year from its maturity date; and
- (ix) Bank loans of nil, nil, RMB9,000,000 and RMB9,000,000 respectively were secured by the operation right of Shun Da School. As stated in the letter received from bank dated 29 December 2018, the loan would be automatically renewed for one year from its maturity date on 27 August 2019.

The exposure of the Group's borrowings are as follows:

	At 31 December		At 30 April	
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Fixed-rate borrowings	36,950	36,800	36,700	36,680
Variable-rate borrowing	<u>14,800</u>	<u>13,500</u>	<u>13,500</u>	<u>13,500</u>
	<u>51,750</u>	<u>50,300</u>	<u>50,200</u>	<u>50,180</u>

The Group's variable-rate borrowings carry interest at 180%, 150%, 140% and 140% of The People's Bank of China ("PBOC")'s standard lending rate per annum as at 31 December 2016, 2017 and 2018 and 30 April 2019 respectively. Interest is reset every month.

The ranges of effective interest rates on the Group's borrowings are as follows:

	As at 31 December			At 30 April
	2016	2017	2018	2019
Effective interest rate:				
Fixed-rate borrowings	9.5% to 12.1%	9.5% to 11.2%	9.7% to 11.2%	9.7% to 11.2%
Variable-rate borrowing	7.8%	7.1%	6.7%	6.7%

The Group's borrowings are denominated in RMB which are also the functional currency of the respective entities in the Group.

**24. OBLIGATIONS UNDER FINANCE LEASES**

The Group leased certain of its motor vehicles under finance leases. The average lease term is two years. Interest rates underlying the obligations under finance leases are variable at 125% of PBOC standard lending rate per annum as at 31 December 2018.

The Group's obligations under finance leases are secured by the lessee's charge over the leased assets.

	<u>Minimum lease payments</u>			<u>Present value of minimum lease payments</u>		
	At 31 December			At 31 December		
	2016	2017	2018	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Obligations under finance leases payable:						
Within one year	-	-	1,137	-	-	1,068
Within a period of more than one year but not exceeding two years	-	-	582	-	-	571
Less: Future finance charges	-	-	(80)	-	-	-
Present value of lease obligations	<u>-</u>	<u>-</u>	<u>1,639</u>	-	-	1,639
Less: Amount due for settlement within 12 months (shown under current liabilities)				-	-	(1,068)
Amount due for settlement after 12 months				<u>-</u>	<u>-</u>	<u>571</u>

Upon application of HKFRS 16 on 1 January 2019, the obligations under finance leases was reclassified to lease liabilities.

**25 LEASE LIABILITIES**

	<b>As at 30 April 2019</b>
	<i>RMB'000</i>
Analysed for reporting purpose as:	
Current liabilities	1,208
Non-current liabilities	<u>1,380</u>
	<u><u>2,588</u></u>

	<b>Minimum lease payments As at 30 April 2019 RMB'000</b>	<b>Present value of minimum lease payments As at 30 April 2019 RMB'000</b>
Lease liabilities due:		
Within one year	1,345	1,208
Within a period of more than one year but not exceeding two years	412	328
Within a period of more than two years but not exceeding five years	619	434
Over five years	824	618
Less: future finance charges	<u>(612)</u>	<u>–</u>
Present value of lease liabilities	<u>2,588</u>	2,588
Less: Amounts due for settlement within 12 months (shown under current liabilities)		<u>(1,208)</u>
Amounts due for settlement after 12 months		<u>1,380</u>

The rates applied are ranging from 7.1% to 7.3% and variable at 125% of PBOC standard lending rate per annum. All lease are entered at fixed prices. The Group does not face a signification liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Leases and rentals are negotiated and fixed for term of two to forty years.

## 26. DEFERRED TAXATION

### The Group

For the purpose of presentation in the consolidated statement of financial position, deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	<b>As 31 December</b>			<b>As 30 April</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Deferred tax liabilities	<u>1,186</u>	<u>2,057</u>	<u>2,247</u>	<u>3,616</u>

The following are the major deferred tax liabilities (assets) recognised and movements thereon during the Track Record Period.

	<b>Temporary difference on depreciation of property, plant and equipment</b> <i>RMB'000</i>	<b>Temporary difference on interest capitalisation</b> <i>RMB'000</i>	<b>Revenue recognition</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
At 1 January 2016	–	357	43	400
Charged to profit or loss	–	534	252	786
At 31 December 2016	–	891	295	1,186
Charged to profit or loss	–	701	170	871
At 31 December 2017	–	1,592	465	2,057
Charged (credited) to profit or loss	–	673	(483)	190
At 31 December 2018	–	2,265	(18)	2,247
Charged (credited) to profit or loss	198	(32)	1,203	1,369
At 30 April 2019	<u>198</u>	<u>2,233</u>	<u>1,185</u>	<u>3,616</u>

## 27. SHARE CAPITAL

### The Group

For the purpose of the presentation of the consolidated statements of financial position, the balances of share capital as at 31 December 2016 represent the issued aggregate share capital of Ample Best, Wincox, Maxi Access and Tongtai Cultural, the companies comprising the Group attributable to the owners of the Company existed on those dates. Upon the completion of the Reorganisation, the share capital as at 31 December 2017 and 2018 and 30 April 2019 represents the issued ordinary shares of the Company.

## The Company

	Number of shares			Share capital		
	At 31 December		At 30	At 31 December		At 30
	2017	2018	April	2017	2018	2019
				RMB'000	RMB'000	RMB'000
Ordinary shares of HK\$0.01 each						
<b>Authorised</b>						
At beginning of year/period	–	38,000,000	38,000,000	–	311	311
Authorised upon incorporation	38,000,000	–	–	311	–	–
At end of year/period	<u>38,000,000</u>	<u>38,000,000</u>	<u>38,000,000</u>	<u>311</u>	<u>311</u>	<u>311</u>
<b>Issued and fully paid</b>						
At beginning of year/period	–	5	1,000	–	–	–
Issued in consideration for the acquisition of the issued share capital of Ample Best	4	–	–	–	–	–
Issued in consideration for the acquisition of the issued share capital of Maxi Access by Ample Best	1	–	–	–	–	–
Issuance of shares (Notes i, ii)	–	995	–	–	–	–
At end of year/period	<u>5</u>	<u>1,000</u>	<u>1,000</u>	<u>–</u>	<u>–</u>	<u>–</u>

Notes: (i) On 30 May 2018, 855 shares were allotted and issued at par and credited as fully paid to ultimate holding company and Cosmic Hero Investments Limited.

(ii) On 8 June 2018, 140 shares were allotted and issued pursuant to the subscription agreement dated on 8 June 2018 entered into by the Company with Greater Sino Ventures Limited, being the Pre-IPO Investor I as defined in this prospectus. The consideration of HK\$16,000,000 (equivalent to approximately RMB13,067,000) for the said subscription agreement was fully paid by the Pre-IPO Investor on 28 June 2018.

## 28. OPERATING LEASES

## The Group as lessee

	Year ended 31 December		
	2016	2017	2018
	RMB'000	RMB'000	RMB'000
Minimum lease payments paid under operating leases during the year	<u>264</u>	<u>274</u>	<u>257</u>

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>2016</b>	<b>2017</b>	<b>2018</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	283	262	148
In the second to fifth year inclusive	737	600	514
Over five years	<u>2,158</u>	<u>2,010</u>	<u>867</u>
	<u><u>3,178</u></u>	<u><u>2,872</u></u>	<u><u>1,529</u></u>

The Group leases a number of property and land parcels under operating leases. The leases run for an initial period of 1 to 30 years, with options to renew the lease terms at the expiry dates. None of the leases include contingent rentals.

#### The Group as lessor

The Group leases its certain portion of land and properties under operating lease arrangement, with lease negotiated for terms of one to three years.

At the end of each reporting period, the Group had contracted with tenants for the following future minimum lease payments.

	<b>At 31 December</b>			<b>At 30 April</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	120	–	–	400
In the second to fifth year inclusive	<u>213</u>	<u>–</u>	<u>–</u>	<u>–</u>
	<u><u>333</u></u>	<u><u>–</u></u>	<u><u>–</u></u>	<u><u>400</u></u>

The above lease commitments represent basic rents only and do not include contingent rents in respect of certain portion of land and properties leased by the Group. In general, these contingent rents are calculated based on the usage pursuant to the terms and conditions as set out in the respective rental agreements. It is not possible to estimate in advance the amount of such contingent rent.

During the four months ended 30 April 2019, the Group subleased a portion of a leasehold land and recognised RMB194,000 as rental income for the period. The leasehold land relating to the head lease was included in right-of-use assets and the sub-lease is classified as operating lease by reference to the right-of-use asset arising from the head lease.

During the year ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2018 and 2019, the amount of contingent rental recognised as income was nil, nil, RMB911,000, RMB262,000 (unaudited) and nil, respectively, and the amount of basic rent recognised as income was approximately RMB27,000, RMB93,000, nil, nil (unaudited) and RMB194,000, respectively, in respect of rented land and properties.

## 29. CAPITAL COMMITMENTS

	At 31 December			At 30 April
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of the construction of property, plant and equipment contracted for but not provided for	20,962	9,941	3,605	3,331

## 30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of net debt, which includes amount due to a related party disclosed in Note 19, amount due to a director disclosed in Note 22, borrowings disclosed in Note 23, obligations under finance leases disclosed in Note 24 and lease liabilities disclosed in Note 25, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the Group will balance its overall capital structure through the new share issues as well as the issue of new debt or the redemption of existing debt.

## 31. FINANCIAL INSTRUMENTS

## a. Categories of financial instruments

	The Group				The Company		
	At 31 December			At 30 April	At 31 December		At 30 April
	2016	2017	2018	2019	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Financial assets</b>							
Amortised cost	6,085	31,932	78,946	82,933	–	6,452	982
<b>Financial liabilities</b>							
Amortised cost	81,336	63,397	72,532	61,982	9,142	16,088	13,443

## b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade and other payables, amount due to a director/a related party and borrowings. The Company's financial instruments include other payables and amounts due from (to) subsidiaries. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no significant changes to the Group's exposure to financial risk or the manner in which the Group manages and measures the risk throughout the Track Record Period.

***Interest rate risk***

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and lease liabilities.

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances, borrowings, obligations under finance leases and lease liabilities. The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and the lending rate quoted by the PBOC arising from the Group's RMB denominated borrowings, obligations under finance leases and lease liabilities.

***Sensitivity analysis***

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings, obligations under finance leases and lease liabilities at the end of each reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of each reporting period were outstanding for the whole year/period. A 50 basis point increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's post-tax profit for the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 would decrease/increase by approximately RMB56,000, RMB51,000, RMB57,000 and RMB18,000 respectively.

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rates risk as the exposure does not reflect the exposure during the respective year/period.

***Currency risk***

***The Group***

For the year ended 31 December 2016 and 2017, the Group's operations are mainly denominated in RMB with a small extent in other foreign currencies. As the Group does not have significant foreign currency transactions and balances, foreign currency sensitivity analysis is not presented.

As at 31 December 2018 and 30 April 2019, the Group's exposure to foreign currency risk related primarily to certain bank balances and other payables denominated in HK\$. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign currency exposure and will consider hedging foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary asset and liabilities at 31 December 2018 and 30 April 2019 are as follows:

	Liabilities		Asset	
	At 31 December 2018 RMB'000	At 30 April 2019 RMB'000	At 31 December 2018 RMB'000	At 30 April 2019 RMB'000
HK\$	<u>5,459</u>	<u>3,357</u>	<u>6,369</u>	<u>1,299</u>

No sensitivity analysis is presented as the foreign exchange exposure is considered insignificant.

*The Company*

As at 31 December 2018 and 30 April 2019, the Company's exposure to foreign currency risk related primarily to other payables denominated in HK\$, which is equal to the balances of the Group.

No sensitivity analysis is presented as the foreign exchange exposure is considered insignificant.

***Credit risk and impairment assessment***

*The Group*

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise credit risk, the Group regularly monitors the external credit ratings of the financial institutions based on available information at each reporting date for its bank balances which are placed in these financial institutions. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management team uses other publicly available financial information. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

For trade and other receivables, the Group determines the ECL on these items individually by estimation based on historical credit loss experience of the debtor, general economic conditions of the industry and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

The management considers that the credit risk on liquid funds is low as counterparties are financial institutions with good reputation.

*The Company*

The credit risks on amounts due from subsidiaries are low because the counterparties have a low risk of default and does not have any past-due amounts. The Company measures the loss allowance at 12m ECL for amounts due from subsidiaries with gross carrying amount of RMB6,452,000 and RMB982,000 as at 31 December 2018 and 30 April 2019 respectively. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Company assessed that the ECL on these balances are insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL – not credit-impaired	12m ECL
Watch list	Debtor frequently settles in full after due dates	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

2016	Note	External credit rating	Internal credit rating	12m or lifetime ECL	Gross carrying amount RMB'000
<b>Financial assets at amortised costs</b>					
Bank balances and cash	20	A – AA+	N/A	12m ECL	6,085
<b>2017</b>					
<b>Financial assets at amortised costs</b>					
Trade receivables	18	N/A	Low risk	Lifetime ECL	271
		N/A	Watch list	Lifetime ECL	20
Bank balances and cash	20	BB+ – A+	N/A	12m ECL	31,641
<b>2018</b>					
<b>Financial assets at amortised costs</b>					
Trade receivables	18	N/A	Low risk	Lifetime ECL	155
		N/A	Watch list	Lifetime ECL	86
Other receivables	18	N/A	Low risk <sup>(Note i)</sup>	12m ECL	1,218
Bank balances and cash	20	A- – AAA	N/A	12m ECL	77,487
<b>30 April 2019</b>					
<b>Financial assets at amortised costs</b>					
Trade receivables	18	N/A	Low risk	Lifetime ECL	182
		N/A	Watch list	Lifetime ECL	86
Other receivables	18	N/A	Low risk <sup>(Note i)</sup>	12m ECL	1,460
Bank balances and cash	20	A- – AAA	N/A	12m ECL	81,205

*Note i:* The credit risks on other receivables are limited because the counterparties are mainly government authorities with low risk of default.

As at 31 December 2016, 2017 and 2018 and 30 April 2019, the directors of the Company assessed the existing financial assets for impairment and considered that no credit loss allowance is recognised as the amount involved is insignificant.

### *Liquidity risk*

In the management of the liquidity risk, the Group and the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The undiscounted principal amount of bank loan of nil, RMB9,000,000, nil and nil which constituted an event of default as at 31 December 2016 and 2017 and 2018 and 30 April 2019 are included in the "on demand" time band in the below maturity analysis. For the remaining financial liabilities, the table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

### *The Group*

	Weighted average interest rate	On demand RMB'000	Within 1 year RMB'000	Over 1 year RMB'000	Total undiscounted cash flows RMB'000	Carrying amounts RMB'000
<b>At 31 December 2016</b>						
Trade and other payables	N/A	3,545	5,988	–	9,533	9,533
Amount due to a director	N/A	20,050	–	–	20,050	20,050
Amount due to a related party	N/A	3	–	–	3	3
Borrowings						
– Fixed rate	11.1%	–	31,875	8,536	40,411	36,950
– Variable rate	7.8%	–	15,305	–	15,305	14,800
		<u>23,598</u>	<u>53,168</u>	<u>8,536</u>	<u>85,302</u>	<u>81,336</u>

	Weighted average interest rate	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	Over 1 year <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amounts <i>RMB'000</i>
<b>At 31 December 2017</b>						
Trade and other payables	N/A	6,136	6,496	–	12,632	12,632
Amount due to a director	N/A	65	–	–	65	65
Amount due to a related party	N/A	400	–	–	400	400
Borrowings						
– Fixed rate	10.6%	9,000	29,574	–	38,574	36,800
– Variable rate	7.1%	–	14,126	–	14,126	13,500
		<u>15,601</u>	<u>50,196</u>	<u>–</u>	<u>65,797</u>	<u>63,397</u>
	Weighted average interest rate	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	Over 1 year <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amounts <i>RMB'000</i>
<b>At 31 December 2018</b>						
Trade and other payables	N/A	15,566	6,750	–	22,316	22,316
Amount due to a director	N/A	16	–	–	16	16
Borrowings						
– Fixed rate	10.7%	–	3,968	38,934	42,902	36,700
– Variable rate	6.7%	–	898	13,860	14,758	13,500
Obligations under finance leases	5.9%	–	1,137	582	1,719	1,639
		<u>15,582</u>	<u>12,753</u>	<u>53,376</u>	<u>81,711</u>	<u>74,171</u>
	Weighted average interest rate	On demand <i>RMB'000</i>	Within 1 year <i>RMB'000</i>	Over 1 year <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amounts <i>RMB'000</i>
<b>At 30 April 2019</b>						
Trade and other payables	N/A	9,770	2,016	–	11,786	11,786
Amount due to a director	N/A	16	–	–	16	16
Borrowings						
– Fixed rate	10.7%	–	3,919	36,750	40,669	36,680
– Variable rate	6.7%	–	822	13,559	14,381	13,500
Leases liabilities	6.6%	–	1,345	1,855	3,200	2,588
		<u>9,786</u>	<u>8,102</u>	<u>52,164</u>	<u>70,052</u>	<u>64,570</u>

*The Company*

The Company's financial liabilities are due within one year from end of the reporting period or repayable on demand and interest-free.

**c. Fair value**

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices or rates from observable current market transactions as inputs.

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost approximate their fair values at the end of each reporting period.

**32. RELATED PARTY DISCLOSURE**

Other than disclosed elsewhere in the Historical Financial Information, the Group does not have any material related party transaction in the normal course of its business.

**Compensation of key management personnel**

The directors of the Company were considered to be the key management personnel of the Group. The remuneration of the directors of the Company is set out in Note 12.

**33. INVESTMENT IN A SUBSIDIARY AND PARTICULARS OF SUBSIDIARIES**

As at 31 December 2017 and 2018 and 30 April 2019, the Company's investment cost in Ample Best amounted to US\$4 (equivalent to RMB28), US\$4 (equivalent to RMB28) and US\$4 (equivalent to RMB28) respectively.

As at the date of this report, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interests attributable to the Company					Principal activities	Notes
			As at 31 December			As at 30	At the date		
			2016	2017	2018	April	of this		
<i>Directly held:</i>									
Ample Best	BVI 15 December 2016	Authorised: US\$50,000 Paid up capital: US\$4	100%	100%	100%	100%	100%	Investment holding	i
<i>Indirectly held:</i>									
Maxi Access	Hong Kong 28 January 2016	Paid up capital: HK\$1	100%	100%	100%	100%	100%	Investment holding	ii
Wincox	Hong Kong 28 December 2016	Paid up capital: HK\$1	100%	100%	100%	100%	100%	Investment holding	iii
Tongtai Cultural* 駐馬店通泰文化傳媒 有限公司	The PRC 2 June 2016	Registered: RMB5,000,000 Paid up capital: Nil	100%	100%	100%	100%	100%	Investment holding	iv
Tong Tai School* 駐馬店通泰大型機動車駕 駛員培訓有限公司	The PRC 24 April 2014	Registered: RMB20,000,000 Paid up capital: RMB20,000,000	100%	100%	100%	100%	100%	Provision of driving training courses in the PRC	v
Shun Da School* 遂平縣順達駕駛員培訓 有限公司	The PRC 25 December 2012	Registered: RMB2,000,000 Paid up capital: RMB2,000,000	100%	100%	100%	100%	100%	Provision of driving training courses in the PRC	v

\* The English name is for identification purpose only and the official names of the companies are in Chinese.

All subsidiaries comprising the Group are limited liability companies and have adopted 31 December as their financial year end date.

*Notes:*

- i. No audited financial statements have been prepared since its date of incorporation as it is incorporated in the jurisdiction where there is no statutory audit requirements.
- ii. The statutory financial statements from the date of incorporation to 31 December 2016 and for the years ended 31 December 2017 and 2018 were prepared in accordance with HKFRSs issued by the HKICPA and were audited by JRK Certified Public Accountants Limited, certified public accountants registered in Hong Kong.
- iii. The statutory financial statements from the date of incorporation to 31 December 2017 were and for the year ended 31 December 2018 prepared in accordance with HKFRSs issued by HKICPA and were audited by JRK Certified Public Accountants Limited, certified public accountants registered in Hong Kong.

- iv. No statutory financial statements have been prepared since the date of establishment as there were no requirements to issue audited accounts by local authorities.
- v. The statutory financial statements for the years ended 31 December 2016, 2017 and 2018 were prepared in accordance with relevant accounting principles and accounting rules applicable to enterprises established in the PRC and were audited by 遂平縣永興聯合會計師事務所, certified public accountants registered in the PRC.

### 34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	As at 31 December 2015 RMB'000	Financing cash flows RMB'000	Non-cash changes RMB'000 (Note)	As at 31 December 2016 RMB'000
Interest payable (included in other payables)	–	(4,685)	4,685	–
Dividends payable	–	(16,200)	16,200	–
Amount due to a director	2,747	(4,697)	22,000	20,050
Amount due to a related party	–	3	–	3
Borrowings	42,500	9,250	–	51,750
Obligations under finance leases	115	(122)	7	–
Total	<u>45,362</u>	<u>(16,451)</u>	<u>42,892</u>	<u>71,803</u>

Note: Non-cash changes represent dividends declared, effect of reorganisation (see Notes 2(b) and 2(c)) and finance costs recognised.

	As at 31 December 2016 RMB'000	Financing cash flows RMB'000	Non-cash changes RMB'000 (Note)	As at 31 December 2017 RMB'000
Interest payable (included in other payables)	–	(5,189)	5,223	34
Amount due to a director	20,050	(19,985)	–	65
Amount due to a related party	3	397	–	400
Borrowings	51,750	(1,450)	–	50,300
Total	<u>71,803</u>	<u>(26,227)</u>	<u>5,223</u>	<u>50,799</u>

Note: Non-cash changes represent finance costs recognised.

**APPENDIX I**
**ACCOUNTANTS' REPORT**

	<b>As at 31 December 2017 RMB'000</b>	<b>Financing cash flows RMB'000</b>	<b>Non-cash changes RMB'000 (Note)</b>	<b>As at 31 December 2018 RMB'000</b>
Interest payable (included in other payables)	34	(4,826)	4,792	–
Amount due to a director	65	(49)	–	16
Amount due to a related party	400	(400)	–	–
Borrowings	50,300	(100)	–	50,200
Obligations under finance leases	–	(555)	2,194	1,639
Accrued share issue costs	–	(1,415)	3,092	1,677
<b>Total</b>	<b>50,799</b>	<b>(7,345)</b>	<b>10,078</b>	<b>53,532</b>

*Note:* Non-cash changes represent share issue costs accrued, addition of property, plant and equipment under finance lease and finance costs recognised.

(Unaudited)	<b>As at 31 December 2017 RMB'000</b>	<b>Financing cash flows RMB'000</b>	<b>Non-cash changes RMB'000 (Note)</b>	<b>As at 30 April 2018 RMB'000</b>
Interest payable (included in other payables)	34	(1,624)	1,590	–
Amount due to a director	65	–	–	65
Amount due to a related party	400	(216)	–	184
Borrowings	50,300	–	–	50,300
<b>Total</b>	<b>50,799</b>	<b>(1,840)</b>	<b>1,590</b>	<b>50,549</b>

*Note:* Non-cash changes represent finance costs recognised.

	<b>As at 31 December 2018 RMB'000</b>	<b>Adjustments RMB'000 (Note 3)</b>	<b>As at 1 January 2019 RMB'000</b>	<b>Financing cash flows RMB'000</b>	<b>Non-cash changes RMB'000 (Note)</b>	<b>As at 30 April 2019 RMB'000</b>
Interest payable (included in other payables)	–	–	–	(1,594)	1,594	–
Amount due to a director	16	–	16	–	–	16
Borrowings	50,200	–	50,200	(20)	–	50,180
Obligations under finance leases	1,639	(1,639)	–	–	–	–
Lease liabilities	–	2,624	2,624	(428)	392	2,588
Accrued share issue costs	1,677	–	1,677	(1,290)	638	1,025
<b>Total</b>	<b>53,532</b>	<b>985</b>	<b>54,517</b>	<b>(3,332)</b>	<b>2,624</b>	<b>53,809</b>

*Note:* Non-cash changes represent share issue costs accrued, initial recognition of lease liabilities and finance costs recognised.

**35. MAJOR NON-CASH TRANSACTIONS**

- (i) Addition of motor vehicles of RMB2,139,000 for the year ended 31 December 2018 was made through finance lease; and
- (ii) Right-of-use assets with a total capital value of RMB336,000 with the corresponding amount of lease liabilities were recognised during the four months ended 30 April 2019.

**36. RETIREMENT BENEFITS SCHEMES**

The Group participates in a state-managed defined contribution retirement scheme organised by the relevant local governmental authority in the PRC. PRC employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The Group is required to make monthly contributions to the retirement scheme for the eligible employees at specified percentage of the payroll and the local governmental authority is responsible for the pension liabilities to these employees upon their retirement. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

During the Track Record Period, the total amounts contributed by the Group to the scheme and cost charged to the profit or loss represents contributions paid/payable to the scheme by the Group at rates specified in the rules of the scheme. The retirement benefits scheme contribution expense recognised by the Group are disclosed in Notes 10 and 12.

**37. RESERVES OF THE COMPANY****Movement in the Company's reserves**

	<b>Share premium RMB'000</b>	<b>Accumulated losses RMB'000</b>	<b>Total RMB'000</b>
At 22 February 2017 (date of incorporation)	–	–	–
Loss and total comprehensive expense for the period	–	(9,600)	(9,600)
At 31 December 2017	–	(9,600)	(9,600)
Loss and total comprehensive expense for the year	–	(10,991)	(10,991)
Issuance of shares	13,067	–	13,067
At 31 December 2018	13,067	(20,591)	(7,524)
Loss and total comprehensive expense for the period	–	(2,284)	(2,284)
At 30 April 2019	<u>13,067</u>	<u>(22,875)</u>	<u>(9,808)</u>

**38. SUBSEQUENT EVENTS**

Saved as disclosed elsewhere in the report, subsequent to the end of the Track Record Period, the following significant event took place:

- (i) Pursuant to the written resolutions passed by the shareholders on 19 September 2019, the Capitalisation Issue as detailed in the section headed “History and Development” to this prospectus was approved.
- (ii) On 19 September 2019, the Share Option Scheme was conditionally approved and adopted. Details of the Share Option Scheme are set out in the section headed “Share Option Scheme” in Appendix V to this prospectus. No option has been granted or agreed to be granted under the Share Option Scheme up to the date of this report.

**39. DIRECTORS' EMOLUMENTS**

Under the arrangement currently in force, the aggregate amount of emoluments of the directors of the Company payable for the year ending 31 December 2019 is estimated to be approximately RMB395,000.

**40. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to 30 April 2019.

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following information set out in this Appendix does not form part of the accountants' report on the historical financial information of the Group for each of the three years ended 31 December 2018 and the four months ended 30 April 2019 (the "Accountants' Report") from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set out in Appendix I, to this prospectus, and is included herein for illustrative purposes only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountants' Report set forth in Appendix I to this prospectus.

### A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to owners of the Company has been prepared by the directors of the Company in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of Share Offer (as defined in this prospectus) on the audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 April 2019 as if the Share Offer had taken place on 30 April 2019.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group attributable to the owners of the Company has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to the owners of the Company had the Share Offer been completed as at 30 April 2019 or at any future dates.

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019 <i>RMB'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Share Offer <i>RMB'000</i> <i>(Notes 2, 4)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019 <i>RMB'000</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019 per Share <i>RMB</i> <i>HK\$ equivalent</i> <i>(Note 3)</i> <i>(Notes 3, 4)</i>	
Based on Offer					
Price of HK\$1.28					
per Offer Share	96,356	93,731	190,087	0.475	0.528
Based on Offer					
Price of HK\$1.42					
per Offer Share	96,356	105,489	201,845	0.505	0.561

---

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

---

*Notes:*

1. The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 April 2019 is based on the audited consolidated net assets of the Group attributable to owners of the Company amounted to RMB96,410,000 less the intangible assets attributable to owners of the Company amounted to RMB54,000.
2. The estimated net proceeds from the Share Offer are based on 100,000,000 new Shares at indicative Offer Price of HK\$1.28 per Offer Share and HK\$1.42 per Offer Share, respectively, being the low-end and high-end of the indicative Offer Price range, respectively, after deduction of the estimated underwriting fees and other listing related expenses to be incurred by the Group (excluding listing expenses of RMB12,477,000 charged to profit and loss up to 30 April 2019). It does not take into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed “Share Capital” in this prospectus.
3. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per share is arrived at on the basis that 400,000,000 shares comprise of the shares in issue assuming that the Share Offer and the Capitalisation Issue (as defined in this prospectus) had been completed on 30 April 2019. It does not take into account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option, any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by the Company under the general mandate to issue Shares and general mandate to repurchase Shares as described in the section headed “Share Capital” in this prospectus.
4. For the purposes of the estimated net proceeds from the Share Offer and the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share, the HK\$ and RMB are converted into RMB and HK\$ at an exchange rate of HK\$1 to RMB0.90 and RMB0.90 to HK\$1, respectively, which is the rate as of the Latest Practicable Date. No representation is made that the HK\$ and RMB amounts have been, could have been or may be converted to RMB and HK\$, at that rate or at all.
5. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company does not take into account the effect of any trading results or other transaction of the Group entered into subsequent to 30 April 2019.
6. With reference to the valuation of property interests of the Group as set out in Appendix III to this prospectus, the revaluation surplus for these properties is approximately RMB41,244,000 as of 31 July 2019 and has not been included in the above adjusted consolidated net tangible assets of the Group attributable to owners of the Company. Such revaluation surplus has not been recorded in the Historical Financial Information as at 30 April 2019 as set out in Appendix I to this prospectus as the Group’s property, plant and equipment is stated at cost less accumulated depreciation and impairment losses, if any. If such revaluation surplus has included in the consolidated financial statements of the Group, an additional depreciation of approximately RMB1,135,000 per annum would be incurred.

**B.      ASSURANCE REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this prospectus.*

**Deloitte.****德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of China Oriented International Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Oriented International Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 April 2019 and related notes as set out on pages II-1 to II-2 of Appendix II to the prospectus issued by the Company dated 11 October 2019 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages II-1 to II-2 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed Share Offer (as defined in the Prospectus) on the Group's financial position as at 30 April 2019 as if the Share Offer had taken place at 30 April 2019. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for each of the three years ended 31 December 2018 and the four months ended 30 April 2019, on which an accountants' report set out in Appendix I to the Prospectus has been published.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

---

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

---

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

---

## APPENDIX II      UNAUDITED PRO FORMA FINANCIAL INFORMATION

---

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma 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:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
11 October 2019

*The following is the valuation report prepared for the purpose of incorporation in this prospectus received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuations as at 31 July 2019 of the property interests held by the Group.*



利駿行測量師有限公司

**LCH (Asia-Pacific)** Surveyors Limited

PROFESSIONAL SURVEYOR  
PLANT AND MACHINERY VALUERS  
BUSINESS & FINANCIAL ASSETS VALUERS

*The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2017 (“IVS”) and published by the International Valuation Standards Council. The IVS entitles the valuer to make assumptions which may on further investigation, for instance by the readers’ legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader’s identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute for this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the Latest Practicable Date of this Prospectus. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.*

17th Floor  
Champion Building  
287-291 Des Voeux Road Central  
Hong Kong

11 October 2019

The Board of Directors  
China Oriented International Holdings Limited  
Rooms 1508-1513,  
Nan Fung Tower,  
88 Connaught Road Central,  
Central, Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of China Oriented International Holdings Limited (hereinafter referred to as the “**Instructing Party**”) to us to conduct a valuation of designated *real property* (same as the word *property* in this report) in which China Oriented International Holdings Limited (hereinafter referred to as the “**Company**”) and its subsidiaries (collectively, together with the Company hereinafter referred to as the “**Group**”) have interests in the People’s Republic of China (hereinafter referred to as the “**PRC**” or “**China**”) and, to report certain property interests rented by the Group in the PRC, we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary to support our findings and our conclusion of values of the properties of the Group as at 31 July 2019 (hereinafter referred to as the “**Valuation Date**”) for the Instructing Party’s internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party’s due diligence but we have not been engaged to make specific sales or purchase recommendations, or to give opinion for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision regarding the properties valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of values of the properties are documented in a valuation report and submitted to the Instructing Party at today’s date (hereinafter referred to as the “**Report Date**”).

At the request of the Instructing Party, we prepared this summary report (including this letter, summary of values and the properties particulars with values sections) to summarise our findings and conclusion of values as documented in the valuation report for the purpose of inclusion in this prospectus (the “**Prospectus**”) at the Report Date for the Instructing Party’s reference. Terms used herein without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also apply to this summary report.

## VALUATION OF PROPERTY IN GROUP I

### Basis of Value and Assumptions

According to the IVS which the HKIS Standards (the HKIS Valuation Standards 2017) also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our value of the property on the market value basis.

The term “Market Value” is defined by the IVS and followed by the HKIS Standards 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”.

Unless otherwise stated, our valuation of the property has been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in the property has absolute title to its relevant property interests;
2. the legally interested party in the property has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired term as granted, and any premiums payable have already been fully paid;
3. the legally interested party in the property sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest;
4. the property has obtained relevant government's approval for the sale of the property and is able to be disposed of and transferred free of all encumbrances (including but not limited to the cost of transaction) in the market; and
5. the property can be freely disposed and transferred free of all encumbrances at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the value as reported.

### **Approach to Value**

In valuing the property which is held and occupied by the Group, having considered the general and inherent characteristics of the property, we have adopted the depreciated replacement cost approach which is an application of the cost approach in valuing specialised properties like this property. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the property. The land use rights of the property has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuation of the property is on the assumption that the property could be used to support the operation of the occupier's business.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the

Valuation Date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the Valuation Date, the work having commenced at the appropriate time.

We need to state that our opinion of value of the property is not necessarily intended to represent the amount that might be realised from disposition of land use rights or various building(s) the property on piecemeal basis in the open market.

We have not carried out a study of possible alternative development options and the related economics do not come within the scope of our work.

### **REPORTING OF CERTAIN RENTED PROPERTY INTERESTS IN GROUP II**

Properties in Group II are subject to various operating leases, and we have assigned no commercial value to each of such property interests due mainly to the short-term nature of the tenancy agreements or prohibition against assignment or sub-letting or lack of substantial rents.

### **MATTERS THAT MIGHT AFFECT THE VALUE REPORTED**

For the sake of valuation, we have adopted the areas as they appeared in the copies of the documents as provided, and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the right to revise our report and the valuation accordingly.

No allowance has been made in our valuation for any charges, mortgages, outstanding premium, idle land penalties or amounts owing on the property valued nor any expenses or taxation which may be incurred in affecting a sale of the property in Group I. Unless otherwise stated, it is assumed that the property in Group I is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

Unless otherwise stated, in our valuation, we have assumed that the property in Group I is able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the Latest Practicable Date of this Prospectus, we are unable to identify any adverse news against the properties which may affect the reported findings or value in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the findings or value reported herein.

### **ESTABLISHMENT OF TITLES**

In the course of our work, the Instructing Party or the appointed personnel of the Company provided us the necessary documents to support that the legally interested party in each of the properties has free and uninterrupted rights to assign, to transfer, to mortgage, to let or to use the property at its existing use (in this

instance, an absolute title), for the whole of the unexpired terms as granted, free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed, and that the Group has the right to occupy or to use each of the properties. Our agreed procedures to value, as agreed with the Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained each of the properties from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal adviser to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the properties.

We have been provided with copies of the title documents of the property in Group I and the tenancy agreements of the properties in Group II. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the property valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The land registration system of China forbids us to search the original documents of the properties that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties in China. However, we have complied with the requirements as stated in Chapter 5 of the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and relied solely on the copies of documents and the copy of the PRC legal opinions provided by the Instructing Party with regard to the legal titles of the properties. We are given to understand that the PRC legal opinion was prepared by the Company’s PRC legal adviser, Jingtian & Gongcheng. No responsibility or liability from our part is assumed in relation to those legal opinions.

In our report, we have assumed that the legally interested party in each of the properties has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue its titles in the property. Should this not be the case, it will affect our value and findings in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

### INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES

The properties were inspected by Sr Elsa Ng (a Registered Professional Surveyor in Hong Kong and a Registered Real Estate Appraiser in the PRC) in March 2017 and by Mr. Edward Ye (a graduate surveyor) in November 2018. As confirmed by the Instructing Party, there is no material physical change in the properties since our last inspection. We have inspected the exterior, and where possible, the interior of the properties in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and our work should not be taken as making any implied representation or statement about such parts. No building survey, structural survey, investigation or examination has been made, but in the course of our inspections we did not note any

serious defects in the property valued. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and official plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the properties that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties, or have since been incorporated into the properties, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigations would not disclose the presence of any such materials to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value now reported.

### **SOURCES OF INFORMATION AND ITS VERIFICATION**

In the course of our work, we have been provided with copies of the documents regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our agreed procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Company.

We have relied solely on the information provided by the appointed personnel of the Company or the Instructing Party without further verification, and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, letting, occupation, site and floor areas and all other relevant matters.

The scope of our work has been determined by reference to the property list provided by the Instructing Party. All properties on the list have been included in our report. The Instructing Party has confirmed to us that the Group has no property interest other than those specified on the list supplied to us.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our agreed procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

Our valuation has been made only based on the advice and information made available to us. While a limited scope of general inquiries have been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

When we adopted the work products from other professions, external data providers and the appointed personnel of the Company or the Instructing Party in our valuation, the assumptions and caveats that adopted by them in arriving at their figures also applied in our valuation. The procedures we have taken as agreed do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the appointed personnel of the Company or the Instructing Party. Also, we have sought and received confirmation from the appointed personnel of the Company or the Instructing Party that no material factors have been omitted from the information supplied. Our analysis and valuation are based upon full disclosure between us and the Instructing Party or the Company of material and latent facts that may affect our works.

We have had no reason to doubt the truth and accuracy of the information provided to us by the appointed personnel of the Company or the Instructing Party. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan (“**RMB**”).

#### **LIMITING CONDITIONS IN THIS SUMMARY REPORT**

Our findings and conclusion of values of the properties in this summary report are valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and we accept no responsibility whatsoever to any other person.

Unless otherwise stated, our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspection and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of unsuitable materials and techniques.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or make known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this Prospectus to the Company's shareholders' reference.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

It is agreed that the Instructing Party and the Company are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, wilful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

#### **OPINION OF VALUE**

Based on the above information and assumptions, we are of the opinion that the Market Value of the property in Group I held by the Group for internal management reference purpose as at Valuation Date in its existing states assuming free of all encumbrances was in the order of **RENMINBI ONE HUNDRED FORTY-ONE MILLION AND THREE HUNDRED THOUSAND YUAN ONLY (RMB141,300,000)**.

#### **STATEMENTS**

Our report including this summary report are prepared in line with the requirements contained in Chapter 5 of the Listing Rules as well as the reporting guidelines contained in the IVS and the HKIS Standards. The valuation has been undertaken by us, acting as external valuer, for the purpose of the valuation.

We retain a copy of this report together with the data and documents provided by the Instructing Party for the purpose of this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us in writing. Moreover, we will add the Company's information into our client list for our future reference.

The analysis or valuation of the properties depends solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or conclusion of value significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion of value and we have no significant interests in the properties, the Group or the value reported.

Yours faithfully,  
For and on behalf of  
**LCH (Asia-Pacific) Surveyors Limited**

**Elsa Ng Hung Mui** *B.Sc. M.Sc. R.P.S. (GP)*  
*Executive Director*

*Sr Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.*

## SUMMARY OF VALUES

**Group I – Property held and occupied by the Group under long-term title certificates in the PRC and valued on market value basis**

<b>Property</b>	<b>Amount of valuation in its existing state as at 31 July 2019</b>	<b>Interest of the Group</b>	<b>Amount of valuation in its existing state attributable to the Group as at 31 July 2019</b>
1. A driving school complex erecting on two parcel of adjoining land known as Lot No. SP-2015-39a and SP-2015-39b located at Chu Tang Xiang Baililiu Village Suiping County Zhumadian City Henan Province The PRC 463134	RMB141,300,000	100 per cent.	RMB141,300,000
		Total:	RMB141,300,000

**Group II – Properties occupied by the Group under various operating leases in the PRC**

<b>Property</b>	<b>Amount of valuation in its existing state attributable to the Group as at 31 July 2019</b>
2. A parcel of land located at the former iron yard Zhao Chen Village Committee West Hexing Town Suiping County Zhumadian City Henan Province The PRC 463131	No commercial value

<b>Property</b>	<b>Amount of valuation in its existing state attributable to the Group as at 31 July 2019</b>
3. A parcel of land located at western part Vehicle Administration courtyard in Public Security Bureau Traffic Police Battalion Suiping County Zhumadian City Henan Province The PRC 463100	No commercial value
4. Two commercial units known as Nos 4 and 5 on the Level 1 of a building located at western part of Vocational Education Center Suiping County Zhumadian City Henan Province The PRC 463100	No commercial value
Total:	<hr/> <b>Nil</b> <hr/>

## PROPERTIES PARTICULARS WITH VALUES

## Group I – Property held and occupied by the Group under long-term title certificates in the PRC and valued on market value basis

Property	Description and ensure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 31 July 2019
<p>1. A driving school complex erecting on two parcels of adjoining land known as Lot Nos. SP-2015-39a and SP-2015-39b located at Chu Tang Xiang Baililiu Village Suiping County Zhumadian City Henan Province The PRC 463134</p>	<p>The property comprises 2 parcels of adjoining land having a total site area of approximately 105,260.97 sq.m. together with a 5-storey office building and an 12-storey dormitory building erected thereon.</p> <p>The land is paved and there are various driving training facilities erected thereon.</p> <p>The total gross floor area of the office building is 5,102.7 sq.m. and was completed in 2015. <i>(See Note 5 below)</i></p> <p>The total gross floor area of the dormitory is 16,809.97 sq.m. and was completed in May 2018. <i>(See Notes 2, 3, 4 and 6 below)</i></p> <p>The property is located close to the urban center. The locality is mainly with industrial complex and agricultural lands.</p> <p>The property is subject to rights to use the land till 1 February 2056 for other commercial services usage. <i>(See Note 1 below)</i></p>	<p>As confirmed by the appointed personnel of the Company, as at the Valuation Date, the office building was occupied for office purpose and the land was occupied as a driving training school.</p>	<p>RMB141,300,000 (100 per cent. interest) <i>(See Note 11 below)</i></p>

## Notes:

- The rights to possess the land is held by the State and the rights to use the land has been granted by the State to 齐向中 (translated as Qi Xiangzhong) and then transferred to 驻马店通泰大型机动车驾驶员培训有限公司 (translated as Zhumadian Tongtai Large Vehicles Driver Training Company Limited and hereinafter referred to as “**Tong Tai School**”), vide the following ways:

- (i) Lot No. SP-2015-39a and Lot No. SP-2015-39b.
- Pursuant to two Contracts for the Grant of State-owned Land Use Rights No. 411728-CR-2015-0216-14714 and 411728-CR-2015-0217-14716 dated 1 November 2015 and made between 遂平縣市國土資源和房屋局 (translated as Bureau of Land Resources and Housing of Suiping County) and Qi Xiangzhong, the land use rights of two parcels of land having a site area of 30,009.29 sq.m. and 75,251.68 sq.m., respectively was granted to Qi Xiangzhong, at a total consideration of RMB41,920,000.
- (ii) Pursuant to an authorisation letter dated 13 October 2015, Tong Tai School authorised Qi Xiangzhong to acquire the two parcels of land mentioned in Note 1(i) above in personal capacity on behalf of Tong Tai School. Qi Xiangzhong shall transfer the land parcels to Tong Tai School anytime at the request of Tong Tai School.
- (iii) Pursuant to the aforesaid authorisation letter and an Asset Transfer Agreement dated 18 April 2016 and made between Qi Xiangzhong and Tong Tai School, the land use rights of two parcels of land having a total site area of 105,260.97 sq.m. was transferred to Tong Tai School at a total consideration of RMB47,568,227.19.
- (iv) Pursuant to two State-owned Land Use Rights Certificates known as Sui Guo Yong (2016) Di. 039 and 082 Hao (遂國用(2016)第039及082號) issued by the People's Government of Suiping County and dated 4 May 2016 and 30 December 2016, respectively, the legally interested party in the land having a site area of approximately 30,009.29 sq.m. and 75,251.68 sq.m. is Tong Tai School and for a term of 40 years till 1 February 2056, for other commercial services usage.
2. Pursuant to a Planning Permit for Using Construction Usage Land 建設用地規劃許可證 Di Zi Di 411728201500064203109 (No. 0034982) Hao (地字第411728201500064203109號 (No. 0034982) dated 4 November 2015, Qi Xiangzhong was permitted to develop a parcel of land having a site area of approximately 30,009.29 sq.m.
3. Pursuant to a Construction Planning Permit 建設工程規劃許可證 Jian Zi Di 411728201600051203109 Hao (建字第411728201600051203109號) dated 25 May 2016, Tong Tai School was permitted to develop a block of 12-storey dormitory building having a total gross floor area of approximately 16,881.33 sq.m. upon completion.
4. Pursuant to a Permit to Commence Construction 建築工程施工許可證 No. 412823201607194301 dated 20 July 2016, Tong Tai School was permitted to commence construction work at a development scale of approximately 16,881.33 sq.m. dormitory building.
5. Pursuant to a Realty Title Certificate known as Suiping Fang Quan Zheng Zi Di. 00034567 Hao (遂平房權證字第00034567號) dated 23 December 2016 and issued by the Suiping Housing and Urban-Rural Development Bureau (遂平住房及城鄉建設局), the legally interested party in the 5-storey office building having a total gross floor area of approximately 5,102.7 sq.m. is Tong Tai School.
6. Pursuant to a Completion and Acceptance Registration Certificate (竣工驗收備案證書) No. 2018001 dated 24 May 2018, and issued by the Suiping County Completion and Acceptance Registration and Management Office (遂平縣建設工程竣工驗收備案管理辦公室), the dormitory building with a total gross floor area of 16,809.97 sq.m. was completed and accepted in May 2018.
7. As advised by the Instructing Party, Tong Tai School is in the process of applying for the relevant Realty Title Certificate for the dormitory building.

8. According to the on-site inspection and confirmed by the appointed personnel of the Company, 2 various buildings and structures without Realty Title Certificate but having a total gross floor area of approximately 622.4 sq.m. were erected on the land mentioned in Note 1. The area breakdowns for each of the buildings and structures are listed as follows:

	<b>Gross floor area</b> (sq.m.)
(i) A single-storey wood house	283.0
(ii) A single-storey vehicle management office	339.4
Total:	<u>622.4</u>

In our valuation, we have not taken into accounts the value of these buildings and structures.

9. In valuing the subject land, we have referenced to transactions of comparable with the same land use as the property in the same district. The prices of land ranged from RMB525 to RMB1,350 per square metre. Adjustments have been made to size, market trend, plot ratio and residual land use term factors. The adopted unit land price to the land element of the property is RMB785 per square metre.
10. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the following opinions are noted:
- (i) Tong Tai School legally obtained the land use rights of the property by way of transfer, and all the considerations have been paid. Tong Tai School is the only legally interested party in the property;
  - (ii) For the land and building as mentioned in Notes 1 and 5, Tong Tai School has the rights to assign, mortgage, lease, gift and use;
  - (iii) For the construction in progress item as mentioned in Notes 2 to 4, Tong Tai School legally obtained all major approval to construct and has the rights to assign, mortgage, lease, gift and use;
  - (iv) Save except the land as mentioned in Note 1 is subject to mortgage, the property is not subject to any mortgage. Its rights in the property are protected by the relevant laws in China; and
  - (v) According to a confirmation letter from the Planning office of People's Government of Suiping County (遂平縣人民政府規劃辦公室), for the buildings and structures as mentioned in Note 8, Tong Tai School will not be order to demolish such temporary structures for 2 years from 19 October 2018 and will not be subject to any administrative penalties or other legal measures on the construction and use of such temporary structures by Tong Tai School.
11. For information purpose, the amount of valuation of the property as at 31 December 2018 was RMB141,900,000.

## Group II – Properties occupied by the Group under various operating leases in the PRC

Property	Description and occupancy	Amount of valuation in its existing state attributable to the Group as at 31 July 2019
2. A parcel of land located at the former iron yard Zhao Chen Village Committee West Hexing Town Suiping County Zhumadian City Henan Province The PRC 463131	<p>The property comprises a parcel of land having a site area of approximately 41,000 sq.m. (approximately 61.5 Chinese mu).</p> <p>There are various driving training facilities built on the land.</p> <p>The locality is mainly in a rural area.</p> <p>The property is rented to the Group for a term of 20 years commencing from 15 August 2012 to 16 August 2032. (See Note 3)</p> <p>The property was occupied by the Group for driving training purpose as at the Valuation Date.</p>	No commercial value

## Notes:

- The lessor of the property is 和興鎮趙陳村委 (translated as Hexingzhen Zhao Chen Village Committee and hereinafter referred to as “**Village Committee**”), an independent third party to the Company.
- The lessee of the property is 遂平縣順達駕駛員培訓有限公司 (translated as Suiping County Shunda Driver Training Company Limited and hereinafter referred to as “**Shun Da School**”), a subsidiary of the Company.
- The term of the tenancy shall be twenty years commencing from 15 August 2012 to 16 August 2032. The annual rental of the property is RMB98,400 from 15 August 2015 to 16 August 2032.
- As inspected and confirmed by the appointed personnel of Company, 20 various temporary structures with a total gross floor area of approximately 490 sq.m. were erected on the property.

According to the legal opinion as prepared by the Company’s PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the following opinions are noted:

- according to a confirmation letter dated 15 December 2016 jointly issued by the People’s Government of Suiping County, the People’s Government of Suiping County Hexingzhen (遂平縣和興鎮) and the Village Committee, the land property is a collectively usage land of the Village Committee;
- according to confirmation letters dated 15 December 2016 jointly issued by People’s Government of Suiping County, the People’s Government of Suiping County Hexingzhen and the Village Committee and 16 March 2017 issued by Village Committee, the tenancy agreement was approved by their villagers and Shun Da School has the rights to continue the usage and occupation of the temporary structures erected on the land as the structures were erected and held by Shun Da School; and
- the tenancy agreement is legally binding and the rights of the lessee under the agreement is protected under the PRC laws and regulations.

Property	Description and occupancy	Amount of valuation in its existing state attributable to the Group as at 31 July 2019
3. A parcel of land located at the western part of Vehicle Administration courtyard in the Public Security Bureau Traffic Police Battalion Suiping County Zhumadian City Henan Province The PRC 463100	<p>The property comprises a parcel of land having a site area of approximately 7,000 sq.m.</p> <p>There are various driving training facilities built on the land.</p> <p>The locality is mainly in the outskirts of urban area.</p> <p>The property is rented to the Group for a term commencing from 1 April 2014 to 30 March 2024 for driving training purposes. (See Note 3)</p> <p>The property was occupied by the Group for driving training purposes as at the Valuation Date.</p>	No commercial value

*Notes:*

1. The lessor of the property is 遂平縣廣通機動車檢測有限公司 (translated as Suiping County Guangtong Motor Vehicle Testing Company Limited), an independent third party to the Company.
2. The lessee of the property is 遂平縣順達駕駛員培訓有限公司 (translated as Suiping County Shunda Driver Training Company Limited), a subsidiary of the Company.
3. The term of the tenancy shall commence from 1 April 2014 to 30 March 2024. The annual rental of the property is RMB80,000.
4. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the tenancy agreement is legally binding and the rights of the lessee in the agreement is protected under the PRC laws and regulations.

Property	Description and occupancy	Amount of valuation in its existing state attributable to the Group as at 31 July 2019
4. Two commercial units known as Nos 4 and 5 on the Level 1 of a building located at the western part of Vocational Education Centre Suiping County Zhumadian City Henan Province The PRC 463100	<p>The property comprises two commercial units on Level 1 of a 6-storey building which was completed in around 2000's. The property has a gross floor area of approximately 65 sq.m..</p> <p>The locality is mainly in an urban area.</p> <p>The property is rented to the Group for a term of 6 years commencing from 1 August 2018 to 31 July 2024. (See Note 3)</p> <p>The property was occupied by the Group as a registration center as at the Valuation Date.</p>	No commercial value

*Notes:*

1. The lessor of the property are 蔣雲 (translated as Jiang Yun) and 王賀 (translated as Wang He), independent third parties to the Company.
2. The lessee of the property is 遂平縣順達駕駛員培訓有限公司 (translated as Suiping County Shunda Driver Training Company Limited), a subsidiary of the Company.
3. The term of the tenancy shall be six years commencing from 1 August 2018 to 31 July 2024. The current annual rental of the property is RMB30,000. The Rental is subject to change in every two years according to the then market rate.
4. According to the legal opinion as prepared by the Company's PRC legal adviser, Jingtian & Gongcheng (北京市競天公誠律師事務所), the following opinions are noted:
  - (i) the lessor could not produce any kind of title certificate in the property. According to a confirmation letter issued by the Suiping County Vocational Education Centre (遂平縣職業教育中心), the lessor is the legally interested party in the property;
  - (ii) the tenancy agreement is legally binding and the rights of the lessee under the agreement is protected under the PRC laws and regulations; and
  - (iii) the tenancy agreement was registered at the Real Estate Transaction Management Office of Suiping County (遂平縣房地產交易管理所).

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 22 February 2017 under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “**Companies Law**”). The Company’s constitutional documents consist of its Memorandum of Association (the “**Memorandum**”) and its Articles of Association (the “**Articles**”).

### 1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Law and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

### 2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on 19 September 2019 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

#### (a) Shares

##### (i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

##### (ii) *Variation of rights of existing shares or classes of shares*

Subject to the Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

### *(iii) Alteration of capital*

The Company may by ordinary resolution of its members:

- (i) increase its share capital by the creation of new shares;
- (ii) consolidate all or any of its capital into shares of larger amount than its existing shares;
- (iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;
- (iv) sub divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or
- (v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

### *(iv) Transfer of shares*

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Law in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share. The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

***(v) Power of the Company to purchase its own shares***

The Company is empowered by the Companies Law and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

*(vi) Power of any subsidiary of the Company to own shares in the Company*

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

*(vii) Calls on shares and forfeiture of shares*

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

(b) **Directors**

(i) *Appointment, retirement and removal*

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

- (aa) he resigns by notice in writing delivered to the Company;
- (bb) he becomes of unsound mind or dies;
- (cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;
- (dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
- (ee) he is prohibited from being a director by law; or

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

- (ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

*(ii) Power to allot and issue shares and warrants*

Subject to the provisions of the Companies Law and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the board may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed. The board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Law and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

*(iii) Power to dispose of the assets of the Company or any of its subsidiaries*

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Law to be exercised or done by the Company in general meeting.

*(iv) Borrowing powers*

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Law, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

*(v) Remuneration*

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or past Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

*(vi) Compensation or payments for loss of office*

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

*(vii) Loans and provision of security for loans to Directors*

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

*(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries*

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration thereof in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

- (aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

- (dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

**(c) Proceedings of the Board**

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

**(d) Alterations to constitutional documents and the Company's name**

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

**(e) Meetings of members**

**(i) *Special and ordinary resolutions***

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given held in accordance with the Articles.

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

*(ii) Voting rights and right to demand a poll*

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorised representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognised clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

*(iii) Annual general meetings and extraordinary general meetings*

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

*(iv) Notices of meetings and business to be conducted*

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting, particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to, among others, the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally or by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of directors in place of those retiring;
- (dd) the appointment of auditors and other officers; and
- (ee) the fixing of the remuneration of the directors and of the auditors.

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

(v) *Quorum for meetings and separate class meetings*

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise as if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) **Accounts and audit**

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Law or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

---

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW**

---

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditor at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

### **(g) Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Law.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

**(h) Inspection of corporate records**

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK\$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Law or, upon a maximum payment of HK\$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

**(i) Rights of minorities in relation to fraud or oppression**

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

**(j) Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and
- (ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

---

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW**

---

if the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

**(k) Subscription rights reserve**

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

### **3. CAYMAN ISLANDS COMPANY LAW**

The Company is incorporated in the Cayman Islands subject to the Companies Law and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

**(a) Company operations**

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

**(b) Share capital**

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

The Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of Section 37 of the Companies Law); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands (the “**Court**”), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

**(c) Financial assistance to purchase shares of a company or its holding company**

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company’s shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm’s-length basis.

**(d) Purchase of shares and warrants by a company and its subsidiaries**

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Law expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company’s articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

---

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW**

---

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Law.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

### **(e) Dividends and distributions**

The Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

### **(f) Protection of minorities and shareholders' suits**

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

---

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW**

---

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

**(g) Disposal of assets**

The Companies Law contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**(h) Accounting and auditing requirements**

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(i) Exchange control**

There are no exchange control regulations or currency restrictions in the Cayman Islands.

---

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW**

---

### **(j) Taxation**

Pursuant to Section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Cabinet:

- (1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and
- (2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from 12 April 2017.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

### **(k) Stamp duty on transfers**

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

### **(l) Loans to directors**

There is no express provision in the Companies Law prohibiting the making of loans by a company to any of its directors.

### **(m) Inspection of corporate records**

Members of the Company have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

### **(n) Register of members**

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Law. A branch register must be kept in the same manner in which a principal register is

---

## **APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW**

---

by the Companies Law required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

**(o) Register of Directors and Officers**

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

**(p) Beneficial Ownership Register**

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, more than 25% of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

**(q) Winding up**

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

### **(r) Reconstructions**

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

### **(s) Take-overs**

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within

---

## APPENDIX IV SUMMARY OF THE CONSTITUTION OF THE COMPANY AND CAYMAN ISLANDS COMPANIES LAW

---

one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

**(t) Indemnification**

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

**(u) Economic Substance Requirements**

Pursuant to the International Tax Cooperation (Economic Substance) Law, 2018 of the Cayman Islands ("**ES Law**") that came into force on 1 January 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Law. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Law.

#### **4. GENERAL**

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

**A. FURTHER INFORMATION ABOUT OUR COMPANY****1. Incorporation**

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 22 February 2017. Our Company has established a principal place of business in Hong Kong at Rooms 1508-1513, Nan Fung Tower, 88 Connaught Road Central, Hong Kong and was registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 29 May 2017. Mr. Tsang Chi Hon of Flat H, 4/F, Hang Yue Building, 334-350 Dex Voeux Road West, Sai Ying Poon, Hong Kong has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As our Company was incorporated in the Cayman Islands, it is subject to the Cayman Islands law and to our constitution, which comprises the Memorandum and the Articles. A summary of various provisions of our constitution and relevant aspects of the Companies Law is set out in Appendix IV to this prospectus.

**2. Changes in share capital of the Company**

1. As at the date of incorporation, our Company has an authorised share capital of HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One Share was allotted and issued nil-paid to the initial subscriber on 22 February 2017, and was subsequently transferred to Alpha Leap on the same day.
2. Pursuant to the Reorganisation and as consideration for acquisition by our Company of the entire issued share capital of Ample Best, on 14 March 2017, the one nil-paid Share held by Alpha Leap was credited as fully paid and three Shares were allotted and issued to Alpha Leap, credited as fully paid.
3. Pursuant to the Reorganisation and as consideration for acquisition by Ample Best of the entire issued share capital of Maxi Access, on 23 May 2017, one Share was allotted and issued to Cosmic Hero, credited as fully paid.
4. In anticipation of an investment to be made by Greater Sino, on 30 May 2018, our Company allotted and issued 684 and 171 Shares as fully paid to Alpha Leap and Cosmic Hero, respectively.
5. On 8 June 2018, 140 Shares were allotted and issued nil paid to Greater Sino pursuant to the subscription agreement dated 8 June 2018 entered into between our Company, Alpha Leap and Greater Sino. The consideration for the said subscription agreement was paid in cash with the last payment settled on 28 June 2018 and our Company credited the 140 nil paid Shares held by Greater Sino as fully paid.

6. The number of Shares and percentage of shareholding held by our Shareholders after the above allotments were as follows.

<b>Shareholders</b>	<b>Number of Shares held (% shareholding)</b>
Alpha Leap	688(68.8%)
Cosmic Hero	172(17.2%)
Greater Sino	140(14%)

7. Pursuant to the written resolutions of our Shareholders passed on 19 September 2019, the authorised share capital of our Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of an additional 9,962,000,000 Shares, each ranking pari passu with the Shares then in issue in all respects.
8. Immediately following completion of the Capitalisation issue and the Share Offer (without taking into account any Shares which may be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), 400,000,000 Shares will be issued fully paid or credited as fully paid, and 9,600,000,000 Shares will remain unissued.
9. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “3. Written resolutions of our Shareholders passed on 19 September 2019” below and pursuant to the Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of the Company.
10. Save as disclosed in this prospectus, there has been no alteration in our Company’s share capital since its incorporation.

### **3. Written resolutions of our Shareholders passed on 19 September 2019**

On 19 September 2019, resolutions in writing were passed by our Shareholders pursuant to which, among other things:

- (a) our Company approved and adopted the Memorandum with immediate effect and, with effect from the Listing Date, the Articles, the terms of which are summarised in Appendix IV to this prospectus;
- (b) the Company increased its authorised share capital with immediate effect from HK\$380,000 divided into 38,000,000 Shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 Shares of HK\$0.01 each by the creation of an additional 9,962,000,000 Shares of HK\$0.01 each, all of which shall rank pari passu in all respects with the existing Shares;

- (c) conditional upon (i) the Listing Committee granting the listing of, and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus (including any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme); and (ii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
- I. the Share Offer was approved and the Directors were authorised to allot and issue the Offer Shares pursuant to the Share Offer;
  - II. the Over-allotment Option was approved and the Directors were authorised to issue and allot any Share which might be required to be issued if the Over-allotment Option is exercised;
  - III. the rules of the Share Option Scheme, the principal terms of which are set out in the sub-section headed “D. Share Option Scheme” in this appendix below, were approved and adopted, and our Directors were authorised, subject to the terms and conditions of the Share Option Scheme, to grant options to subscribe for the Shares thereunder and to allot, issue and deal with the Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such actions as they consider necessary, expedient or desirable to implement the Share Option Scheme;
  - IV. conditional further on the share premium account of our Company having sufficient balance, or otherwise being credited as a result of the Share Offer, the Capitalisation Issue was approved, and our Directors were authorised to capitalise an amount of HK\$2,999,990.00 standing to the credit of the share premium account of our Company by applying such sum in paying up in full at par 299,999,000 Shares for allotment and issue to the person(s) whose names appear on the register of members of our Company at the close of business on 7 October 2019 (or as they may direct) in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each carrying the same rights in all respects with the then Shares in issue;
- (d) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares (otherwise than by way of rights issue or the exercise of any options which have been or may be granted under the Share Option Scheme, or under the Share Offer or the Capitalisation Issue, or any scrip dividend scheme or similar arrangements in accordance with the Articles, or pursuant to a specific authority granted by the Shareholders in general meeting) with a total number not exceeding 20% of the total number of Shares in issue immediately following completion of the Capitalisation Issue and the Share Offer (but excluding any Shares to

be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the earliest of:

- I. the conclusion of the next annual general meeting of our Company;
  - II. the expiration of the period within which our Company is required by the Articles or the Companies Law or any other applicable laws to hold our next annual general meeting; and
  - III. the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.
- (e) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of the Shares in issue or to be issued immediately following the completion of the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), such mandate to remain in effect until the earliest of:
- I. the conclusion of the next annual general meeting of our Company;
  - II. the expiration of the period within which our Company is required by the Articles or the Companies Law or any other applicable laws to hold our next annual general meeting; and
  - III. the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate as mentioned in sub-paragraph (d) above was extended by the addition to the total number of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the total number of the Shares repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the total number of Shares immediately following completion of the Share Offer and the Capitalisation Issue but excluding the Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

#### 4. Corporate reorganisation

Our Group underwent the Reorganisation to rationalise our Group's structure in preparation for the Listing pursuant to which, among others, our Company became the holding company of our Group. For information relating to the Reorganisation, please refer to the section headed "History and development" in this prospectus.

#### 5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountants' Report of our Group, the text of which is set out in Appendix I to this prospectus.

Save as disclosed in section headed "History and development – Reorganisation" in this prospectus, there has been no other change to the share capital of the subsidiaries of our Company within two years preceding the date of this prospectus.

#### 6. Repurchase of Shares by our Company

The section contains information required by the Stock Exchange to be included in this prospectus concerning the repurchase of the Shares by our Company.

##### (a) *Provisions of the Listing Rules*

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

##### *I. Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

*Note:* Pursuant to the written resolutions passed by our then Shareholders on 19 September 2019, a general unconditional mandate (the "**Repurchase Mandate**") was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares with a total number of not more than 10% of the total number of the shares in issue or to be issued immediately following the completion of the the Share Offer and the Capitalisation Issue (excluding Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), and the Repurchase Mandate shall remain in effect until the earliest of the conclusion of the next annual general meeting of our Company, or the expiration of the period within which the Company is required by the Articles or the Companies Law or any other applicable laws to hold the next annual general meeting; and the time when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

*II. Source of funds*

Any repurchase of securities by our Company must be financed out of funds legally available for the purpose in accordance with the Articles, the applicable laws of the Cayman Islands and the Listing Rules. We are not permitted to repurchase the Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Subject to the foregoing, such repurchases by the Company may only be made out of the Company's profits, the Company's share premium account or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase. Any amount of premium payable on a repurchase over the par value of the Shares to be repurchased must be paid out of the profits of the Company or the Company's share premium account. Subject to satisfaction of the solvency test prescribed by the Companies Law, a repurchase may also be paid out of capital.

*III. Connected parties*

The Listing Rules prohibit a company from knowingly repurchasing the Shares on the Stock Exchange from a "core connected person" (as defined in the Listing Rules), which by definition includes a director, chief executive or substantial shareholder of the company or any of its subsidiaries or close associate of any of them, and a core connected person shall not knowingly sell Shares to such company on the Stock Exchange.

*(b) Exercise of the Repurchase Mandate*

On the basis of 400,000,000 Shares in issue immediately after completion of the Capitalisation Issue and the Share Offer, our Directors would be authorised under the Repurchase Mandate to repurchase up to 40,000,000 Shares during the period in which the Repurchase Mandate remains in force. Any Shares repurchased pursuant to the Repurchase Mandate must be fully paid-up.

*(c) Reasons for repurchases*

Our Directors believe that it is in the best interests of our Company and our Shareholders as a whole for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share or both and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders as a whole.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of the current financial position of our Company as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) *General*

None of our Directors or, to the best of their knowledge, having made all reasonable enquiries, any of their close associates (as defined in the Listing Rules) has any present intention to sell any Shares to our Company if the Repurchase Mandate is exercised.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules, the Articles and the applicable laws and regulations from time to time in force in the Cayman Islands.

If as a result of any repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. In certain circumstances, a Shareholder or a group of Shareholders acting in concert (as defined in the Takeovers Code), depending on the level of increase of our Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as aforesaid, our Directors are not aware of any other consequence under the Takeover Code as a result of a repurchase of Shares made immediately after the Listing.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No core connected person (as defined in the Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

No repurchase of Shares has been made since the incorporation of our Company.

**B. FURTHER INFORMATION ABOUT THE BUSINESS****1. Summary of material contracts**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by our Group within the two years preceding the date of this prospectus and are or may be material in relation to the business of our Company taken as a whole:

- (a) a subscription agreement dated 8 June 2018, entered into between the Company, Alpha Leap and Greater Sino, pursuant to which the Company agreed to issue and Greater Sino agreed to subscribe for 140 Shares at the subscription price of HK\$16,000,000;
- (b) the Shareholders' Agreement;
- (c) the Deed of Indemnity; and
- (d) the Public Offer Underwriting Agreement.

**2. Intellectual property rights of our Group****(a) Trademarks**

As at the Latest Practicable Date, our Group had registered the following trademarks:

No.	Trademark	Registration no.	Trademark owner	Class	Place of registration	Date of Registration	Date of expiry
1.	A. 	304114854	Tong Tai School	41	Hong Kong	20 April 2017	19 April 2027
	B. 						
2.		22817250	Tong Tai School	41	PRC	7 November 2018	6 November 2028

**(b) Domain names**

As at the Latest Practicable Date, our Group had registered the following domain names which are material to our Group's business:

Domain name	Registrant	Registration date	Expiry date
www.zmdttjx.com	Tong Tai School	11 November 2014	11 November 2020
www.china-oriented.com	Tong Tai School	16 September 2019	16 September 2020

The contents of these websites do not form part of this prospectus.

Save as disclosed above, there are no other trademarks or other intellectual property rights which are material in relation to our Group's business.

### C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

#### 1. Disclosure of interests

##### (a) *Interests of directors and chief executive in shares, underlying shares and debenture of our Company and its associated corporations*

Immediately following completion of the Capitalisation Issue and the Share Offer (without taking into account any Shares to be issued upon exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), the interests and short positions of our Directors or chief executive of our Company in shares, underlying shares and debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which, once the Shares are listed on the Stock Exchange, would have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they are taken or deemed to have under such provisions of the SFO) or would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or would be required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to our Company and the Stock Exchange, will be as follows:

##### (i) *Long position in Shares*

Name	Capacity/nature of interest	Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer	Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer
Mr. Qi	Interest in a controlled corporation ( <i>Note 1</i> )	206,400,000	51.6%

*Note:*

- The Shares are registered in the name of Alpha Leap, the entire issued share capital of which is owned by Mr. Qi. Accordingly, Mr. Qi is deemed to be interested in all the Shares held by Alpha Leap for the purposes of Part XV of the SFO.

(ii) *Long position in the shares of associated corporation*

<b>Name of Director</b>	<b>Name of associated corporation</b>	<b>Capacity/nature of interest</b>	<b>Number of share held</b>	<b>Percentage of shareholding in the associated corporation</b>
Mr. Qi	Alpha Leap	Beneficial owner	1	100%

(b) *Interests of substantial and other Shareholders in the Shares and underlying Shares*

So far as is known to our Directors and without taking into account any Shares which may be issued pursuant to the exercise of Over-allotment Option and any options which may be granted under the Share Option Scheme, the following persons (not being a Director or chief executive of our Company) will, immediately following completion of the Capitalisation Issue and the Share Offer, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will be directly or indirectly interested in 10% or more of the issued shares of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of its subsidiaries:

(i) *Long position in Shares*

<b>Name</b>	<b>Capacity/nature of interest</b>	<b>Number of Shares held/interested immediately following completion of the Capitalisation Issue and the Share Offer</b>	<b>Percentage of shareholding immediately following completion of the Capitalisation Issue and the Share Offer</b>
Alpha Leap	Beneficial owner	206,400,000	51.6%
Ms. Gao Dongju (Note 1)	Spouse interest	206,400,000	51.6%
Cosmic Hero	Beneficial owner	51,600,000	12.9%
Mr. Ling (Note 2)	Interest in a controlled corporation	51,600,000	12.9%
Ms. Hui Ching Ping (Note 3)	Spouse interest	51,600,000	12.9%
Greater Sino	Beneficial owner	42,000,000	10.5%
Ample Star (Note 4)	Interest in a controlled corporation	42,000,000	10.5%
China Internet (Note 4)	Interest in a controlled corporation	42,000,000	10.5%

*Note:*

1. Ms. Gao Dongju is the spouse of Mr. Qi. She is deemed to be interested in the Shares in which Mr. Qi is interested in under Part XV of the SFO.
2. The Shares are registered in the name of Cosmic Hero, the entire issued share capital of which is owned by Mr. Ling. Accordingly, Mr. Ling is deemed to be interested in all the Shares held by Cosmic Hero for the purposes of Part XV of the SFO.
3. Ms. Hui Ching Ping is the spouse of Mr. Ling. She is deemed to be interested in the Shares in which Mr. Ling is interested in under Part XV of the SFO.
4. The Shares are registered in the name of Greater Sino, the entire issued share capital of which is owned by Ample Star, which is in turn owned by China Internet. Accordingly, Ample Star and China Internet are deemed to be interested in the Shares in which Greater Sino is interested under Part XV of the SFO.

## **2. Particulars of service agreements**

### **(a) Executive Directors**

Each of our executive Directors has entered into a service contract with our Company. The principal particulars of these service contracts are:

- (i) the service contract shall become effective from the Listing Date and shall be for a term of three years unless terminated in accordance with the terms therein. Under the terms of the service contract, the service contract may be terminated by not less than three months' notice served by either party on the other;
- (ii) the term of service of a Director is subject to retirement by rotation of Directors as set out in the Memorandum and the Articles; and
- (iii) commencing from the Listing Date, each of the executive Directors is entitled to an initial annual salary set out in sub-paragraph (c) of the paragraph headed "Remuneration of Directors" below, such salary to be reviewed annually by our Board.

### **(b) Non-executive Directors**

Each of our non-executive Director and independent non-executive Directors has entered into an appointment letter with our Company. The principal particulars of these appointment letters are:

- (i) appointment shall be for a term of three years commencing from the Listing Date and which may be terminated by not less than three months' notice served by either party on the other;

- (ii) the term of service of a Director is subject to the provisions on retirement by rotation of Directors as set out in the Memorandum and the Articles; and
- (iii) commencing from the Listing Date, each of the non-executive Director and independent non-executive Directors is entitled to an initial director's fee set out in sub-paragraph (c) of the paragraph headed "Remuneration of Directors" below, such director's fee to be reviewed annually by our Board.

### 3. Remuneration of Directors

- (a) The aggregate amount of emoluments (including payment pursuant to any discretionary benefits or bonus or other fringe benefits) paid by our Group to our Directors in respect of each of the years ended 31 December 2016, 2017 and 2018 and the four months ended 30 April 2019 were approximately RMB152,000, RMB155,000, RMB155,000 and RMB52,000 respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2019 will be approximately RMB395,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

	<i>RMB</i>
<b>Executive Directors</b>	
Mr. Qi	240,000
Ms. Zhao Yuxia	240,000
<b>Non-executive Director</b>	
Dr. Yeung Cheuk Kwong	120,000
<b>Independent non-executive Directors</b>	
Mr. Cheng Chun Shing	120,000
Mr. Chan Siu Wah	120,000
Mr. Goh Teng Hwee	120,000

None of the Directors or any past directors of any member of our Group has been paid any sum of money during the Track Record Period (i) as an inducement to join or upon joining the Company; or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no remuneration or other benefits in kind have been paid by any member of our Group to any Director since the date of incorporation of our Company, nor are any remuneration or benefits in kind payable by any member of our Group to any Director in respect of the current financial year under any arrangement in force as at the Latest Practicable Date.

There was no arrangement under which a Director waived or agreed to waive any remuneration for any of the three years ended 31 December 2018 and the four months ended 30 April 2019.

#### **4. Agency fees or commissions received**

Save as disclosed in the section headed “Underwriting – Commission and expenses” in this prospectus, and in the paragraph headed “E. Other Information – 5. Sponsor” in this Appendix, none of our Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this prospectus.

#### **5. Related party transactions**

Details of the related party transactions are set out under Note 32 to the Accountants’ Report as set out in Appendix I to this prospectus.

#### **6. Disclaimers**

Save as disclosed in this prospectus:

- (a) the Directors are not aware of any person (not being a Director or chief executive of our Company) who will, immediately following the completion of the Share Offer and the Capitalisation Issue (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme), have an interest or short position in the Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be, 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 member of our Group;
- (b) none of the Directors or chief executive of our Company has any interest or short position in the Shares, underlying Shares or debentures of our Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange under Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange;

- (c) none of the Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue of this prospectus, acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) none of the Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;
- (e) none of the Directors or the experts named in the paragraph headed “E. Other Information – 6. Qualifications of experts” in this appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group;
- (f) so far as is known to our Directors, none of our Directors, their respective close associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the top five customers or the top five suppliers of our Group; and
- (g) none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

#### **D. SHARE OPTION SCHEME**

##### **Summary of terms of the Share Option Scheme**

We have conditionally adopted the Share Option Scheme on 19 September 2019. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The following is a summary of the principal terms of the Share Option Scheme but does not form part of, nor was it intended to be, part of the Share Option Scheme nor should it be taken as affecting the interpretation of the rules of the Share Option Scheme:

##### ***(a) Purpose of the Share Option Scheme***

The purpose of the Share Option Scheme is to enable our Company to grant options to the employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner of our Company or any subsidiary (including any director of our Company or any subsidiary) who is in full-time or part-time employment with or otherwise engaged by our Company or any subsidiary at the time when an option is granted to such employee, adviser, consultant, service provider, agent, customer, partner or joint-venture partner or any person who, in the absolute discretion of the Board,

has contributed or may contribute to our Group (the “**Eligible Participants**”) as incentive or reward for their contribution to our Group to subscribe for the Shares thereby linking their interest with that of our Group.

**(b) Grant and acceptance of options**

On and subject to the terms of the Share Option Scheme and all applicable statutory requirements, the Board shall be entitled at any time within 10 years after the adoption date of the Share Option Scheme to make an offer to any Eligible Participants as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may determine at the subscription price. An offer shall be made to an Eligible Participant in writing in such form as our Directors may from time to time determine and shall remain open for acceptance by the Eligible Participant concerned for a period of 21 days from the date upon which it is made provided that no such offer shall be open for acceptance after the 10th anniversary of the adoption date of the Share Option Scheme or the termination of the same.

An offer shall be deemed to have been accepted by an Eligible Participant concerned in respect of all Shares which are offered to such Eligible Participant when the duplicate letter comprising acceptance of the offer duly signed by the Eligible Participant, together with a non-refundable remittance in favour of our Company of HK\$1.00 by way of consideration for the grant thereof is received by our Company within 21 days from the date of offer or within such time as may be determined by the Board.

Any offer may be accepted by an Eligible Participant in respect of less than the total number of Shares which are offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof.

**(c) Subscription price of Shares**

The subscription price for Shares under the Share Option Scheme shall be determined at the absolute discretion of our Directors but in any event will not be less than the highest of (a) the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the offer date of the particular option, which must be a business day; (b) the average closing prices of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five consecutive business days immediately preceding the offer date of that particular option; and (c) the nominal value of a Share on the offer date of the particular option.

**(d) Maximum number of Shares**

- (i) Subject to (ii) below, the maximum number of Shares in respect of which options may be granted at any time under the Share Option Scheme together with options which may be granted under any other share option schemes for the time being of our Company must not in aggregate exceed such number of Shares as equals 10% of the issued share capital of our Company at the Listing Date (the “**Scheme Mandate Limit**”) unless Shareholders’ approval has been obtained pursuant to the sub-paragraph immediately

below. On the basis of a total of 400,000,000 Shares in issue as at the Listing Date, the relevant limit will be 40,000,000 Shares which represent 10% of the issued Shares at the Listing Date.

Our Company may seek approval by its Shareholders in general meeting to refresh the Scheme Mandate Limit provided that the total number of Shares available for issue upon exercise of all options which may be granted under the Share Option Scheme and any other schemes of our Group must not exceed 10% of the issued share capital of our Company at the date of approval of refreshing of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Group (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company must send a circular to the Shareholders containing the information and the disclaimer required under the Listing Rules.

Our Company may authorise the Directors to grant options to specified Eligible Participants beyond the Scheme Mandate Limit if the grant of such options is specifically approved by the Shareholders in general meeting. In such case, the Company must send a circular to the Shareholders in connection with the general meeting at which their approval will be sought containing a generic description of the specified Eligible Participants who may be granted such options, the number and terms of the option to be granted, the purpose of granting options to the specified Participants with an explanation as to how the terms of the options serve such purpose, the information and the disclaimer required under the Listing Rules.

- (ii) The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Group must not exceed 30% of the Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Group if this will result in the limit being exceeded.
- (iii) Unless approved by the Shareholders in the manner set out below, the total number of Shares issued and to be issued upon exercise of the options granted and to be granted to each grantee (including both exercised and outstanding options) in any 12-month period must not exceed 1% of the Shares in issue. Where any further grant of options to an Eligible Participant would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Eligible Participant and his/her close associates (or his/her associates if the Eligible Participant is a connected person) abstaining from voting. Our Company must send a circular to its Shareholders and the circular must disclose the identity of the Eligible Participant, the number and terms of the options to be granted (and options previously granted to such Eligible Participant), and such information and disclaimer as may be

required under the Listing Rules from time to time. The number and terms (including the subscription price) of options to be granted to such Eligible Participant must be fixed before Shareholders' approval and the date of meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

- (iv) The exercise of any option shall be subject to the Shareholders in general meeting approving any necessary increase in the authorised share capital of our Company. Subject thereto, our Directors shall make available sufficient of the then authorised but unissued share capital of our Company to allot the Shares on the exercise of any option.

**(e) *Exercise of options***

An option may be exercised at any time during the period to be determined and identified by the Board to each grantee at the time of making an offer for the grant of an option, but in any event no later than 10 years from the date of grant.

Subject to terms of the Share Option Scheme, an option shall be exercisable in whole or in part in the circumstances by giving notice in writing to our Company stating that the option is thereby exercised and the number of Shares in respect of which it is so exercised. Each such notice must be accompanied by a remittance for the full amount of the subscription price for Shares in respect of which the notice is given. After receipt of the notice and the remittance and, where appropriate, receipt of the auditors' certificate, the Company shall within 30 days of the date upon which an option is effectively exercised (being the date of such receipt by the secretary of the Company) allot the relevant Shares to the grantee (or his/her personal representative(s)) credited as fully paid and instruct the relevant share registrar to issue to the grantee (or his/her personal representative(s)) a share certificate in respect of the Shares so allotted.

Though there is no specified minimum period under the Share Option Scheme for which an option must be held or the performance target which must be achieved before an option can be exercised under the terms and conditions of the Share Option Scheme, our Directors may make such grant of options, subject to such terms and conditions in relation to the minimum period of such options to be held and/or the performance targets to be achieved as our Directors may determine in their absolute discretion.

**(f) *Restrictions on the time of grant of options***

Grant of Options may not be made after inside information has come to the knowledge of our Company until such inside information has been announced in accordance with the relevant requirements of the Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of (i) the date of the Board meeting for the approval of our Company's interim or annual results and (ii) the deadline for our Company to publish its interim or annual results announcement, and ending on the date of such results announcement.

**(g) *Rights are personal to grantees***

An option shall be personal to the grantee and shall not be assignable or transferrable and no grantee shall in any way sell, transfer, charge, mortgage, encumber, assign or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option or enter into any agreement to do so.

**(h) *Rights on ceasing employment***

Unless the Board otherwise determines, the option period in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the date on which the grantee ceases to be an Eligible Participant by reason of a termination of his/her employment on any one or more of the grounds that he/she has been guilty of persistent or serious misconduct, or has become bankrupt or has become insolvent or has made any arrangement or composition with his/her creditors generally, or has been convicted of any criminal offence (other than an offence which in the opinion of our Directors does not bring the grantee or any member of our Group into disrepute).

**(i) *Rights on death***

In the event of the grantee ceasing to be an Eligible Participant by reason of his/her death before exercising the option in full and where the grantee is an employee of our Group none of the events which would be a ground for termination of his/her employment under paragraph (h) above arises, his/her personal representative(s) may exercise the option (to the extent not already exercised) in whole or in part within a period of 12 months following the date of death, or such longer period as our Directors may determine.

**(j) *Cancellation of options granted***

The Board may, with the consent of the relevant grantee, at any time at its absolute discretion cancel any option granted but not exercised. Where our Company cancels options and offers new options to the same option holder, the offer of such new options may only be made under the Share Option Scheme with available options (to the extent not yet granted and excluding the cancelled options) within the limit approved by the Shareholders as mentioned in paragraph (d) above.

**(k) *Effect of alterations to share capital***

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable or the Share Option Scheme remains in effect, and such event arises from a capitalisation of profits or reserves, rights issue or other offer of securities to holders of Shares (including any securities convertible into share capital or warrants or options to subscribe for any share capital of our Company, but excluding options under the Share Option Scheme and options under any other similar employee share option scheme of our Company), consolidation, sub-division

or reduction of the share capital of our Company or otherwise howsoever, then, in any such case (other than in the case of capitalisation of profits or reserves) our Company shall instruct auditors or an independent financial adviser appointed by our Company to certify in writing:

- (A) the adjustment, if any, that ought in their opinion fairly and reasonably to be made either generally or as regards any particular grantee, to:
  - i. the number or nominal amount of Shares subject to the option so far as unexercised;
  - ii. the subscription price;
  - iii. the maximum number of Shares referred to in paragraph d(i); and/or
  - iv. the method of the exercise of the option(s).

and an adjustment as so certified by the independent financial adviser appointed by our Company or auditors shall be made, provided that:

- i. any such adjustment must give a grantee the same proportion of the issued share capital of our Company as that to which that person was previously entitled;
  - ii. any such adjustment shall be made on the basis that the aggregate subscription price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event;
  - iii. no such adjustment shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;
  - iv. the issue of securities of our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustment; and
  - v. to the advantage in any respect of the grantee without specific prior approval of the Shareholders.
- (B) in respect of any such adjustment, other than any made on a capitalisation issue, the independent financial adviser or the auditors must confirm to our Directors in writing that the adjustment so made satisfies the requirements of the relevant provisions of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(l) *Rights on a general offer*

If a general or partial offer is made to all the holders of Shares, or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror, our Company shall use all its reasonable endeavours to procure that such offer is extended to all the grantees on the same terms, mutatis mutandis, and assuming that they will become, by the exercise in full of the options granted to them, Shareholders. If such offer becomes or is declared unconditional, the grantee shall, be entitled to exercise the option in full (to the extent which it has become exercisable on the date of the notice of the offeror and already exercised) at any time thereafter and up to the close of such offer.

(m) *Rights on winding up*

In the event of a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up the Company, the Company shall on the same day as or soon after it despatches such notice to each member of the Company give notice thereof to all the grantees and thereupon, each grantee (or his/her respective personal representative(s)) may, subject to the provisions of all applicable laws, by notice in writing to the Company, accompanied by the remittance of the subscription price in respect of the relevant option (such notice to be received by the Company not later than two business days prior to the proposed general meeting of the Company) exercise the option (to the extent which has become exercisable and not already exercised) whether in full or in part and the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares.

(n) *Rights on a compromise or arrangement*

Other than a general or partial offer or a scheme of arrangement contemplated in paragraph (o) below, if a compromise or arrangement between the Company and its members or creditors is proposed for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company shall give notice thereof to all the grantees on the same day as it despatches the notice which is sent to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement, and thereupon each grantee (or his/her personal representative(s)) may by notice in writing to the Company accompanied by the remittance of the subscription price in respect of the relevant option (such notice to be received by the Company not later than two business days before the proposed meeting) exercise any of his/her options (to the extent which has become exercisable and not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court of competent jurisdiction and becoming effective. The Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed meeting referred to above, allot and issue such number of Shares to the grantee which may fall to be issued on such exercise credited as fully paid and register the grantee as holder of such Shares. Upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Scheme. The

Company may require the Grantee (or his/her personal representative(s)) to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the grantee in the same position as nearly as would have been the case had such Shares been subject to such compromise or arrangement.

*(o) Rights on a scheme of arrangement*

If a general or partial offer by way of scheme of arrangement is made to all the holders of Shares and has been approved by the necessary number of holders of Shares at the requisite meetings, the grantee (or his/her personal representative(s)) may thereafter (but only until such time as shall be notified by our Company, after which it shall lapse) exercise the option (to the extent which has become exercisable and not already exercised) to its full extent or to the extent specified in such notice.

*(p) Ranking of Shares*

Shares to be allotted and issued upon the exercise of an option will be subject to all the provisions of the Articles of Association for the time being in force and will rank pari passu in all respects with the fully paid Shares in issue on the date of their allotment and issue (the “**Exercise Date**”) and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the Exercise Date other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the Exercise Date. Shares allotted and issued upon the exercise of an option shall not carry voting rights until the name of the grantee has been duly entered into the register of members of our Company as the holder thereof.

*(q) Duration and administration of the Share Option Scheme*

The Share Option Scheme shall be valid and effective commencing from the adoption date of the Share Option Scheme until the termination date as provided therein (which being the close of business of our Company on the date which falls 10 years from the date of the adoption of the Share Option Scheme), after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted or exercised prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme. The Share Option Scheme shall be subject to the administration of our Board whose decision on all matters arising in relation to the Share Option Scheme or its interpretation or effect shall (save as otherwise provided therein and in the absence of manifest error) be final and binding on all persons who may be affected thereby.

*(r) Alterations to the terms of the Share Option Scheme*

- i. alterations of the provisions relating to the matters set out in Rule 17.03 of the Listing Rules cannot be altered to the advantage of Eligible Participant without the prior approval of the Shareholders in general meeting;

- ii. any alteration to the terms and conditions of the provisions of the Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme;
- iii. any change to the authority of our Directors or administrator of the Share Option Scheme in relation to any alteration to the terms of the Share Option Scheme must be approved by the Shareholders in general meeting; and
- iv. the amended terms of the Share Option Scheme or the options must still comply with the relevant requirements of the Listing Rules and any guidance/interpretation of the Listing Rules issued by the Stock Exchange from time to time.

(s) ***Conditions of the Share Option Scheme***

The Share Option Scheme is conditional upon:

- i. the Listing Committee granting the listing of, and permission to deal in, any Shares to be issued by our Company pursuant to the exercise of options in accordance with the terms and conditions of the Share Option Scheme;
- ii. commencement of dealings of Shares on the Stock Exchange; and
- iii. the passing of the necessary resolution to approve and adopt the Share Option Scheme by the Shareholders in general meeting or by way of written resolution and to authorise our Directors to grant the options at their absolute discretion thereunder and to allot, issue and deal with Shares pursuant to the exercise of any options granted under the Share Option Scheme.

(t) ***Grant of options to connected persons or any of their associates***

Any grant of options to a Director, chief executive or substantial Shareholder (as defined in the Listing Rules) of our Company, or any of their respective associates must be approved by the independent non-executive Directors (excluding independent non-executive Director who is the proposed grantee of the option). Where any grant of options to a substantial Shareholder or an independent non-executive Director, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant:

- i. representing in aggregate over 0.1% of the total number of Shares in issue; and
- ii. having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options must be approved by the Shareholders. Our Company must send a circular to its Shareholders. The grantee, his/her associates and all core connected persons of our Company must abstain from voting at such general meeting, except that any such grantee, his/her associate, or core connected person of our Company may vote against the relevant resolution at the general meeting provided that his/her intention to do so has been stated in the circular. Any vote taken at the meeting to approve the grant of such options must be taken on a poll. The circular must contain:

- (i) details of the number and terms (including the subscription price) of the options to be granted to each Eligible Participant, which must be fixed before the Shareholders' meeting and the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price;
- (ii) a recommendation from the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options) to the independent Shareholders as to voting; and
- (iii) the information and the disclaimer as may be required under the Listing Rules from time to time.

Shareholders' approval is also required for any change in the terms of options granted to an Eligible Participant who is a substantial Shareholder (as defined in the Listing Rules) or an independent non-executive Director, or any of their respective associates.

**(u) *Lapse of option***

The Option Period (as defined in the Share Option Scheme) in respect of any option shall automatically terminate and that option (to the extent not already exercised) shall automatically lapse on the earliest of:

- i. the expiry of the Option Period;
- ii. the expiry of any of the periods referred to in paragraphs (h), (i) or (n), where applicable;
- iii. subject to the court of competent jurisdiction not making an order prohibiting the offeror from acquiring the remaining Shares in the offer, the expiry of the period referred to in paragraph (l);
- iv. subject to the scheme of arrangement becoming effective, the expiry date of the period referred to in paragraph (o);
- v. the date on which the grantee ceases to be an Eligible Participant for any reason other than his/her death or the termination of his/her employment or engagement on one or more grounds specified in (vi) below;

- vi. the date on which the grantee of an option ceases to be an Eligible Participant by reason of the termination of his/her employment or engagement on grounds including, but not limited to, misconduct, bankruptcy, insolvency and conviction of any criminal offence;
- vii. the date of the commencement of the winding-up of our Company;
- viii. the date on which the grantee commits a breach of paragraph (g); or
- ix. the date on which the option is cancelled by the Board as set out in paragraph (j).

(v) ***Termination***

Our Company by an ordinary resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but in all other respects the provisions of the Share Option Scheme shall remain in force and effect and options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme and the Listing Rules.

(w) ***Disputes***

Any dispute arising in connection with the Share Option Scheme (whether as to the number of Shares of an option, any of the matters referred to in paragraph (k) above or otherwise) shall be referred to the decision of the auditors or the independent financial adviser who shall act as experts and not as arbitrators and whose decision shall, in the absence of manifest error, be final, conclusive and binding on all persons who may be affected thereby.

(x) ***Present status of the Share Option Scheme***

Application has been made to the Listing Committee of the Stock Exchange for the approval of the Share Option Scheme, the subsequent grant of options under the Share Option Scheme and the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme which shall represent 10% of the Share in issue upon completion of the Share Offer.

As at the date of this prospectus, no options have been granted or agreed to be granted under the Share Option Scheme.

(y) ***Value of options***

Our Directors consider it inappropriate to disclose the value of options which may be granted under the Share Option Scheme as if they had been granted as at the Latest Practicable Date. Any such valuation will have to be made on the basis of certain option pricing model or other methodology, which depends on various assumptions including, the exercise price, the exercise period, interest rate, expected volatility and other variables. As no options have been granted, certain variables are not available for calculating the value of the options. Our Directors believe that any calculation of the value of the options as at the Latest Practicable Date based on a number of speculative assumptions would not be meaningful and would be misleading to investors.

The Board confirms that the Board will not approve the exercise of any option if as a result which our Company will not be able to comply with the public float requirements under the Listing Rules.

## E. OTHER INFORMATION

### 1. Indemnity on estate duty, taxation and other indemnities

Our Controlling Shareholders (the “**Indemnifiers**”) have under the Deed of Indemnity given joint and several indemnities to our Company for itself and as trustee for its subsidiaries in connection with, among other things:

- (a) to the extent of which is applicable any duty which is or hereafter becomes payable by any member of our Group by virtue of Section 35 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) (the “**Estate Duty Ordinance**”) or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong, or under the provisions of Section 43 of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong, by reason of the death of any person and by reason of the assets of any member of our Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his/her death by reason of that person making or having made a relevant transfer to any member of our Group at any time on or prior to the Listing Date; and/or
- (b) to the extent of which is applicable any amount recovered (now or hereafter) against any member of our Group under the provisions of Section 43(7) of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong in respect of any duty payable under Section 43(1)(c) or Section 43(6) of the Estate Duty Ordinance by reason of the death of any person and by reason of the assets of any member of our Group or any of such assets being deemed for the purpose of estate duty to be included in the property passing on his/her death by reason of that person making or having made a relevant transfer to any member of our Group at any time on or prior to the Listing Date; and/or
- (c) to the extent of which is applicable any amount of duty which any member of our Group is obliged to pay by virtue of Section 43(1)(c) of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong in respect of the death of any person in any case where the assets of another company or any of them are deemed for the purpose of estate duty to be included in the property passing on that person’s death by reason of that person making or having made a relevant transfer to that other company and by reason of any member of our Group having received any distributed assets of that other company on their distribution within the meaning of the Estate Duty Ordinance, in each case at any time on or prior to the Listing Date, but only to the extent to which any member of our Group is unable to recover an amount or amounts in respect of that duty from any other person under the provisions of Section 43(7)(a) of the Estate Duty Ordinance or any law equivalent or similar thereto under the laws of any jurisdiction outside Hong Kong;

- (d) any and all taxation falling on any member of our Group, among other things, (i) resulting from or by reference to any revenue (including any form of government financial assistance, subsidy or rebate), income, profits, gains, transactions, events, matters or things earned, accrued, alleged to have, received, entered into or occurring (or deemed to be so earned, accrued, received, entered into or occurring) on or before the Listing Date; (ii) resulting from or by reference to any event occurring or deemed to occur on or before such date whether alone or in conjunction with another event or other events; (iii) in respect of or in consequence of any act or omission of any member of the Group regarding the inter-companies transactions on or before the Listing Date; (iv) in conjunction with any other circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company, including any and all taxation resulting from the receipt by any member of the Group of any amounts paid by the Indemnifiers thereunder; or and (v) by reason of any transfer of any property to any member of our Group or to any other person, entity or company made or deemed to have been made on or before the Listing Date;
- (e) all damages, losses and liabilities arising from or in connection with any property claim and/or any other liability claim to the extent that the events leading to such damages, losses and liabilities occurred prior to the Listing Date and any such damages, losses and liabilities are not paid by the insurer under any relevant insurance policy (if any); and
- (f) any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by our Group as a result of any litigation, arbitration and/or legal proceedings against any member of our Group which was issued and/or accrued and/or arising from any act, non-performance, omission or otherwise of any member of our Group prior to the Listing Date, including the litigation disclosed in the section headed “Business – Legal proceedings” in this prospectus.

The Indemnifiers will however, not be liable under the Deed of Indemnity for taxation claim to the extent that:

- (a) provision, reserve or allowance has been made for such taxation claim in the audited accounts of any member of our Group;
- (b) the taxation falling on any member of our Group on or after the Listing Date except liability for such taxation which would not have arisen but for any act or omission of, or transaction voluntarily effected by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) prior to the Listing Date without the prior written consent or agreement of the Indemnifiers other than any such act, omission or transaction:
  - i. carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date;
  - or

- ii. carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date; or
  - iii. consisting of any of the members of our Group ceasing, or being deemed to cease, to be a member of any group of companies or being associated with any other company for the purposes of any matter of taxation on or before the Listing Date; or
- (c) such taxation liability is discharged by another person who is not a member of our Group and that no member of our Group is required to reimburse such person in respect of the discharge of such taxation liability;
  - (d) any provision or reserve made for taxation in the audited accounts of any member of our Group which is finally established to be an over-provision or an excessive reserve provided that the amount of any such provision or reserve applied to reduce the liability of the Indemnifiers under the Deed of Indemnity in respect of taxation shall not be available in respect of any such liability arising thereafter and for the avoidance of doubt, such over-provision or excessive reserve shall only be applied to reduce the liability of the Indemnifiers under the Deed of Indemnity as aforesaid and none of the members of our Group shall in any circumstances be liable to pay the Indemnifiers any such excess;
  - (e) the taxation liability arises in the ordinary course of business of our Group after 30 April 2019 up to and including the Listing Date; or
  - (f) such claim arises or is incurred as a consequence of any retrospective changes in law or practice coming into effect after the Listing Date or such claim arises or is increased by an increase in rates in taxation after the Listing Date with retrospective effect.

The Directors have been advised that no material liability for estate duty is likely to fall on our Company in the Cayman Islands.

## **2. Litigation**

As at the Latest Practicable Date, save as disclosed in this prospectus, neither our Company nor any of its subsidiaries is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us.

## **3. Promoter**

Our Company has no promoter for the purpose of the Listing Rules.

Save as disclosed above, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefits have been paid, allotted or given to any promoters in connection with the Share Offer or other related transactions described in this prospectus.

**4. Preliminary expenses**

The preliminary expenses relating to the incorporation of our Company are approximately HK\$42,000 and are payable by our Company.

**5. Sponsor**

The Sponsor has made an application on behalf of our Company to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Share Offer and the Capitalisation Issue (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme). All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules. The Sponsor's fees payable by us in respect of the Sponsor's services for the Listing is approximately HK\$5.5 million.

**6. Qualifications of experts**

The following are the respective qualifications of the experts who have given their opinion or advice which is contained in this prospectus:

<b>Name</b>	<b>Qualification</b>
Cinda International Capital Limited	A licensed corporation to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Jingtian & Gongcheng	PRC legal advisers
Deloitte Touche Tohmatsu	Certified Public Accountants
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Frost & Sullivan International Limited	Industry research consultant
LCH (Asia-Pacific) Surveyors Limited	Property valuer
Moore Stephens Advisory Services Limited	Internal control consultant

**7. Consents of experts**

Each of the experts named in the paragraph headed “Qualifications of experts” above has given and has not withdrawn its written consent to the issue of this prospectus, with the inclusion of its letters and/or reports and/or opinions and/or summary thereof (as the case may be) and/or references to its name included herein in the form and context in which they respectively appear.

None of the experts named in the paragraph headed “Qualifications of experts” above has any shareholding interest in any members of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of our Group.

**8. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

**9. Registration procedures**

The principal share register of our Company in the Cayman Islands will be maintained by Conyers Trust Company (Cayman) Limited and a branch share register of our Company will be maintained by Tricor Investor Services Limited, our Hong Kong Share Registrar. Save where our Directors otherwise agree, all transfers and other documents of title to Shares must be lodged for registration with, and registered by, our Hong Kong Share Registrar in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

**10. No material adverse change**

Save as disclosed in this prospectus, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Company or our subsidiaries since 30 April 2019 (being the date to which the latest audited consolidated financial statements of our Group were made up) and up to the date of this prospectus and there is no event since 30 April 2019 which would materially affect the information shown in the Accountants’ Report.

**11. Taxation of holders of Shares****(a) Hong Kong**

Dealings in Shares registered on our Company’s Hong Kong branch register of members will be subject to Hong Kong stamp duty. Profits from dealings in Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax.

(b) *Cayman Islands*

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(c) *Consultation with professional advisers*

Intending holders of the Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in the Shares. It is emphasised that none of our Company, our Directors or parties involved in the Share Offer accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

**12. Miscellaneous**

Save as disclosed in this prospectus:

- (i) within the two years immediately preceding the date of this prospectus other than as disclosed in the section headed “History and development” in this prospectus and in this Appendix V:
  - (a) no share or loan capital of our Company or any of its subsidiaries has been issued, agreed to be issued or is proposed or intended to be issued fully or partly paid either for cash or for a consideration other than cash;
  - (b) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of its subsidiaries; and
  - (c) no commission has been paid or payable (except to sub-underwriters) for subscribing or agreeing to subscribe, procuring or agreeing to procure subscriptions, for any shares or debenture of our Company or any of its subsidiaries;
  - (d) no founders, management or deferred shares or any debentures of our Company have been issued or agreed to be issued;
  - (e) no share or loan capital of our Company is under option or is agreed conditionally or unconditionally to be put under option;
- (ii) there has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this prospectus;

- (iii) none of the experts named in the paragraph headed “6. Qualifications of experts” above:
  - (a) is interested beneficially or non-beneficially in any securities in any member of our Group, including the Shares; or
  - (b) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of our Group, including the Shares;
- (iv) our Company and our subsidiaries do not have any debt securities issued or outstanding, or authorised or otherwise created but unissued, or any term loans whether guaranteed or secured as at the Latest Practicable Date;
- (v) no company within our Group is presently listed on any stock exchange or traded on any trading system;
- (vi) there are no arrangements in existence under which future dividends are to be or agreed to be waived; and
- (vii) our Group has no outstanding convertible debt securities.

**13. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately in reliance upon the exemption provided in Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). The English text of this prospectus shall prevail over the Chinese text in case of any discrepancy between the two versions.

---

## **APPENDIX VI                      DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES AND AVAILABLE FOR INSPECTION**

---

### **DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) a copy of the Application Forms;
- (b) the written consents referred to in the section headed “Statutory and general information – E. Other information – 7. Consents of experts” in Appendix V to this prospectus; and
- (c) a copy of each of the material contracts referred to in the section headed “Statutory and general information – B. Further information about the business – 1. Summary of material contracts” in Appendix V to this prospectus.

### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the office of Ma Tang & Co. at Rooms 1508-1513, Nan Fung Tower, 88 Connaught Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and the Articles of Association;
- (b) the audited financial statements of our Group for the three years ended 31 December 2018 and the four months ended 30 April 2019 included in the Accountants’ Report of our Group from Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;
- (c) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the Frost & Sullivan Report;
- (e) the Property Valuation Report;
- (f) the letter of advice from Conyers Dill & Pearman, our legal advisers as to Cayman Islands laws, summarising certain aspects of Cayman Companies Law referred to in “Summary of the Constitution of the Company and Cayman Islands Companies Law” in Appendix IV to this prospectus;
- (g) the legal opinions issued by Jingtian & Gongcheng, our PRC Legal Advisers in respect of our Group’s business operations and property interests in the PRC;
- (h) the report issued by Moore Stephens Advisory Services Limited in respect of the review on the internal control and risk management systems of our Company;

- (i) the material contracts referred to in the section headed “Statutory and general information – B. Further information about the business – 1. Summary of material contracts” in Appendix V to this prospectus;
- (j) the service contracts and appointment letters referred to in the section headed “Statutory and general information – C. Further information about our Directors and substantial Shareholders – 2. Particulars of service agreements” in Appendix V to this prospectus;
- (k) the written consents referred to in the section headed “Statutory and general information – E. Other information – 7. Consents of experts” in Appendix V to this prospectus;
- (l) the rules of the Share Option Scheme; and
- (m) the Companies Law.

