THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

中教控股
CHINA EDUCATION GROUP

China Education Group Holdings Limited
中 國 教 育 集 團 控 股 有 限 公 司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 839)

MAJOR TRANSACTION — ACQUISITION OF SCHOOLS IN HAINAN

A letter from the Board is set out on pages 7 to 51 of this circular.

The Acquisitions have been approved by written Shareholders' approval pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being dispatched to the Shareholders for information only.

30 June 2021

CONTENTS

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

"Acquisitions"	Vendors A Acquisition and Vendors B Acquisition
"Announcements"	the announcements of the Company dated 7 August 2020, 13 August 2020, 17 September 2020, 28 October 2020, 28 December 2020, 29 January 2021 and 1 March 2021 in relation to, among others, the Acquisitions
"Board"	the board of Directors of the Company
"CEG BVI"	China Education Group Holdings (BVI) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
"CEG PRC"	Shuzhi Education Consulting (Ganzhou) Co., Ltd. (術智教育諮詢(贛州)有限公司), a company incorporated in the PRC with limited liability and a fully consolidated affiliated entity of the Company
"Company"	China Education Group Holdings Limited (中國教育集團控股有限公司), a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
"connected person(s)"	has the meaning ascribed thereto under the Listing Rules
"consolidated affiliated entities"	the entities the Group controlled through the Contractual Arrangements, namely Huafang Education, CEG PRC, and the Target Group and their respective subsidiaries
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, WFOE, the Target Group, NewHoldCo, CEG PRC and Hainan Hualian that allow WFOE to exercise control over the Target Group and enjoy the economic benefits arising from the business of the Target Group
"Controlling Shareholders"	Blue Sky Education International Limited and White Clouds Education International Limited
"Director(s)"	the directors of the Company
"Enlarged Group"	the Group after the completion of the Acquisitions and immediately after completion of all the business registration with the relevant authorities in relation to the transfers

"Group"	the Company, its subsidiaries and its consolidated affiliated entities
"Hainan BVI"	SAIPOLO Limited, a company incorporated in the British Virgin Islands with limited liability
"Hainan BVI Transfer"	the transfer of 100% shares in Hainan BVI to CEG BVI
"Hainan Hualian"	Hainan Hualian Investment Co., Ltd. (海南鏵聯投資有限公司), a company incorporated in the PRC with limited liability, being the holder of 15% equity interests of the Target Company as at the date of the Supplemental Vendors B Agreement
"Hainan Shenzheng"	Hainan Shenzheng Industrial Group Co., Ltd. (海南申正實業集團有限公司), a company incorporated in the PRC with limited liability, being the holder of 85% of the equity interests of the Target Company as at the date of the Vendors A Agreement
"Hainan Shenzheng Management Agreements"	the management agreements entered into by WFOE, Hainan Shenzheng, CEG PRC and the Target Group (among others) in relation to the 40% equity interests in the Target Company held by Hainan Shenzheng
"Hainan WFOE"	Hainan Cyber Education Technology Company Limited (海南塞波羅教育科技有限公司), a wholly-owned foreign enterprise in the PRC set up and indirectly wholly-owned by Hainan BVI
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Huafang Education"	Huafang Education Investment Group (Ganzhou) Company Limited (華方教育投資集團(贛州)有限公司), a company established in the PRC with limited liability on 2 August 2017 and one of the consolidated affiliated entities of the Company
"Hualian Engineering"	Hainan Hualian Engineering Management Services Centre (Limited Partnership) (海南鏵聯工程管理服務中心(有限合夥)), a limited partnership established in the PRC, being the holder of 100% of the equity interests of Hainan Hualian as at the date of the Supplemental Vendors B Agreement

"IPO"	initial public offering of Shares on 5 December 2017
"Latest Practicable Date"	22 June 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Mr. CJ Cao"	Mr. Cao Chengjie (曹成杰)
"Mr. CW Cao"	Mr. Cao Chengwei (曹成偉)
"Mr. Q Cao"	Mr. Cao Qi (曹琦)
"Mr. R Cao"	Mr. Cao Rui (曹瑞)
"Mr. Xie"	Mr. Xie Ketao (謝可滔), an executive Director and co-chairman of the Company
"Mr. YK Cao"	Mr. Cao Yeke (曹業科)
"Mr. Yu"	Mr. Yu Guo (于果), an executive Director and co-chairman of the Company
"Ms. NM Xie"	Ms. Xie Ningming (謝檸名)
"Ms. Li"	Ms. Li Ping (李萍)
"Ms. Wu"	Ms. Wu Yanling (吳豔玲), the original owner of NewHoldCo prior to completion of the transfer of NewHoldCo to CEG PRC and all the required business registration
"NewHoldCo"	Hainan Qixing Zhiyuan Education Technology Company Limited (海南啟行致遠教育科技有限公司), a company incorporated in the PRC with limited liability pursuant to the Vendors A Agreement
"NewHoldCo Contractual Arrangements"	the contractual arrangements entered into by Ms. Wu, NewHoldCo and Hainan WFOE that allow Hainan WFOE to exercise control over NewHoldCo

"Original Vendors A"	Hainan Shenzheng and Mr. CJ Cao as the original vendors pursuant to the Vendors A Agreement
"Original Vendors B"	Hainan Hualian and Mr. YK Cao as the original vendors pursuant to the Vendors B Agreement
"PRC"	the People's Republic of China, which for the purpose of this circular will exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Prospectus"	the prospectus of the Company published on 5 December 2017 in connection with the IPO on the Stock Exchange
"Purchasers A"	CEG PRC and CEG BVI
"Purchaser B"	CEG PRC
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreements"	Vendors A Agreement and Vendors B Agreement, as amended by the Supplemental Agreements
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shareholder(s)"	registered holder(s) of the issued Share(s)
"Shares"	ordinary share(s) of the Company
"Shenzheng Haina"	Hainan Shenzheng Haina Education Investment Centre (Limited Partnership) (海南申正海納教育投資中心(有限合夥)), a limited partnership established in the PRC, being the holder of 35% equity interests of the Target Company as at the date of the Supplemental Vendors A Agreement
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
"Supplemental Agreements"	Supplemental Vendors A Agreement and Supplemental Vendors B Agreement

"Supplemental Vendors A Agreement"	the supplemental agreement to Vendors A Agreement entered on 25 August 2020 between Purchasers A, Vendors A and the Target Group in relation to the Vendors A Acquisition
"Supplemental Vendors B Agreement"	the supplemental agreement to Vendors B Agreement entered on 21 August 2020 between Hainan Hualian, Purchaser B and Vendors B in relation to the Vendors B Acquisition
"Target Company"	Hainan Cyber Education Group Co., Ltd. (海南賽伯樂教育集團有限公司), a company incorporated in the PRC with limited liability and is owned collectively by Hainan Shenzheng and Hainan Hualian as at the date of the Vendors A Agreement and Vendors B Agreement
"Target Group"	the Target Company and its subsidiaries, namely Haikou University of Economics (海口經濟學院) and Affiliated Art School of Haikou University of Economics (海口經濟學院附屬藝術學校)
"Vendors A"	the vendors for the Vendors A Acquisition, being the Original Vendors A, Shenzheng Haina, Mr. CW Cao, Mr. Q Cao and Mr. R Cao
"Vendors A Acquisition"	the acquisition of 45% equity interests in the Target Company by Purchasers A from Vendors A pursuant to the Vendors A Agreement as amended by the Supplemental Vendors A Agreement
"Vendors A Agreement"	the agreement entered on 7 August 2020 between Purchasers A, the Original Vendors A and the Target Group
"Vendors B"	the vendors for the Vendors B Acquisition, being Hualian Engineering and Mr. YK Cao
"Vendors B Acquisition"	the acquisition of 100% of the equity interests in Hainan Hualian (which in turn holds 15% equity interests in the Target Company) by Purchaser B from Vendors B pursuant to the Vendors B Agreement as amended by the Supplemental Vendors B Agreement
"Vendors B Agreement"	the agreement entered on 7 August 2020 by Purchaser B and the Original Vendors B

"WFOE"	Huajiao Education Technology (Jiangxi) Company Limited (華教教育科技(江西)有限公司), a company established in the PRC with limited liability on 13 June 2017 and an indirectly wholly-owned subsidiary of the Company
"%"	per cent

For illustrative purpose only, conversion of RMB into HK$ in this circular is made at the following exchange rate: RMB1.00 = HK$1.11.

The English names of the PRC entities (including schools), PRC laws or regulations and the PRC governmental authorities referred to in this circular are merely translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

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(incorporated in the Cayman Islands with limited liability)

(Stock Code: 839)

Executive Directors:
Mr. Yu Guo *(Co-chairman)*
Mr. Xie Ketao *(Co-chairman)*
Dr. Yu Kai *(Chief Executive Officer)*
Ms. Xie Shaohua

Independent Non-Executive Directors:
Dr. Gerard A. Postiglione
Dr. Rui Meng
Dr. Wu Kin Bing

Registered Office in Cayman Islands:
The offices of Walkers Corporate Limited
Cayman Corporate Centre
27 Hospital Road, George Town
Grand Cayman KY1–9008
Cayman Islands

Principal Office in Hong Kong:
Suite 6703-04, 67/F, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

30 June 2021

Dear Sir or Madam,

MAJOR TRANSACTION — ACQUISITION OF SCHOOLS IN HAINAN

I. INTRODUCTION

On 7 August 2020 (after trading hours), the Group entered into the Vendors A Agreement and Vendors B Agreement pursuant to which the Group conditionally agreed to purchase, and the respective vendors conditionally agreed to sell, 45% and 15% equity interests in the Target Company. Due to the re-organisation of the respective vendors' group, Vendors A, Purchasers A and the Target Group entered into the Supplemental Vendors A Agreement on 25 August 2020 and Hainan Hualian, Vendors B and Purchaser B entered into the Supplemental Vendors B Agreement on 21 August 2020. In addition, the Group entered into the Contractual Arrangements, the Hainan Shenzheng Management Agreements and other related agreements with the Target Company. Upon completion, the Group will own 60% equity interests in the Target Company, and the Contractual Arrangements and the Hainan Shenzheng Management Agreements will provide for the Group entitlement to 100% of the operating results of the Target Company until the end of February 2023, after which the Group will be entitled to the operating results of the Target Company with respect to the equity interests owned by the Group. The total consideration for the Acquisitions is RMB1,356,000,000 (equivalent to approximately HK$1,505,160,000).

Vendors A Acquisition is not conditional on Vendors B Acquisition, but Vendors B Acquisition is conditional on Vendors A Acquisition.

The Acquisitions together constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

As the Controlling Shareholders, being a closely allied group of Shareholders controlling an aggregate of 1,500,000,000 Shares (representing approximately 65.99% of the total number of issued Shares as at the Latest Practicable Date), passed a written Shareholders' approval approving the Acquisitions pursuant to Rule 14.44(2) of the Listing Rules, the Company will not convene any general meeting to approve the Acquisitions.

The purpose of this circular is to provide you with, amongst other things, further information in relation to the Acquisitions and other information in compliance with the requirements of the Listing Rules.

THE ACQUISITIONS

As referred to in the Announcements, the Original Vendors A, Purchasers A and the Target Group entered into the Vendors A Agreement on 7 August 2020 pursuant to which the Group conditionally agreed to purchase 45% of the equity interests in the Target Company. Due to the re-organisation of the Vendors A group, Vendors A, Purchasers A and the Target Group entered into the Supplemental Vendors A Agreement on 25 August 2020 to continue the implementation of the transaction contemplated in the Vendors A Agreement. The Vendors A Acquisition has been completed on 16 September 2020.

Vendors A Acquisition

Date	Vendors A Agreement: 7 August 2020 Supplemental Vendors A Agreement: 25 August 2020
Parties to the Supplemental Vendors A Agreement	(1) Purchasers A (2) Vendors A (3) The Target Group

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Vendors A Agreement each member of Vendors A, the Target Group and their respective ultimate beneficial owners (where applicable) is a third party independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Vendors A Agreement and as amended by the Supplemental Vendors A Agreement, the Group conditionally agreed to purchase 45% of the equity interests of the Target Company at an aggregate consideration of RMB1,168,000,000 (equivalent to approximately HK$1,296,480,000). The transfer of equity interests is proposed as follows:

1. Vendors A shall transfer or procure the transfer of 100% shares in Hainan BVI to CEG BVI (the Hainan BVI Transfer) and after the completion of the re-organisation of the Vendors A group, procure the transfer of NewHoldCo (which shall hold 22.5% of the equity interests of the Target Company upon completion of the transfer and all the required business registration) to CEG PRC.

2. Vendors A shall transfer 12.5% and 10% of the equity interests in the Target Company owned by Shenzheng Haina and Mr. CW Cao respectively to CEG PRC.

Representations and warranties

Pursuant to the Vendors A Agreement, the Original Vendors A and the Target Group represented and warranted the following, among others:

(a) Hainan Shenzheng is validly incorporated under the laws of its place of incorporation and has all the relevant authorities and rights, and Mr. CJ Cao has all the relevant authorities to execute and fulfill his obligations thereunder and to complete the transactions contemplated under the Vendors A Agreement;

(b) each of the Target Company and its subsidiaries (except Haikou University of Economics and Affiliated Art School of Haikou University of Economics) is validly incorporated under the laws of its place of incorporation, has already obtained (and remain effective) the required permits, registration and applications, and has completed all necessary procedures to carry on its business;

(c) each of Haikou University of Economics and Affiliated Art School of Haikou University of Economics is a validly established private non-corporate organisation and there are no circumstances which will terminate the operations of Haikou University of Economics and Affiliated Art School of Haikou University of Economics. Each entity has already obtained (and remain effective) the required permits and completed all necessary procedures to carry on its business;

(d) prior to and on the date of completion, the Target Group is in compliance with relevant laws and regulations, and has not granted any options or rights relating to the equity interests of the Target Company;

(e) the Target Company legally owns (and continues to own) the right of use of its intellectual property, land, properties, tangible assets, machinery, vehicles, office facilities and other rights for the operation of the business; and

(f) Haikou University of Economics has confirmed as "a school with reasonable returns" and will elect to become a profit making school in accordance with the Implementation Opinion of the Hainan Government "Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education Development" (《海南省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》).

Supplemental Vendors A Agreement

Pursuant to the Supplemental Vendors A Agreement, Vendors A jointly and severally represent and undertake the vendors' representation and warranties as stipulated in the Vendors A Agreement and further represented and warranted the following:

(a) Shenzheng Haina was validly incorporated under the laws of its place of incorporation and has all the relevant authorities and rights, and Mr. CW Cao, Mr. R Cao and Mr. Q Cao are all PRC residents and each has all the relevant authorities, rights and capacity, to execute the Supplemental Vendors A Agreement, to fulfill their respective obligations thereunder and to complete the transactions contemplated under the said agreement;

(b) prior to completion, Vendors A are the owners of the equity interests in the Target Company free from any encumbrances or liabilities, and they have each fulfilled their obligations under the articles of association of the Target Company and relevant laws and regulations. The previous changes in the capital structure of the Target Company, such as equity interests transfers and increase in registered capital, are all in compliance with the relevant laws and regulations and the articles of association of the Target Company and do not involve any unresolved and/or potential dispute; and

(c) prior to and on the date of completion, the Target Company has not granted any options or rights relating to the equity interests of the Target Company to any third party and no third party has a right to request the Target Company for any equity interests transfer or increase or reduce the registered capital of the Target Company.

Save and except for the aforementioned, the major terms of the Vendors A Acquisition remained the same as under the Vendors A Agreement.

The consideration of the Vendors A Acquisition, payment terms and conditions

The aggregate consideration for the Vendors A Acquisition is RMB1,168,000,000 (equivalent to approximately HK$1,296,480,000). The payment shall be satisfied in the following manner:

First Payment

(i) Hainan Shenzheng shall within five business days upon the signing of the Vendors A Agreement issue a payment notice to CEG PRC for the deposit of RMB150,000,000 (equivalent to approximately HK$166,500,000). The deposit shall be paid by CEG PRC in cash within seven business days upon receipt of the said payment notice.

As at the date of the Supplemental Vendors A Agreement, the deposit has already been paid to Hainan Shenzheng. Hainan Shenzheng (as the original vendor) has agreed to transfer the deposit to Shenzheng Haina and Mr. CW Cao pursuant to the Supplemental Vendors A Agreement given Shenzheng Haina and Mr. CW Cao became the 12.5% and 10% equity interest holders of the Target Company, respectively pursuant to the re-organisation of the Vendors A group.

Second Payment

(ii) In respect of the Hainan BVI Transfer, CEG BVI shall transfer the equivalent of RMB535,000,000 in USD to a designated co-managed account opened in the name of CEG BVI within seven business days upon the fulfillment of the conditions including but not limited to:

a. the equity transfer agreement in relation to the Hainan BVI Transfer has been entered into; and

b. the co-managed account to be set up by CEG BVI has become operational.

For the second payment, Vendors A shall within five business days upon the fulfillment of the conditions below issue a payment notice to CEG PRC for the consideration of RMB323,000,000 (equivalent to approximately HK$358,530,000), and Vendors A shall issue a confirmation letter confirming the fulfillment of the conditions below.

Within seven business days upon the receipt of the confirmation letter, (i) CEG PRC shall transfer the said consideration to Vendors A's designated bank account and (ii) CEG BVI shall transfer the consideration for the Hainan BVI Transfer from the co-managed account to Vendors A's designated account. The conditions to the second payment, inter alia, are as follows:

a. the Hainan BVI Transfer and the relevant registration have been completed and the related corporate documents of Hainan BVI have been delivered to the Group;

b. the revision and amendments of the respective articles of association of the Target Company, Haikou University of Economics and Affiliated Art School of Haikou University of Economics have been completed;

c. the completion of the re-organisation of the respective board of directors of the Target Company, Haikou University of Economics and Affiliated Art School of Haikou University of Economics;

d. Hainan WFOE, NewHoldCo, CEG PRC and/or the Target Company (amongst others) having entered into contractual arrangements, management agreements and other related agreements (as the case may be) as set out in the Vendors A Agreement such that the Group shall be entitled to 100% of operating results of the Target Group from the date of the second payment to the end of February 2023;

e. the relevant internal control process of the Target Group has been established; and

f. the delivery of the company seals and other corporate documents of Hainan BVI, Hainan WFOE, NewHoldCo and other related companies to the Group.

Among the second payment conditions, the Group has waived the following conditions as it is in the interests of the Company and its shareholders as a whole:

(a) the co-managed account to be set up by CEG BVI has become operational: Vendors A originally requested to include such condition in the agreement to ensure that the Company would make payment into this co-managed account and such funds shall be released to the vendors upon fulfillment of all the second payment conditions. However, Vendors A subsequently requested that no such payment shall be made to the co-managed account for cost reasons. The Company was agreeable to waiving such condition given it means the Company can make such payment at a later date;

(b) the registration of the amended articles of association of Affiliated Art School of Haikou University of Economics: the Affiliated Art School of Haikou University of Economics was in the process of changing its name at the time when the second payment conditions has to be fulfilled and the registration will only become effective when the name was changed, therefore causing the delay. This condition was later fulfilled in December 2020; and

(c) the pledge of 100% equity interests of NewHoldCo to CEG PRC and the change of legal representative of NewHoldCo: At the time when the Company waived this condition, 100% equity interests of NewHoldCo have already been pledged to Hainan WFOE (which is a subsidiary of CEG BVI after completion) through the NewHoldCo Contractual Arrangements, which shall have the same effect in substance as pledging to CEG PRC. On 2 April 2021, the NewHoldCo Contractual Arrangements (including the said share pledge) were terminated. On 21 April 2021, 100% equity interests in NewHoldCo has been transferred from Ms. Wu to CEG PRC. As NewHoldCo has already been transferred to CEG PRC, the original share pledge is no longer required.

Third Payment

(iii) Vendors A shall within five business days upon the fulfillment of the conditions below issue a payment notice to CEG PRC for an amount of RMB160,000,000 (equivalent to approximately HK$177,600,000) which shall be paid by CEG PRC within seven business days upon receipt of the said payment notice. The conditions to the third payment, inter alia, are as follows:

a. the fulfillment of the conditions set out in (i) and (ii) above and such conditions remain true and accurate as of the third payment date;

b. Haikou University of Economics having renewed the operation permit of private school (民辦學校辦學許可證) ("**Permit**") and obtained a renewed Permit issued by the relevant authorities;

c. having obtained the land-use rights certificate for Haikou University of Economics as the user of the phase 2 of Guilinyang campus;

d. having obtained the approval from the fire department and the building ownership certificate for the phase 1 of Guilinyang campus;

e. having obtained the relevant approvals for the adjustment in the development plan of Haikou University of Economics campus; and

f. all equity transfers as contemplated under the Vendors A Acquisition have been completed.

One of the third payment conditions is that Haikou University of Economics is required to repay all outstanding loans on or before 31 December 2020. This condition was not fulfilled because Haikou University of Economics was in the process of applying for new loans to refinance the outstanding loans. Given these outstanding loans were part of the Target Group's ongoing ordinary course of business in managing its cashflow, they were extended by the lenders (which are third parties independent from the Company and Vendors A) and hence the Group is not obligated to repay such loans immediately, and the Company does not see this could have any material adverse impact on the Group, the Company has decided to allow the Target Group to continue with its refinancing procedures as it believes that extending such loans through the proposed refinancing will optimize the repayment structure and improve administration efficiency (effectively converting its creditors from multiple parties to a single commercial bank) and is therefore in the interest of the Company and its shareholders as a whole. As at the Latest Practicable Date, the total outstanding relevant loans amounted to RMB60,760,700, which were secured by the tuition fee of Haikou University of Economics, charged at the interest rate of 10% per annum and repayable within one year. After the end of the respective original loan tenors, the outstanding loans will still be charged at the interest rate of 10% per annum and will not be charged for any late payment penalty. Haikou University of Economics is responsible for repayment of the outstanding loans.

Status of the Vendors A Acquisition

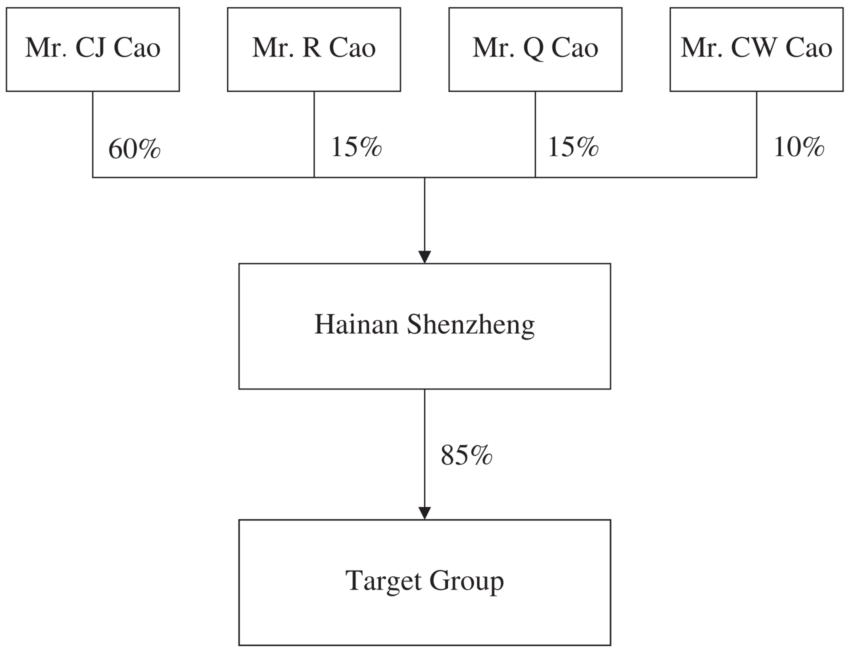
The second payment of the Vendors A Acquisition has been made on 16 September 2020. As at the Latest Practicable Date, the third payment has not been made but the 45% equity interests of the Target Company has been transferred to the Company and Vendors A Acquisition has been completed. The third payment is expected to be made within the calendar year 2021 pending, among others, receipt of the land-use rights certificate for Haikou University of Economics as the user of the phase 2 of Guilinyang Campus and the building ownership certificate for phase 1 of Guilinyang Campus. The Company confirms that there is no legal impediment in obtaining these certificates, Mr. CJ Cao will coordinate and lead the application for obtaining such certificates and the Target Group does not expect to incur any significant costs in the process. Apart from the aforementioned certificates, there are no other land-use rights or building ownership certificate pending to be issued to the Target Group.

As at the Latest Practicable Date, the Hainan BVI Transfer has been completed and NewHoldCo has been transferred to CEG PRC.

Re-organisation of the Vendors A group prior to completion

Vendors A group prior to re-organisation

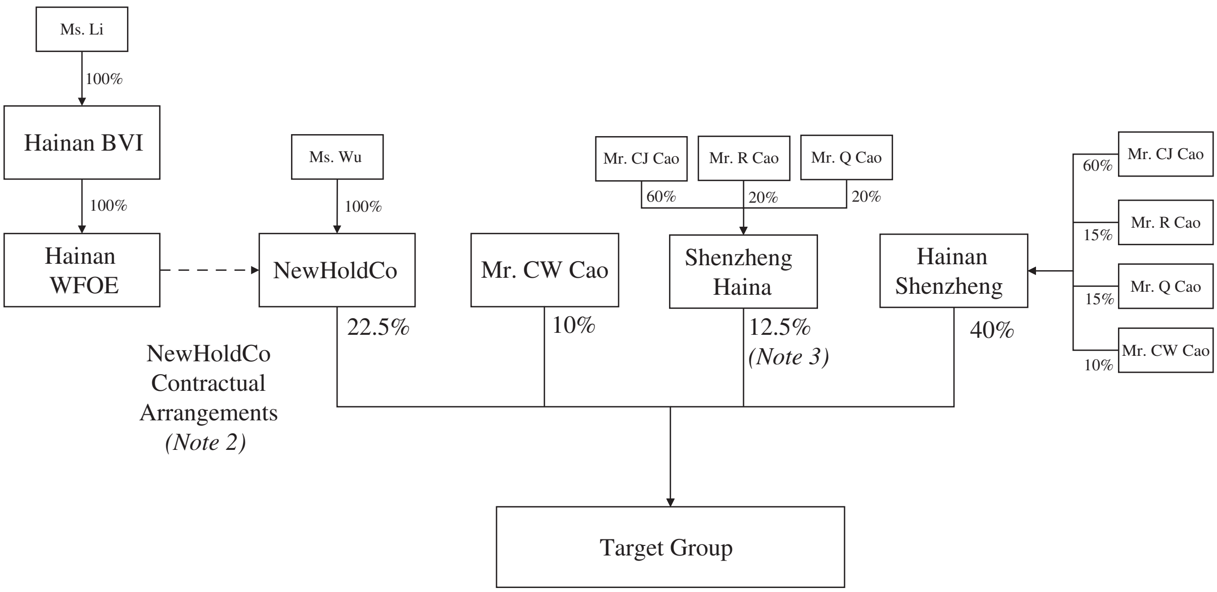
The following diagram illustrates the group structure of Vendors A group immediately prior to the re-organisation:



Prior to the re-organisation , Mr. CJ Cao, Mr. R Cao, Mr. Q Cao and Mr. CW Cao owned 60%, 15%, 15% and 10% of the equity interests in Hainan Shenzheng respectively.

Vendors A group after re-organisation

The following diagram illustrates the group structure of Vendors A group immediately after the re-organisation:



Notes:

(1) the above diagram does not include all intermediary companies.

(2) this denotes the contractual relationship whereby Hainan WFOE provides management and consultancy services to NewHoldCo in consideration of service fees during the interim period before the transfer of NewHoldCo to CEG PRC. The NewHoldCo Contractual Arrangements were terminated on 2 April 2021 prior to the said transfer, which was completed on 21 April 2021. For details, please refer to the section "THE NEWHOLDCO CONTRACTUAL ARRANGEMENTS" of this circular.

(3) As part of the re-organisation, Hainan Shenzheng shall transfer 35% and 10% equity interests in the Target Company to Shenzheng Haina and Mr. CW Cao respectively. As at the date of the Supplemental Vendors A Agreement, Shenzheng Haina held 35% equity interests in the Target Company, of which 22.5% equity interests in the Target Company will then be transferred to NewHoldCo, after such transfer the group structure will be as illustrated in the above diagram.

Reasons, purpose and rationale for the re-organisation of the Vendors A group

Based on the information provided by Vendors A, Vendors A reorganised their group companies because:

(a) for the establishment of NewHoldCo: Ms. Li (the spouse of Mr. CJ Cao) is the co-founder of the Target Group. Hainan Shenzheng held 75% equity interests in the Target Company at that time and Ms. Li held 30% equity interests in Hainan Shenzheng (which Ms. Li's attributable interest in the Target Company being 22.5%). In 2018, she transferred 30% equity interests in Hainan Shenzheng to her two sons, Mr. Q Cao and Mr. R Cao, as nominees to comply with PRC foreign investment requirements. The above re-organisation reflects Ms. Li's 22.5% equity interests in the Target Company through her control of NewHoldCo. NewHoldCo was then wholly-owned by Ms. Wu, the mother of Ms. Li and Ms. Li holds 100% shares of Hainan BVI which indirectly owns Hainan WFOE and has control over NewHoldCo through the NewHoldCo Contractual Arrangements;

(b) for the transfer of the 10% equity interests of the Target Company to Mr. CW Cao: the Company has been informed that, the restructuring was to put Mr. CW Cao to his original 10% equity interests holding (at the time when he founded the Target Group) at the Vendors A Acquisition; and

(c) restructuring of Shenzheng Haina: as part of Vendors A's tax restructuring purpose.

Vendors B Acquisition

As referred to in the Announcements, the Original Vendors B and Purchaser B entered into the Vendors B Agreement on 7 August 2020 pursuant to which the Group conditionally agreed to purchase and the Original Vendors B conditionally agreed to sell 15% of the equity interests in the Target Company. Due to the re-organisation of the Vendors B group, Hainan Hualian, Vendors B and Purchaser B entered into the Supplemental Vendors B Agreement on 21 August 2020. Pursuant to the Supplemental Vendors B Agreement, the Group conditionally agreed to purchase and Vendors B conditionally agreed to sell 100% equity interests of Hainan Hualian which in turn holds 15% equity interests of the Target Company. As at the Latest Practicable Date, the transfer of Hainan Hualian has been completed, the Group restructured the 15% equity interests of the Target Company to be held directly by CEG PRC and Hainan Hualian was deregistered.

The following are the major terms of the Vendors B Agreement as amended by the Supplemental Vendors B Agreement:

Date	Vendors B Agreement: 7 August 2020 Supplemental Vendors B Agreement: 21 August 2020
Parties to the Supplemental Vendors B Agreement	(1) Purchaser B (2) Vendors B (3) Hainan Hualian as the target company of the Vendors B Acquisition

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, as at the date of the Vendors B Agreement each member of Vendors B, Hainan Hualian and their respective ultimate beneficial owners (where applicable) is a third party independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the Vendors B Agreement as amended by the Supplemental Vendors B Agreement, the Group conditionally agreed to purchase and Vendors B conditionally agreed to sell 100% of the equity interests in Hainan Hualian which in turn holds 15% of the equity interests in the Target Company.

Representations and warranties

Pursuant to the Vendors B Agreement, the Original Vendors B and the Target Group represented and warranted the following among others:

(a) Hainan Hualian is validly incorporated under the PRC laws and has all the relevant authorities and rights, and Mr. YK Cao has all the relevant authorities to execute and fulfill his obligations thereunder and to complete the transactions contemplated under the Vendors B Agreement;

(b) prior to completion, the Original Vendors B shall not request the Target Company to distribute profit (if any) or receive any distribution or interests from the Target Company;

(c) from the date of the Vendors B Agreement to the date of the transfer of the equity interests, the Original Vendors B shall not reduce, distribute, acquire, transfer, pledge, redeem or in any ways create any liability to the equity interests in the Target Company; and

(d) the Original Vendors B shall accommodate any requests made by the relevant government authorities or by the Purchaser B to sign any relevant documents in connection with the Vendors A Acquisition.

Supplemental Vendors B Agreement

Pursuant to the Supplemental Vendors B Agreement, Vendors B jointly and severally represent and undertake the vendors' representation and warranties as stipulated in the Vendors B Agreement and further represented and warranted the following:

(a) Hualian Engineering was validly incorporated under the laws of the PRC and has all the relevant authorities and rights to fulfill its obligations under the Supplemental Vendors B Agreement and to complete the transaction as contemplated under the Supplemental Vendors B Agreement;

(b) there are no pledges, potential judicial or administrative seizure orders, guarantee obligations or third party's rights on the equity interests of Hainan Hualian, or any other rights which will affect the rights of Purchaser B on the equity interests of Hainan Hualian; and

(c) there are no liabilities, guarantee obligations or potential claims on Hainan Hualian.

Save and except for the aforementioned, the major terms of the Vendors B Acquisition remained the same as under the Vendors B Agreement.

The consideration of the Vendors B Acquisition, payment terms and conditions

The consideration for the Vendors B Acquisition is RMB188,000,000 (equivalent to approximately HK$208,680,000), which shall be paid to Hualian Engineering's designated bank account and will be satisfied in the following manner:

First Payment

(i) the deposit of RMB37,600,000 (equivalent to approximately HK$41,736,000) shall be paid in cash within five business days upon the fulfillment of the following conditions:

a. the signing of the Vendors B Agreement by the parties thereof;

b. the representation and warranties given by Hainan Hualian and Mr. YK Cao remain true, accurate and complete and not misleading, and Hainan Hualian and Mr. YK Cao have fulfilled their obligations under the Vendors B Agreement and there is no material breach of the Vendors B Agreement;

c. there are no existing or potential claims filed by any third party against any of the Target Company, Hainan Hualian and Mr. YK Cao or its affiliates;

d. there have been no material adverse changes in the financial, business or property, operating results, business prospects or assets of the Target Company, Hainan Hualian and Mr. YK Cao and its related parties, and there has not been one or more events that individually or collectively caused material adverse effects; and

e. there are no laws or government orders imposed or implemented that will render the transaction under the Vendors B Agreement illegal, restricted or prohibited.

As at the date of the Supplemental Vendors B Agreement, the deposit has been paid to Hainan Hualian's designated bank account as the original vendor, Hainan Hualian agreed to transfer the deposit to Hualian Engineering pursuant to the Supplemental Vendors B Agreement.

Second Payment

(ii) an amount of RMB75,200,000 (equivalent to approximately HK$83,472,000) shall be paid in cash within 10 business days upon the satisfaction of the conditions including but not limited to:

a. the fulfillment of the conditions set out in (i) above and such conditions remain true and accurate as of this second payment date;

b. CEG PRC and Hainan Shenzheng or their affiliates having entered into a sale and purchase agreement in relation to the acquisition of the 45% equity interests in the Target Company and the Company has announced the Acquisitions; and

c. Vendors B having obtained all the requisite consent and authorization for the Vendors B Acquisition and registered with the relevant government authorities.

Third Payment

(iii) an amount of RMB65,800,000 (equivalent to approximately HK$73,038,000) shall be paid in cash within 10 business days upon the satisfaction of conditions including but not limited to:

a. the fulfillment of the above conditions (i) and (ii) and such conditions remain true and accurate as of this third payment date; and

b. the completion of the business registration with the relevant authority in relation to the transfer of not less than 45% of the equity interests in the Target Company by Vendors A to the Group.

Fourth Payment

(iv) an amount of RMB9,400,000 (equivalent to approximately HK$10,434,000) shall be paid in cash within 10 business days upon the satisfaction of the conditions including but not limited to:

a. the fulfillment of the above conditions (i), (ii) and (iii) and such conditions remain true and accurate as of this last payment date;

b. having obtained the land-use rights certificate for Haikou University of Economics as the land user of phase 2 of Guilinyang campus; and

c. Vendors B having issued a confirmation letter confirming that the above conditions were fulfilled.

Among the fourth payment conditions, the Group has waived the following conditions:

(a) the above condition (iv)b.;

(b) the signing of documents required for and the completion of the procedures for the deregistration of certain subsidiaries in the Target Group;

(c) Hainan Hualian and the relevant parties having signed the agreement(s) in relation to the transfer all the shares of Hainan Kunlun Sports Culture Company Limited (海南昆侖體育文化股份有限公司) ("**Hainan Kunlun**"), a subsidiary in the Target Group.

The Company confirmed that Vendors B agreed not to call on the accounts receivables from Haikou University of Economics before all the fourth payment conditions are satisfied, therefore the Company considers that waiving the above conditions is in the interests of the Company and its shareholders as a whole.

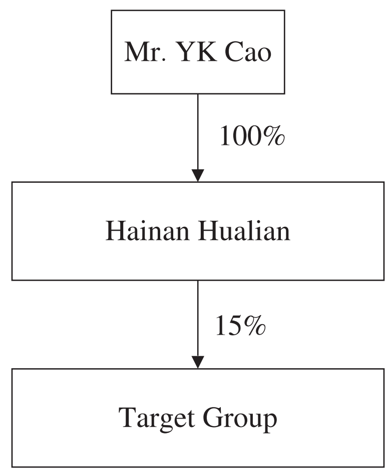
Status of the Vendors B Acquisition

The second and third payments of the Vendors B Acquisition have been made on 25 August 2020 and 4 September 2020 respectively, whilst the fourth payment was made in separate instalments on 9 November 2020 and 10 November 2020 respectively. The Vendors B Acquisition was completed on 16 September 2020.

Re-organisation of the Vendors B group prior to completion

Vendors B group prior to re-organisation

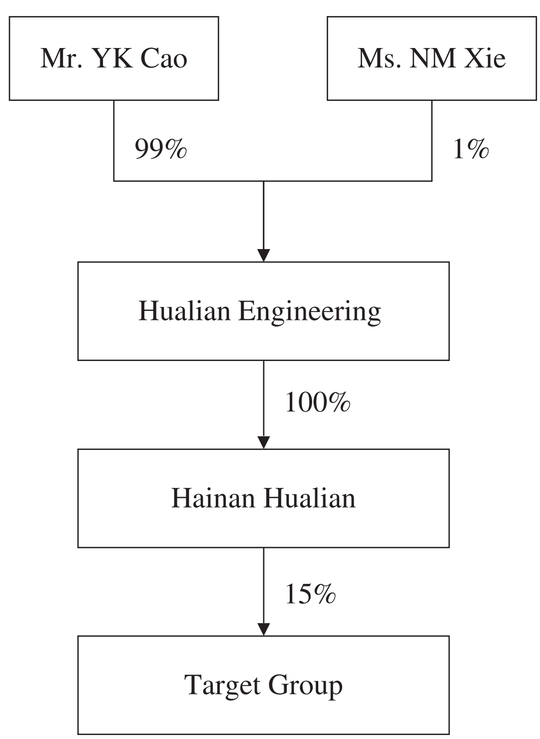
The following diagram illustrates the group structure of Vendors B group immediately prior to the re-organisation :



Prior to the re-organisation, Hainan Hualian was wholly-owned by Mr. YK Cao.

Vendors B group after re-organisation

The following diagram illustrates the group structure of Vendors B group immediately after the re-organisation :



Reasons, purpose and rationale for the re-organisation of the Vendors B group

The 15% equity interests of the Target Company was sold to the Group through the disposal of Hainan Hualian as required by Vendors B. Based on information provided by Vendors B, this re-organisation is for Vendors B's tax restructuring purposes. Vendors B have indicated that if the Company were to acquire the 15% directly from it, it would incur relatively higher costs to do so and which it expects to pass on to the Group as the purchaser. Taking into account the deregistration costs of Hainan Hualian (which is nominal), the Company is of the view that acquiring the 15% interest in the Target Company through acquiring Hainan Hualian first would be in the interests of the Company and its shareholders as a whole.

After considering the long-term management efficiency and potential operational cost of continue holding Hainan Hualian as an investment holding company, the Company concluded that it is more cost effective to directly hold the 15% equity interests in the long term and hence decided to deregister Hainan Hualian to simplify the organisation structure after completion.

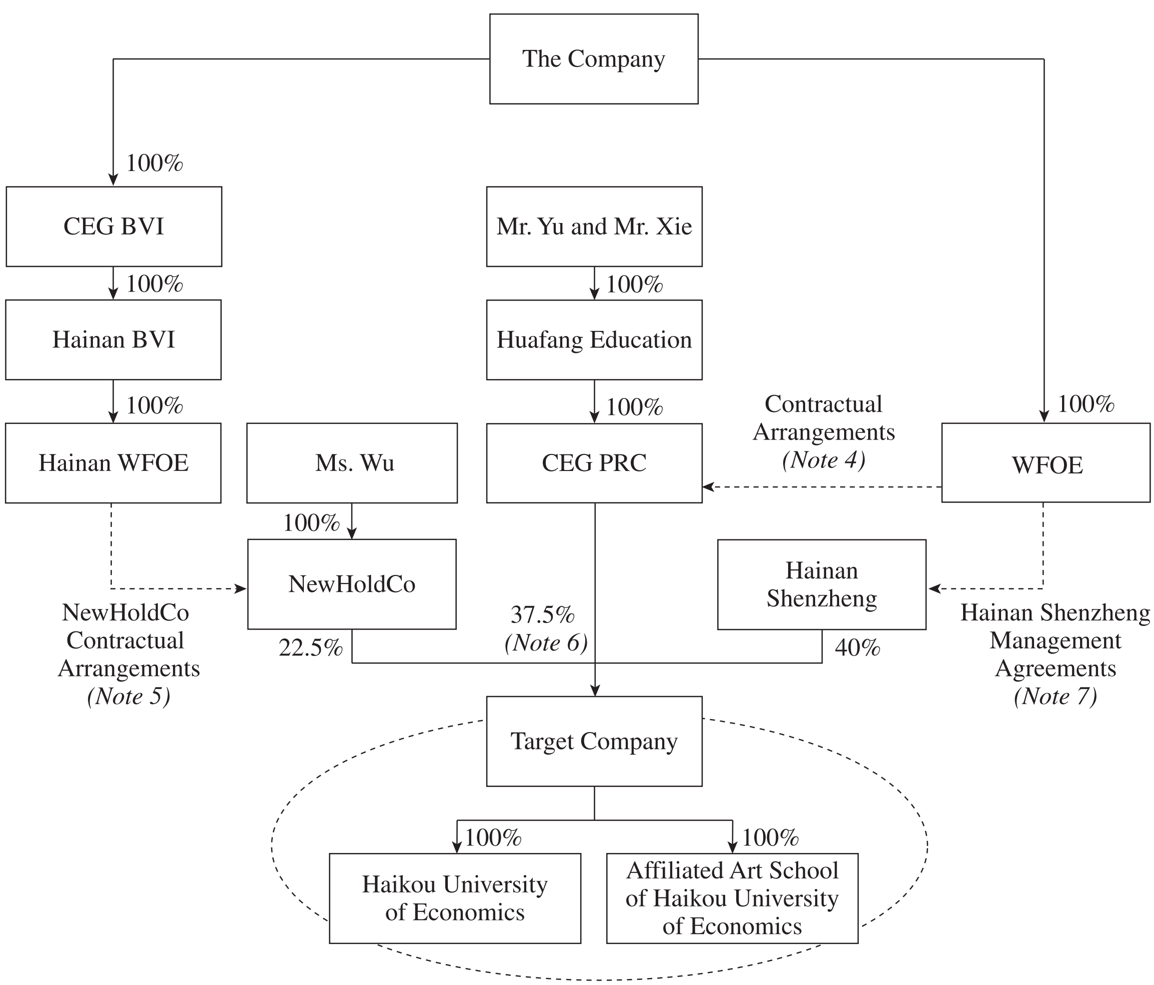
Apart from the deregistration costs of Hainan Hualian in the amount of about RMB90,000 (equivalent to approximately HK$99,900), the Group has no other additional costs (including any extra tax expenses) associated with the re-organisation of the Vendors A group and Vendors B group. The costs associated with the re-organisation of the Vendors A group and Vendors B group were borne by Vendors A and Vendors B. The Directors considered that the re-organisation would have no material adverse effect on the transactions or the Group.

Basis of the consideration for the Acquisitions

The aggregate consideration for the Acquisitions was determined after arm's length negotiation between the Company, Vendors A and Vendors B after considering the following factors: (i) the unaudited consolidated net profits after tax of the Target Company for a period up to the year ended 31 August 2019 and the eight months ended 30 April 2020 (including the EV/EBITDA of the Target Company for the financial year ended 31 August 2019) and (ii) the factors as set out in the section headed ''REASONS FOR AND BENEFITS OF THE ACQUISITIONS''. The consideration for each of the Acquisitions is not pro rata to Vendors A and Vendors B's respective equity interests in the Target Company. The consideration has taken into account factors including the control premium attributable to the aggregate equity holdings of Vendors A, and Mr. CJ Cao's involvement post completion as he will be providing services to the Target Group (including but not limited to obtaining land-use rights certificates for the Target Group), whilst Vendors B will have no relationship with the Target Group after the Acquisitions. Further, it is noted that there is accounting adjustment on the financial information provided in the announcement of the Company dated 7 August 2020 causing a variance with the audited figures provided in Appendix IIA of this circular. Please refer to the reconciliation of financial information set out in Note (ii) of the summary of consolidated financial information of the Target Group in the section headed ''INFORMATION ABOUT THE PARTIES TO THE SALE AND PURCHASE AGREEMENTS — Information of the Target Group'' below. The Company confirms that the accounting adjustment does not impact the core business capabilities of the Target Group such as cash flow, sales and business continuity, and hence the Company is of the view that the recurring EBITDA of the Target Company, which is the valuation basis of the Company's assessment on the consideration for the Acquisitions, is not affected by such accounting adjustment. The Company further confirms that there is no material change to the Target Company's financial information and/or operation after 30 April 2020.

Based on the above and after considering the audited financial information of the Target Group as stated in Appendix IIA of this circular, the Directors and the Controlling Shareholders are of the view and remain with their view that the aggregate consideration for the Acquisitions is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

After the completion of the Acquisitions and the re-organisation of Vendors A group, the simplified shareholding structure of the Target Group was as follows:



Notes:

(1) the above diagram does not include all intermediary companies.

(2) the solid lines represent equity interest holdings.

(3) the dotted circle represents the Target Group.

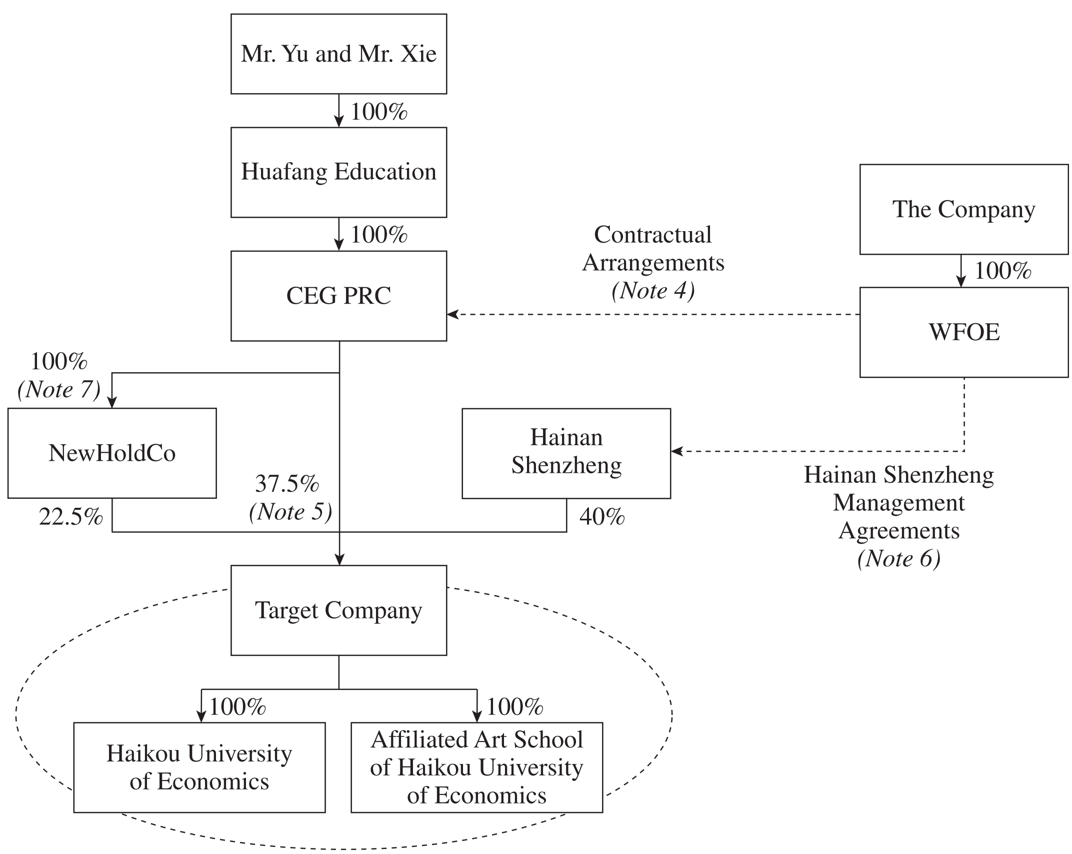
(4) this denotes the contractual relationship whereby WFOE provides management and consultancy services to the Target Group in consideration of service fees.

(5) NewHoldCo was held by Ms. Wu. During the period prior to the completion of the transfer of NewHoldCo to CEG PRC and all the required business registration, the Group controlled NewHoldCo (which holds 22.5% of the equity interests in the Target Company) through the NewHoldCo Contractual Arrangements. On 2 April 2021, the said contractual arrangements were terminated. Please refer to the section "THE NEWHOLDCO CONTRACTUAL ARRANGEMENTS" in this circular for detail.

(6) Amongst the 37.5% equity interest holding, 15% was transferred by Hainan Hualian to CEG PRC upon completion of the Vendors B Acquisition whereas 22.5% was transferred by Shenzheng Haina and Mr. CW Cao to CEG PRC pursuant to the Vendors A Agreement as amended by the Supplemental Vendors A Agreement.

(7) this denotes Hainan Shenzheng Management Agreements pursuant to which the 40% operating results of the Target Group will be transferred to the Group until the end of February 2023. Please refer to the section "HAINAN SHENZHENG MANAGEMENT AGREEMENTS" in this circular for detail.

Upon completion of the transactions contemplated under the Sale and Purchase Agreements and all the business registration with the relevant authorities in relation to the transfers, and after the deregistration of certain non-operating subsidiaries of the Target Company, the simplified shareholding structure of the Target Group will be as follows:



Notes:

(1) the above diagram does not include all intermediary companies.

(2) the solid lines represent equity interest holdings.

(3) the dotted circle represents the Target Group.

(4) this denotes the contractual relationship whereby WFOE provides management and consultancy services to the Target Group in consideration of service fees.

(5) Amongst the 37.5% equity interest holding, 15% was transferred by Hainan Hualian to CEG PRC upon completion of the Vendors B Acquisition whereas 22.5% was transferred by Shenzheng Haina and Mr. CW Cao to CEG PRC pursuant to the Vendors A Agreement as amended by the Supplemental Vendors A Agreement.

(6) this denotes Hainan Shenzheng Management Agreements pursuant to which the 40% operating results of the Target Group will be transferred to the Group until the end of February 2023. Please refer to the section ''HAINAN SHENZHENG MANAGEMENT AGREEMENTS'' in this circular for detail.

(7) On 21 April 2021, the transfer of NewHoldCo from Ms. Wu to CEG PRC was completed.

INFORMATION ABOUT THE PARTIES TO THE SALE AND PURCHASE AGREEMENTS

Information of the Group

The Group is a leading global higher and vocational education group with footprints in China, Australia, and the United Kingdom ("UK"), visioning to provide quality education through innovation. As at 28 February 2021, the Group's school network consists of eleven universities and professional schools in China (including the top ranked and largest private university in the country and four schools in the Guangdong-Hong Kong-Macao Greater Bay Area), an accredited higher education institute in Sydney, Australia, and a US-UK dual degree awarding university in London, UK. The Group is also the largest listed higher and vocational education provider in China in terms of student enrolment. As at 28 February 2021, the Group enrolled approximately 250,300 students.

CEG PRC is a limited liability company incorporated in the PRC and a fully consolidated affiliated entity of the Company. CEG PRC is principally engaged in the business of providing investment and management services in the education industry and related consultancy services.

CEG BVI is an investment holding company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company.

Hainan WFOE is a wholly-owned foreign enterprise in the PRC set up and indirectly wholly-owned by Hainan BVI and is principally engaged in the business of education consulting and management.

WFOE is a company established in the PRC with limited liability on 13 June 2017 and an indirectly wholly-owned subsidiary of the Company and is principally engaged in the business of educational consultancy services.

Information of the Target Group

The Target Company is a company incorporated in the PRC with limited liability. It is the sole sponsor of Haikou University of Economics and the Affiliated Art School of Haikou University of Economics.

The following is a summary of the consolidated financial information of the Target Group for the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021. The consolidated financial information of the Target Group was prepared in accordance with International Financial Reporting Standards ("**IFRSs**").

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	428,036	476,158	550,079	272,746	336,316
Net profit (loss) (before tax)	10,592	3,755	(97,078)	(3,901)	48,181
Adjusted net profit (before tax) [(i)]	68,883	64,573	95,494	27,623	69,060
Net profit (loss) (after tax)	2,923	(1,860)	(99,391)	(4,776)	46,447
Adjusted net profit (after tax) [(i)]	61,214	58,958	93,181	26,748	67,326
Earnings before interest, tax, depreciation and amortization ("EBITDA")	185,236	188,811	93,211	91,335	137,879
Adjusted EBITDA [(i)]	243,527	249,629	285,783	122,859	158,758

The total assets and net liabilities of the Target Group as at 28 February 2021 is approximately RMB2,570,368,000 and RMB181,446,000, respectively.

Notes:

(i) Please refer to "APPENDIX IIIA MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP" for the calculations of adjusted net profit (before and after tax) and adjusted EBITDA.

(ii) The reconciliation of unaudited financial information set out in the announcement dated 7 August 2020 and the audited financial information set out in this circular for the year ended 31 August 2018 and 2019 is as follow:

	Year ended 31 August 2018 *RMB'000*	**Year ended 31 August 2019** *RMB'000*
Net profit (after tax) (unaudited) as set out in the announcement dated 7 August 2020	73,163	44,733
Adjustments for:		
Fair value change on construction costs payables	(58,291)	(60,818)
Other adjustments	(11,949)	14,225
Net profit (after tax) (audited)	2,923	(1,860)

For the year ended 31 August 2018 and 2019, the variances are primarily due to the fair value change on long term construction cost payables for school premises recognised in profit or loss in accordance with IFRSs. Such long term construction cost payables for school premises arose from arrangements between the Target Group and other contractors for building school dormitories and academic buildings. Except for Hainan Kunlun Sports Culture Co., Ltd. ("**Hainan Kunlun**"), these contractors are third parties independent of the Target Group, whereas Hainan Kunlun is a third party independent of other contractors, its controlling shareholder is Mr. CJ Cao, one of the Vendors A. Other adjustments mainly represented provision of compliance matters, reversal of cash-basis expenses paid to contractors for school premises and reassessment on depreciations for school premises.

The net loss (after tax) of RMB99,391,000 for the year ended 31 August 2020 has been adjusted for the fair value change on long term construction cost payables for school premises and other relevant adjustments.

	Year ended 31 August 2018 *RMB'000*	**Year ended 31 August 2019** *RMB'000*
Revenue (unaudited) as set out in the announcement dated 7 August 2020	515,828	578,189
Less:		
Other income (audited)	66,297	72,857
Other adjustments	21,495	29,174
Revenue (audited)	428,036	476,158

The revenue (unaudited) for the years ended 31 August 2018 and 2019 as set out in the announcement of the Company dated 7 August 2020 included other income and other adjustments. These were included in the said announcement and not in this circular due to classification difference and is the primary cause of the variances between the financial information provided in the announcement and this circular. The amounts of the other income recorded in the financial information set out above are different from the amounts set out in the announcement. This is because the amounts above were recognised on the net of cost basis (i.e. after deducting the direct costs related to the other income/ other adjustments) according to the Company's group accounting policies but the amounts in the announcement were recognised on gross basis. The other adjustments are mainly adjusting for this accounting policies' variance.

The unaudited net assets as at 30 April 2020 was RMB359,118,000 as set out in the announcement dated 7 August 2020. The Target Group recorded the audited net liabilities of RMB224,913,000 as at 31 August 2020, which was mainly due to the adjustments for i) recognition of long term construction cost payables for school premises, which increased the liabilities by RMB410,954,000, ii) recognition of property and equipment in relation to the school premises which construction cost are settled by long term construction cost payables, which increased the assets by RMB412,316,000, iii) provision of compliance matters and a legal case, which increased liabilities by RMB130,631,000 and iv) reassessment of the recognition criteria and measurement of property and equipment in accordance with the Company's group accounting policies, which decreased the assets by RMB133,716,000; and the recognition of payable to Hainan Kunlun accounting for a package deal agreement signed on 6 August 2020 between the Target Group and Hainan Kunlun, which increased liabilities by RMB295,849,000. Please refer to notes 22 (iii) and note 4(c) of Appendix IIA of this circular for more details on the package deal agreement and fair value measurement of long term construction cost payables, respectively.

For more details on fair value change on long term construction cost payables for school premises and long term construction cost payables for school premises, please refer to notes 4(c), 19 and 22 of Appendix IIA of this circular.

The financial information of the Target Group contained in the announcement dated 7 August 2020 was unaudited and was prepared based on the financial information obtained during the financial due diligence process. The main variances compared to the audited figures above resulted from the recognition of long term construction cost payables and the fair value change on long term construction cost payables in accordance with IFRSs. Such fair value change is non-cash in nature. The adjusted earnings before interest, tax, depreciation and amortization for the year ended 31 August 2018 and 2019 were RMB243,527,000 and RMB249,629,000, respectively, which are comparable to the EBTIDA of RMB224,846,000 and RMB242,132,000, respectively, as contained in the announcement dated 7 August 2020. The Company is of a view that the financial information contained in the announcement dated 7 August 2020 is in line with the audited financial information with adjustment on the abovementioned non-cash item.

Haikou University of Economics is a higher education institution in the PRC and is the largest private university in Hainan. It has student enrollment of approximately 48,000, of which 24,000 are regular higher education programmes students in 2020/2021 academic year and approximately 46,000 in February 2021. Its annual enrollment quota for regular Bachelor's and Junior College programmes in 2020/2021 academic year exceeds 12,600 students. Being approved to provide Bachelor's degree programmes by the Ministry of Education of the PRC in 2008, it is the most established private university in Hainan. It has been highly successful in operating high-quality colleges especially for arts and film-related programmes. It is designated by Hainan government as a model private university of application-oriented education. In 2020/2021 academic year, the tuition of its Bachelor's degree programmes range from RMB23,900 (equivalent to approximately HK$26,529) to RMB99,900 (equivalent to approximately HK$110,889) per year.

Affiliated Art School of Haikou University of Economics is a vocational school in the PRC. Its total enrollment is about 1,400 students in 2020/2021 academic year and about 2,500 students in February 2021. Students graduating from the school may progress to Bachelor's and Junior College programmes in the Haikou University of Economics.

In view of the outbreak of coronavirus disease 2019 ("**COVID-19**"), the Target Group and its member schools have taken necessary health precaution to safeguard the safety of our employees and students. During the suspension of on-campus classes caused by the COVID-19 epidemic, Haikou University of Economics and Affiliated Art School of Haikou University of

Economics offer online learning to students. The Target Group will continue to closely monitor development of the COVID-19 situation and endeavor to minimise the negative impact on the Target Group. The Directors considered that the COVID-19 will not have a material adverse effect on the operation or finance of the Target Group.

Information of Hainan Hualian

Hainan Hualian is a company incorporated in the PRC with limited liability. It holds 15% of the equity interests in the Target Company as at the date of the Supplemental Vendors B Agreement. Hainan Hualian had been deregistered on 31 December 2020.

The following is a summary of the financial information of Hainan Hualian for the years ended 31 August 2018, 2019 and 2020 and the four months ended 31 December 2019 and 2020. The financial information of Hainan Hualian was prepared in accordance with IFRSs.

	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	—	—	—	—	—
Net profit (loss) (before tax)	25	5,576	(1,848)	(557)	—
Net profit (loss) (after tax)	25	5,576	(1,848)	(557)	—

The total assets and net assets of Hainan Hualian as at 31 December 2020 is nil and nil, respectively.

The historical financial information of Hainan BVI and Hainan WFOE are not included because Hainan BVI was incorporated on 9 July 2020 and Hainan WFOE was incorporated on 1 September 2020. These two companies are investment holding companies.

Information of other transaction parties

Hainan Shenzheng is an investment holding company incorporated in the PRC with limited liability.

Hainan BVI is an investment holding company incorporated in the British Virgin Islands.

Hualian Engineering is an investment holding limited partnership established in the PRC.

NewHoldCo is an investment holding company incorporated in the PRC pursuant to the Vendors A Agreement. Upon completion of the Acquisitions and immediately after completion of all the business registration with the relevant authorities in relation to the transfers, it owns 22.5% of the equity interests of the Target Company and is a fully consolidated affiliated entity of the Company.

Mr. CJ Cao is a PRC resident. Prior to completion of the Vendors A Acquisition and after the re-organisation of Vendors A group, Mr. CJ Cao holds 60% equity interests in Shenzheng Haina and 60% equity interests in Hainan Shenzheng. Mr. CJ Cao is the co-founder of the Target Group, and was the chairman of the board of directors of Haikou University of Economic and vice president of China Private Education Association. He was the chairman of the board of directors of the Target Company. After the Acquisitions, Mr. CJ Cao will remain in his position as the chairman of the board of directors of Haikou University of Economics and a director of the Target Company.

Mr. CW Cao is a PRC resident. Prior to completion of the Vendors A Acquisition and after the re-organisation of Vendors A group, Mr. CW Cao holds 10% of the equity interests in Hainan Shenzheng and 10% equity interests in the Target Company. He is the co-founder of the Target Group, is and will continue to be a director of the Target Company after the Acquisitions. After the Acquisitions, Mr. CW Cao will be appointed as the vice chairman of the Target Company. He is the brother of Mr. CJ Cao.

Mr. R Cao is a PRC resident. Prior to completion of the Vendors A Acquisition and after the re-organisation of the Vendors A group, Mr. R Cao holds 20% of the equity interests in Shenzheng Haina and 15% equity interests in the Hainan Shenzheng. He is the son of Mr. CJ Cao.

Mr. Q Cao is a PRC resident. Prior to completion of the Vendors A Acquisition and after the re-organisation of Vendors A group, Mr. Q Cao holds 20% of the equity interests in Shenzheng Haina and 15% equity interests in the Hainan Shenzheng. He is the son of Mr. CJ Cao. After the Acquisitions, he will be appointed as a director of the Target Company. He is and will continue to be a director of Haikou University of Economics after the Acquisitions.

Ms. Li is a Canadian resident and Ms. Wu is a PRC resident. Ms. Li is the spouse of Mr. CJ Cao and the daughter of Ms. Wu.

For details of Mr. CJ Cao, Mr. CW Cao, Mr. Q Cao, Mr. R Cao, Ms. Li and Ms. Wu's equity interests holding in Vendors A group prior to the acquisition, please refer to the section headed "Re-organisation of the Vendors A group prior to completion".

Mr. Xiao Chen is a PRC resident and an executive director of the Target Company and the president of Haikou University of Economics prior to the Acquisitions. He remains in his position as the president of Haikou University of Economics after the Acquisitions.

As Mr. CJ Cao, Mr. Q Cao, Mr. CW Cao and Mr. Xiao Chen (i) are the key personnel to the operation and development of the Target Group, (ii) Mr. CJ Cao and Mr. CW Cao are co-founders of the Target Group, they have been operating the Target Group since its establishment, they remain in their managerial roles in the Target Group after the Acquisitions to ensure that the Target Group will operate smoothly after the Acquisitions and is therefore in the interest of the Company to retain them.

Mr. YK Cao is a PRC resident. Prior to completion of the Vendors B Acquisition and after the re-organisation of Vendors B group, Mr. YK Cao holds 99% of the equity interests in Hualian Engineering. He is the co-founder of the Target Group and former executive president of Haikou University of Economics. Mr. YK Cao is a distant relative to Mr. CJ Cao and Mr. CW Cao.

Ms. NM Xie is a PRC resident and the spouse of Mr. YK Cao.

Shenzheng Haina is an investment holding limited partnership established in the PRC.

THE CONTRACTUAL ARRANGEMENTS

On 15 September 2020, WFOE, a wholly-owned subsidiary of the Company, NewHoldCo, CEG PRC, Hainan Hualian and the Target Group (among others) entered into the Contractual Arrangements, which consist of:

(a) an exclusive management consultancy and business cooperation agreement dated 15 September 2020 (the "**Management Agreement**") between (i) WFOE, (ii) the Target Group, and (iii) among others, NewHoldCo, CEG PRC and Hainan Hualian (the parties under (iii) herein shall be referred to as the "**Operating Companies**") pursuant to which the Target Group and the Operating Companies agreed to engage WFOE as the exclusive service provider to provide the Target Group with corporate management consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

(b) an exclusive call option agreement dated 15 September 2020 (the "**Call Option Agreement**") between among others, (i) WFOE, (ii) the Operating Companies, (iii) the Target Group and (iv) Hainan Shenzheng, pursuant to which the Operating Companies granted WFOE an exclusive, unconditional and irrevocable option to purchase from them all or part of their respective equity interests and their respective shares of the assets in the Target Company; and

(c) powers of attorney executed on 15 September 2020 by each of CEG PRC and NewHoldCo (the "**Powers of Attorney**") appointing WFOE (or any person designated by WFOE) as its attorney-in-fact to appoint directors and act on its behalf to exercise all its rights as shareholder of the Target Company under its articles of association and under the relevant PRC laws and regulations.

Pursuant to the Contractual Arrangements, WFOE is able to exercise control over the Target Company and receive substantially all of the economic benefits associated with 60% equity interest arising from the business of the Target Group. As a result, the financial results of the Target Group are consolidated into the Company's financial statements. Accordingly, the Target Company is treated as a subsidiary of the Company.

Appropriate arrangements have been made to protect the Company's interests in the consolidated affiliated entities under the Contractual Arrangements, including:

Management Agreement

Pursuant to the Management Agreement, without the prior written approval from WFOE, the consolidated affiliated entities shall not enter into any activity or transaction that may affect its assets, obligations, rights or operation, including but not limited to:

(a) engage in any activities or transactions not in the ordinary course of business;

(b) change or remove the members of its board of directors or members of its senior management who are appointed by the Operating Companies;

(c) provide any loan or debt obligations in favour of any third party;

(d) dispose, acquire or otherwise deal with any assets or rights of the consolidated affiliated entities with a value higher than RMB3,000,000 (including but not limited to intellectual properties) with any third party;

(e) sign any material contract with a value of more than RMB3,000,000;

(f) provide guarantee or warranty for obligations of the consolidated affiliated entities to any third party;

(g) amend the articles of association of the consolidated affiliated entities or changing the scope of operation;

(h) change the normal operating procedure or amend any material internal policy of the consolidated affiliated entities;

(i) make any material changes to the business operation model, the marketing strategy or operation policy, or customer relations, including but not limited to changing the consolidated affiliated entities into private profit-making schools or private non-profit making schools;

(j) distribute any form of profit, dividend or returns;

(k) enter into liquidation and distribute its remaining assets; and

(l) transfer to third parties any of its rights and obligations under this agreement.

In addition, WFOE also has the right to appoint the school principals, general managers, financial controllers and other senior managers of the consolidated affiliated entities. The Operating Companies voluntarily agree that upon WFOE's request, they will pledge their respective equity interests in the Target Company to WFOE and if requested by WFOE, each of the relevant parties shall enter into a share charge. Further, if requested by WFOE or the relevant authorities, the consolidated affiliated entities shall voluntarily pledge its equity interests in its subsidiaries (if applicable) and/or its receivables to WFOE.

Call Option Agreement

Pursuant to the Call Option Agreement, WFOE has an exclusive option to purchase from each of the Operating Companies all or part of their respective equity interests in the Target Company (being 60 % equity interest in aggregation) and/or all or part of their respective shares of the assets in the Target Group (as the case may be) for the minimum amount of consideration permitted by applicable PRC laws and regulations. In addition, under the Call Option Agreement,

(a) none of the Operating Companies may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of its equity interests in the Target Company without WFOE's prior written consent; and

(b) during the term of the agreement, the Operating Companies and the consolidated affiliated entities shall use its best endeavours to maintain or increase the value of the consolidated affiliated entities' assets, and unless with the prior written consent of WFOE, the parties cannot transfer any assets of the consolidated affiliated entities, terminate any material contract which any of the consolidated affiliated entities is involved in or enter into any contract which will affect the assets and financial situation of the consolidated affiliated entities.

Powers of Attorney

Pursuant to the Powers of Attorney, each of CEG PRC and NewHoldCo exclusively appoints WFOE (or any person designated by WFOE) as its attorney-in-fact to exercise its rights, including but not limited to:

(a) convene shareholders meeting pursuant to the articles of association of the Target Company, to attend the shareholders meeting and sign all the relevant shareholders' resolutions, minutes or any other legal documents;

(b) exercise shareholders' rights under the articles of association of the Target Company and the relevant PRC laws and regulations at the shareholders' meeting, including but not limited to voting and nominating directors;

(c) submit documents to the relevant authorities as the shareholder of the Target Company;

(d) sell, transfer or pledge its equity interests or rights in the Target Company or other related equity interests or rights;

(e) appoint or change directors nominated by CEG PRC and/or NewHoldCo according to the articles of association of the Target Company or any other agreements, and determine the remuneration of such director;

(f) determine matters relating to the consolidation, division, change of company structure, winding up and liquidation of the Target Company;

(g) exercise the shareholders' rights of CEG PRC and NewHoldCo on matters relating to the current or future subsidiaries of the Target Company;

(h) nominate or recommend and procure the appointment of suitable candidates as members of the board of directors or management committee, financial controller or financial management personnel or any other management position of the Target Company and its subsidiaries; and

(i) exercise the shareholders' rights to dividend (including the right to receive and reject dividend), the right to sell or transfer all or part of the equity interests in the Target Company held by each of CEG PRC and NewHoldCo, and the right to receive the remaining assets of the Target Group upon liquidation.

Further, pursuant to the shareholders' rights entrustment agreement executed by each of Mr. Yu, Mr. Xie and Huafang Education in favour of WFOE dated 14 August 2017 (the "**Shareholders' Right Entrustment Agreement**"), each of Mr. Yu and Mr. Xie authorised and entrusted WFOE, as his agent to act on his behalf to exercise or delegate the exercise of all his rights as a shareholder of Huafang Education. In addition, the Shareholders' Right Entrustment Agreement specifically provide that the attorney-in-fact is entitled to sign minutes and file documents with the relevant authorities. The Shareholders' Right Entrustment Agreement is also binding on the successors of the parties therein as if each of the successor was a signing party to the Shareholders' Right Entrustment Agreement.

Further details of the Shareholders' Right Entrustment Agreement are set out in the section headed "Contractual Arrangements — Summary of Material Terms of the Contractual Arrangements" on pages 222 and 223 of the Prospectus.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the respective parties to each of the agreements, as if each of the successors was a signing party to the Contractual Arrangements:

(a) pursuant to the Management Agreement, in the event of a merger, re-organisation, inheritance, transfer, death, incapacity or any other similar event, the agreement remains binding on the successors of all the parties to that agreement;

(b) pursuant to the Call Option Agreement, the agreement remains effective and irrevocable to the successors of the Operating Companies; and

(c) pursuant to the Power of Attorney, in the event such as winding up, liquidation or any member of the Target Group being acquired, the successor of each of CEG PRC and NewHoldCo is to inherit their respective rights and obligations subject to the successor being bound by the provisions of the powers of attorney.

In case of a breach, WFOE or the Company can enforce its rights under the Contractual Arrangements against the successors.

Having taken legal advice from the Company's PRC Legal Advisers, the death or liquidation or winding up of the parties under the Contractual Arrangements would not affect the validity of the Contractual Arrangements and accordingly, the Company is of the view that the Contractual Arrangements provide protection to the Group even in the event of death (in case of individuals) or liquidation or winding up (in case of corporate entities) of the respective parties under the Contractual Arrangements.

Given Hainan Hualian had been deregistered on 31 December 2020, as advised by PRC Legal Advisers, based on the above succession provisions in the Contractual Arrangements, the Company confirmed that no amendment to the parties under the Contractual Arrangements is required. This is because on 11 November 2020, Hainan Hualian transferred 15% equity interests in the Target Company to CEG PRC, which is also a party of the Contractual Arrangements. As the successor of Hainan Hualian, the Contractual Arrangements are legally binding on CEG PRC, which means all the legal rights and obligations of Hainan Hualian have been assumed by CEG PRC. Therefore, no further amendment to the Contractual Arrangements is required.

Conflicts of Interests

To ensure the Group's effective control over the consolidated affiliated entities, the Group has implemented measures to protect against any potential conflicts of interest between the Company and the Operating Companies.

(a) Pursuant to the Call Option Agreement, the Operating Companies granted the Group or its designated third party an exclusive option to purchase all or part of its equity interests in the Target Company.

(b) Under the Powers of Attorney, CEG PRC and NewHoldCo appointed WFOE, or any person designated by WFOE, as their respective attorney-in-fact to appoint directors and act on their behalf to exercise all its rights as shareholder of the Target Company under its articles of associations and relevant PRC laws and regulations.

The Operating Companies undertook that during the period that the Contractual Arrangements remain effective, (i) unless otherwise agreed to by WFOE in writing, they will not, directly or indirectly participate, or be interested, or engage in, acquire or hold any business which is or may potentially be in competition with the businesses of the consolidated affiliated entities or any of their respective affiliates; and (ii) they will not obtain any benefit from any entities or businesses which are or may potentially be in competition with businesses of the consolidated affiliated entities. Based on the above, the Directors are of the view that the measures the Group has adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the Group and the Operating Companies and that these measures are sufficient to protect the Group's interest in the consolidated affiliated entities.

Further, the Contractual Arrangements provide for the following to protect the Company's interest and to stipulate the arrangement concerning the voting right of the minority shareholders (including Hainan Shenzheng being a minority shareholder of the Target Company):

(a) pursuant to the Call Option Agreement, even though Hainan Shenzheng has undertaken not to exercise and will waive its right of first refusal, should WFOE exercise the exclusive call option, Hainan Shenzheng still has a right to vote on whether to approve such transfer; and

(b) since the Call Option Agreement did not alter any other shareholders' rights (save as disclosed above), each of the shareholders of the Target Company may exercise its shareholder's rights in accordance with applicable laws (including PRC Company Law), administrative regulations and the articles of association of the Target Group.

Loss Sharing

The agreements constituting the Contractual Arrangements provide that under PRC laws and regulations, the Company or WFOE, as the beneficiary of the consolidated affiliated entities, is not obligated or required to share the losses of or provide financial support to the consolidated affiliated entities. Further, the Target Company is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Despite the foregoing, given that the Group conducts businesses in the PRC through the consolidated affiliated entities which hold the requisite PRC licences and approvals, and that the consolidated affiliated entities' financial condition and results of operations are consolidated into the Company's consolidated financial statements and results of operations under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if the consolidated affiliated entities suffer losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on WFOE and the Company resulting from any loss suffered by the consolidated affiliated entities.

For instance, as provided in the Call Option Agreement, none of the assets of the consolidated affiliated entities are to be sold, transferred or otherwise disposed of without the written consent of WFOE, and none of the Operating Companies may transfer or permit the encumbrance of or allow any guarantee or security to be created on any of its equity interests in the Target Company without WFOE's prior written consent.

In addition, under the Management Agreement, without the prior written consent of WFOE, the consolidated affiliated entities shall not change or remove the members of the board of directors who are appointed by Operating Companies in accordance with the articles of association of the consolidated affiliated entities. WFOE also has the right to appoint the school principals, financial controllers and other senior managers of the consolidated affiliated entities. WFOE has absolute control over the distribution of dividends or any other amounts of the consolidated affiliated entities as the consolidated affiliated entities and their Operating Companies have undertaken not to make any distribution without the prior written consent of WFOE. WFOE also has the right to periodically receive or inspect the accounts of the consolidated affiliated entities and the financial results of the consolidated affiliated entities can be consolidated into the Group's financial information as if they were the Group's subsidiaries.

Liquidation

According to the Management Agreement and the Call Option Agreement, the Operating Companies have undertaken to appoint a committee designated by WFOE as the liquidation committee upon the winding up of the consolidated affiliated entities to manage their assets.

However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, all of the remaining assets and residual interests of the consolidated affiliated entities associated with 60% equity interest shall be transferred to WFOE after such liquidation pursuant to PRC laws.

For the simplified diagram illustrating the corporate structure of the Target Group after the completion of the Acquisitions, please refer to pages 25 and 26 of this circular.

Reasons for the use of the Contractual Arrangements

Regulatory framework relating to foreign ownership in the education industry in the PRC

On 23 June 2020, the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) ("**NDRC**") and MOFCOM jointly promulgated the Foreign Investment Access Special Management Measures (Negative List) (2020 Version) (《外商投資准入特別管理措施(負面清單) (2020年版)》) (the "**Negative List**"), which became effective on 23 July 2020. Pursuant to the Negative List, higher education in the PRC is a "restricted" industry. In particular, the Negative List explicitly restricts higher education institutions to Sino-foreign cooperation, meaning that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Regulations on Sino-foreign Cooperative Education of the PRC (《中華人民共和國中外合作辦學條例》, which was promulgated by the State Council on 1 March 2003, taking effect as from 1 September 2003, amended on 18 July 2013, and further amended on 2 March 2019, the "**Sino-foreign Regulation**"). In addition, the Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national, and (b) the representative of the domestic party shall account for no less than 50% of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution. Pursuant to the Negative List, vocational education in the PRC is the "permitted" industry. However, the Administrative Measures for the Sino-foreign Cooperative Education on Vocational Skills Training (《中外合作職業技能培訓辦學管理辦法》) (the "**Sino-foreign Vocational Skills Training Measures**") explicitly restrict vocational education to Sino-foreign cooperation, meaning that foreign investors may only operate vocational training schools through joint ventures with PRC incorporated entities that are in compliance with the Sino-foreign Regulation.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Implementing Rules for the Regulations on Operating Sino-foreign Schools (《中華人民共和國中外合作辦學條例實施辦法》, issued by the Ministry of Education of the PRC (中華人民共和國教育部) (“**MOE**”) on 2 June 2004 and became effective on 1 July 2004) (the “**Implementing Rules**”), the foreign investor in a Sino-foreign joint venture private higher education school must be a foreign educational institution with relevant qualification and high quality of education (the “**Higher Education Qualification Requirement**”). Similarly, pursuant to the Sino-foreign Vocational Skills Training Measures, the foreign investor in a Sino-foreign joint venture private vocational education school must be a foreign education institution with relevant qualification and high quality of education (the “**Vocational Education Qualification Requirement**”) (Higher Education Qualification Requirement and Vocational Education Qualification Requirement are collectively referred as “**Qualification Requirement**”). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) (the “**Implementation Opinions**”), the foreign portion of the total investment in a Sino-foreign school should be below 50% and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

The Company’s PRC Legal Advisers have advised that the laws and regulations are currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant authority that it meets the Qualification Requirement. Notwithstanding the foregoing, the Company is committed to working towards meeting the Qualification Requirement and has implemented a business plan to ensure the Group’s compliance with Qualification Requirement and with a view to expanding the Group’s education operations overseas.

The Group has adopted a specific plan and undertaken concrete steps which the Company reasonably believes are meaningful endeavours to demonstrate compliance with the Qualification Requirement, as disclosed on pages 210 to 211 of the Prospectus, and on pages 104, 123 and 125 of the annual report of the Company for the eight months ended 31 August 2018, and for the years ended 31 August 2019 and 2020, respectively.

The Contractual Arrangements

The provision of private higher education, which is the principal business of the Target Group, falls within the principle business of the Group and is subject to the restrictions described above. Pursuant to the Contractual Arrangements, the Company, through WFOE and the Operating Companies, is able to gain control over and receive substantially all of the economic benefits associated with 60% equity interest in the Target Company.

Legality of the Contractual Arrangements

The Company's PRC Legal Advisers are of the opinion that the Contractual Arrangements are narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations and that:

1. each of WFOE and the consolidated affiliated entities is a duly incorporated and validly existing company or school, and their respective establishment is valid, effective and complies with the relevant PRC laws in all material aspects, and each of WFOE, the consolidated affiliated entities and the Operating Companies has obtained all necessary board, shareholder and sponsor approvals and authorisations to execute and perform the Contractual Arrangements;

2. as of the date of their legal opinion, no PRC laws and regulations explicitly prohibit contractual arrangements in the private education industry in the PRC. Parties to each of the agreement are entitled to execute the agreements and perform their respective obligations thereunder except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of the Operating Companies, injunctive relief and/or winding up of the Operating Companies, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting assets of or equity interest in the Operating Companies in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in China. Each of the agreement is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions with a lawful form" and void under the PRC Contract Law;

3. the Contractual Arrangements do not violate any provisions of the articles of association of the consolidated affiliated entities or WFOE;

4. the parties to the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that the Call Option Agreement subject to the approvals of and/or registrations with the PRC regulatory authorities respectively upon the exercise of the option by WFOE of its rights under the Call Option Agreement;

5. each of the documents underlying the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provisions regarding dispute resolution and the liquidation committee:

    a. the Contractual Arrangements provide that any dispute shall be submitted to the Beijing Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing. They also provide that the arbitrator may award interim remedies over the shares or land assets of the consolidated affiliated entities or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the consolidated affiliated entities); and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (being the place of incorporation of the consolidated affiliated entities) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of the consolidated affiliated entities. However, the Company's PRC Legal Advisers have advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of the consolidated affiliated entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; and

b. the Contractual Arrangements provide that the consolidated affiliated entities undertake to appoint a committee designated by WFOE as the liquidation committee upon the winding up of the consolidated affiliated entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

The Directors are of the view that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable the Group to control the consolidated affiliated entities which engage in the operation of higher education where the PRC laws and regulations currently restrict operation of higher education institutions and technical schools to Sino-foreign ownership, in addition to imposing Qualification Requirements on the foreign owners and withholding government approval in respect of Sino-foreign ownership which are currently impracticable for us to meet or obtain.

The Company's PRC Legal Advisers advise that WFOE's right to receive the service fees from the consolidated affiliated entities does not contravene any PRC laws or regulations and that the payment of service fees under the Contractual Arrangements should not be regarded as part of the distribution of returns or profits to the sponsors of the schools. The service fees are paid by the consolidated affiliated entities as consideration for obtaining services provided by WFOE. The services provided by WFOE include, among other things, providing educational software and course materials, employee training, technology development, transfer and consultation services, public relation services, market surveys, and trademark and know-how licensing, in each case as required by the consolidated affiliated entities in their ordinary course of business. According to the Company's PRC Legal Advisers, no current PRC laws or regulations restrict or prohibit WFOE's contractual rights to receive service fees from the consolidated affiliated entities for the services rendered under the Contractual Arrangements.

The Company's PRC Legal Advisers have advised, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of the PRC Legal Advisers. See the paragraphs headed "Risks Relating to the Contractual Arrangements" below.

The Company confirms that, save as disclosed in the section "Recent developments relating to Foreign Investment Law" in this circular and having taken PRC legal advice, there are no substantial changes in the legal environment and restriction which govern foreign investment in higher education industries, contractual arrangements and qualification requirements since the IPO in 2017. Prior to the IPO, the Company (with the assistance of its PRC Legal Advisers) consulted the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳), the Education Department of Guangdong Province (廣東省教育廳) and the Education Department of Jiangxi Province (江西省教育廳) on 17 May 2017, 19 May 2017 and 6 June 2017, respectively (the "**2017 Governmental Consultations**") in relation to the legality of the contractual arrangements of the Company. The PRC Legal Advisers confirmed that nothing has come to their attention which would cause them to believe there may be a change in the above views from the results of the 2017 Governmental Consultations as (1) there are no substantial changes in the legal environment and restriction which govern foreign investment in higher education industries, contractual arrangements and qualification requirements since 2017, (2) there are no effective laws and regulations which explicitly restrict contractual arrangements since 2017, and (3) no Sino-Foreign Joint Venture Private Schools (as a separate legal person) has been approved in Hainan Province after the Sino-Foreign Regulation became effective through its search on the official website of the Ministry of Education. On this basis, the PRC Legal Advisers are of the view that no further regulatory assurance is required.

As at the Latest Practicable Date, the Group had not encountered any material restrictive interference or encumbrance from any PRC governing bodies in operating its businesses through the consolidated affiliated entities under its contractual arrangements.

Risks relating to the Contractual Arrangements

The risks associated with the use of contractual arrangements includes the following:

(a) if the PRC government finds that the agreements that establish the structure for operating the Group's business do not comply with applicable PRC laws and regulations, it may subject the Group to severe penalties and the Group's business may be materially and adversely affected;

(b) substantial uncertainties exist in relation to its interpretation and implementation of Foreign Investment Law and how it may impact the viability of the Group's current corporate structure, corporate governance and business operations;

(c) the Group's contractual arrangements may not be as effective in providing control over the Group's consolidated affiliated entities as direct ownership;

(d) the beneficial owners of the Group's consolidated affiliated entities may have conflicts of interest with the Group, which may materially and adversely affect the Group's business and financial condition;

(e) the exercise of the option to acquire the equity interests of the Group's consolidated affiliated entities may be subject to certain limitations and the Group may incur substantial costs;

(f) any failure by the Group's consolidated affiliated entities or their respective shareholders to perform their obligations under the Group's contractual arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on the Group's part to enforce such arrangements, temporary or permanent loss of control over the Group's primary operations or loss of access to the Group's primary sources of revenue;

(g) the Group's contractual arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect the Group's results of operation;

(h) certain terms of the Group's contractual arrangements may not be enforceable under PRC laws;

(i) the Company may rely on dividend and other payments from the wholly foreign owned entities in its contractual arrangements to pay dividends and other cash distribution to the Shareholders and any limitation on the ability of such wholly foreign owned entities to pay dividends to the Company could materially and adversely limit its ability to pay dividends to the Shareholders; and

(j) if any of the Group's consolidated affiliated entities becomes subject to winding up or liquidation proceedings, the Group may lose the ability to enjoy certain important assets, which would negatively impact the Group's business and materially and adversely affect its ability to generate revenue.

As at the Latest Practicable Date, the Company did not maintain any insurance policy to cover the risks relating to its contractual arrangements (including the Contractual Arrangements).

Recent developments relating to the Foreign Investment Law

On 15 March 2019, the National People's Congress of the PRC approved the Foreign Investment Law of the People's Republic of China (《中華人民共和國外商投資法》) (the "**Foreign Investment Law**"), which came into effect on 1 January 2020 and replaced the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-foreign Equity Joint Venture Enterprise Law, the Sino-foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-invested Enterprise Law, together with their implementation rules and ancillary regulations.

The Foreign Investment Law embodies the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments. However, since it is relatively new, uncertainties still exist in relation to its interpretation and implementation. For instance, under the Foreign Investment Law, "foreign investment" refers to the investment activities directly or indirectly conducted by foreign individuals, enterprises or other entities in the PRC. Though it does not explicitly classify contractual arrangements as a form of foreign investment, there is no assurance that foreign investment via contractual arrangements would not be interpreted as a type of indirect foreign investment activities under the aforementioned definition of "foreign investment" in the future. In addition, the aforementioned definition of "foreign investment" contains a catch-all provision which includes investments made by foreign investors through means stipulated in laws or administrative regulations or other methods prescribed by the State Council. Therefore, it still leaves leeway for future laws, administrative regulations or provisions promulgated by the State Council to provide for contractual arrangements as a form of foreign investment.

Impact of the Foreign Investment Law on the Group's contractual arrangements

The "variable interest entity" structure ("**VIE structure**") has been adopted by many fully or partially foreign-owned companies which, through its subsidiaries in the PRC, assume control over an operating company incorporated in the PRC which holds the necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in the PRC. It will be uncertain whether the VIE structure will be deemed to be in violation of the market access requirements for foreign investment under the PRC laws and regulations.

In addition, the Foreign Investment Law further specifies that foreign investments shall be conducted in line with the Negative List. If a foreign invested enterprise or a foreign invested entity (the "**FIE**") proposes to conduct business in an industry subject to restrictions in the Negative List, the FIE must meet certain conditions under the Negative List before being established. It is uncertain whether the businesses operated by the consolidated affiliated entities of the Group from time to time will be or continue to be subject to the foreign investment restrictions under the negative list to be issued in future.

Furthermore, if future laws, administrative regulations or provisions prescribed by the State Council mandate further actions to be taken by companies with respect to the Group's contractual arrangements, there will be substantial uncertainties as to whether such actions can be completed by the Group in a timely manner, or at all. Failure to take timely and appropriate measures to cope with any of these or similar regulatory compliance requirements could materially and adversely affect the Group's current corporate structure and business operations in the PRC subject to the foreign investment restrictions.

Potential risks to the Company

The Company's contractual arrangements, in the worst case scenario, may be regarded as invalid and illegal. As a result, the Group may be required to dispose of the business under its contractual arrangements and will lose rights to receive the economic benefits from the consolidated affiliated entities, such that the financial results of the consolidated affiliated entities would no longer be consolidated into the Company's financial results and the Company will have to de-recognise assets and liabilities of the consolidated affiliated entities according to the relevant accounting standards. If such disposal of the business under the Group's contractual arrangements would lead to the Group no longer having a sustainable business, the Stock Exchange may delist the Company.

Measures adopted by the Company to mitigate against any potential risk arising from the Foreign Investment Law

As aforementioned, there are uncertainties with respect to the interpretation and implementation of the newly enacted Foreign Investment Law. The Board will closely monitor the development of the Foreign Investment Law with the help of the Company's PRC Legal Advisers, including but not limited to any new negative list issued by or approved to be issued by the State Council, or any future laws, administrative regulations or provisions prescribed by relevant governmental authorities.

The Company will then discuss with the PRC Legal Advisers in order to assess any possible impact arising from the development of the Foreign Investment Law on its contractual arrangements and the business operations involved thereunder.

In case there would be material and adverse effect on the Company or the business of the Target Group arising from the Foreign Investment Law, the Company will disclose, as soon as possible: (i) updates of material development to the Foreign Investment Law as and when it occurs; and (ii) specific measures taken by the Company to fully comply with the changes to the Foreign Investment Law and any material impact of the changes to the Foreign Investment Law on the Company's operations and financial position.

HAINAN SHENZHENG MANAGEMENT AGREEMENTS

Apart from the Contractual Arrangements, the Group also entered into the following Hainan Shenzheng Management Agreements in relation to the 40% equity interests in the Target Company held by Hainan Shenzheng:

1. an exclusive management consultancy and business cooperation framework agreement dated 3 September 2020 between WFOE and the Target Group, among others, pursuant to which the Target Group agreed to engage WFOE as the exclusive service provider to provide the Target Group with corporate management, consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees. Such service fees shall be the remainder of the revenue after deducting the 60% share (as service fees) under the Management Agreement and other expenses; and

2. a share earning right transfer agreement dated 5 September 2020 (the "**Earning Transfer Agreement**") between Hainan Shenzheng and CEG PRC pursuant to which Hainan Shenzheng agreed to transfer all its economic rights (including but not limited to rights to dividend and bonuses, other income rights derived from the equity interests of the Target Group and the entitlement of 40% of the operating results of the Target Group to the Group until the end of February 2023) as the 40% equity interests holder of the Target Group to the Group. Apart from economic rights, Hainan Shenzheng could exercise other shareholder rights in accordance with applicable laws (including the PRC Company Law), administrative regulations and the articles of association of the Target Group. No consideration was paid or

received by the Group pursuant to this agreement. This agreement was entered into after arm's length negotiation between the parties (including setting the maturity date to February 2023).

The Hainan Shenzheng Management Agreements are specific to and are part of the Acquisitions to induce the Company to enter into the Acquisitions, to support the Target Group and to provide incentive to the Group (being holder of only 60% equity interests in the Target Group) in devoting more resources in the management of the Target Group during the transition period after completion.

The Company will account for 100% operating results in the Target Group during the period from the completion of the Acquisitions to February 2023. At the expiry of the above Earning Transfer Agreement in February 2023, the entitlement of 40% of the operating results of the Target Group will expire automatically and revert to Hainan Shenzheng.

100% of the operating results of the Target Group will be consolidated into the accounts of the Group up to the end of February 2023, after which the Group will be entitled to the operating results of the Target Group with respect to the equity interests owned by the Group.

NEWHOLDCO CONTRACTUAL ARRANGEMENTS

The Group acquired the Hainan BVI and NewHoldCo structure in the Vendors A Acquisition. On 3 September 2020, the NewHoldCo Contractual Arrangements were entered into between Hainan WFOE, NewHoldCo and Ms. Wu to allow Hainan WFOE gain control over NewHoldCo (which holds 22.5% equity interests in the Target Company) during the interim period pending completion of the related business registration with the relevant authorities in connection with the transfer of NewHoldCo from Ms. Wu to CEG PRC. On 2 April 2021, the Group terminated the NewHoldCo Contractual Arrangements and on 21 April 2021, NewHoldCo was transferred to CEG PRC. The NewHoldCo Contractual Arrangements consist of:

(a) an exclusive management consultancy and business cooperation agreement dated 3 September 2020 between Hainan WFOE, NewHoldCo and Ms. Wu pursuant to which NewHoldCo agreed to engage Hainan WFOE as the exclusive service provider to provide NewHoldCo with corporate management, consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

(b) an exclusive call option agreement dated 3 September 2020 between Hainan WFOE, NewHoldCo and Ms. Wu pursuant to which Hainan WFOE was granted an exclusive, unconditional and irrevocable option to purchase from Ms. Wu all or part of their respective equity interests in NewHoldCo;

(c) powers of attorney executed on 3 September 2020 by Ms. Wu appointing Hainan WFOE (or any person designated by Hainan WFOE) as her attorney to appoint directors and act on her behalf to exercise all its rights as equity holder of NewHoldCo under its articles of association and relevant PRC laws and regulations; and

(d) an equity pledge agreement dated 3 September 2020 between Hainan WFOE, Ms. Wu and NewHoldCo pursuant to which Ms. Wu irrevocably and unconditionally agreed to pledge 100% equity interests in NewHoldCo to Hainan WFOE.

FINANCIAL IMPACT OF THE ACQUISITIONS ON THE GROUP

Upon completion of the Acquisitions, the Group will be interested in 60% of the equity interests in the Target Company and therefore the Target Company will become an indirect non-wholly-owned consolidated affiliated entity of the Company and results of the Target Group will be consolidated into the accounts of the Group. In addition, pursuant to the Contractual Arrangements and other management agreements, the Group will be entitled to 100% of the operating results of the Target Company until the end of February 2023 after which the Group will be entitled to the operating results of the Target Company with respect to the equity interests owned by the Group.

As the Acquisitions were completed on 16 September 2020, the financial information of the Target Group has been fully reflected in the condensed consolidated financial statements of the Group set out in the interim report of the Company for the six months ended 28 February 2021.

Effect on earnings

The financial results of the Target Group are fully consolidated into the Group. Included in the revenue and profit of the Group for the six months ended 28 February 2021 were RMB307,050,000 and RMB61,489,000, respectively, attributable to the additional business generated by the Target Group.

Based on the above, the consolidation of the Target Group enhanced, and it is expected to continue to have a positive impact on, the Group's revenue and earnings.

Effect on assets and liabilities

As at the date of the Acquisitions, the net identifiable assets acquired (determined on a provisional basis) by the Company was RMB478,478,000 and the goodwill arising from the Acquisitions (determined on a provision basis) of RMB1,510,428,000 was also recognized.

For further details of the financial effects of the Acquisitions, please refer to the interim report of the Company for the six months ended 28 February 2021 published on 27 May 2021.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.67(6)(a)(ii) OF THE LISTING RULES

As the Acquisitions constitute a major transaction under rule 14.06 of the Listing Rules, rule 14.67(6)(a)(ii) of the Listing Rules provides that the Company should include in its circular a pro forma statement of the assets and liabilities of the Group combined with the assets and liabilities of the business, company or companies being acquired, on the same accounting basis as that adopted by the accountants' report on the business, company or companies being acquired prepared in accordance with Chapter 4 of the Listing Rules.

Given that (i) the Group was able to exercise control over the Target Group and Hainan Hualian upon completion and (ii) the Acquisitions were completed on 16 September 2020, the financial results of the Target Group and Hainan Hualian have been consolidated into the condensed consolidated financial statements of the Group for the six months ended 28 February 2021 in its interim results announcement for the six months ended 28 February 2021 and interim report 2020/2021.

The Company has applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from the requirement to include the pro forma statement in this circular in strict compliance with the requirement of rule 14.67(6)(a)(ii) of the Listing Rules as the condensed consolidated financial statements of the Group for the six months ended 28 February 2021 already consolidated the financial results of the Target Group and Hainan Hualian which cover all financial information required in the pro forma statement. The inclusion of pro forma statement of the Enlarged Group in this circular would be duplicative, unduly burdensome and of no material importance for the information of its shareholders.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

As disclosed in the 2019/2020 interim report of the Company, the Group has formulated the merger and acquisition strategy to achieve growth target taking into account the high entry barrier of the higher education sector. The Acquisitions contemplated under the Sale and Purchase Agreements mark the Group's education foothold in Hainan.

Hainan is the largest special economic zone in China, enjoying unique advantages in terms of natural environment, supportive policies and development potential. According to the ''Master Plan for the Construction of Hainan Free Trade Port'' published by the State Council of the PRC on 1 June 2020, preferential measures include duty-free for most imported goods, lowered corporate income tax and individual income tax, more relaxed visa-free entry policy, as well as more openings in various fields including the education sector, which are all aimed at developing Hainan into a new highland for China's reform and opening-up policy.

Having considered the strategic location, reputation, stage of development, number of enrolled students and income of the Haikou University of Economics and the Affiliated Art School of Haikou University of Economics, the Directors consider the Acquisitions provide the Group with attractive growth potential in the PRC higher education market for more diversified and higher revenue.

The Board believes that the Acquisitions will be complementary to the Group's existing school network. The Acquisitions will enable the Group to further expand its portfolio, especially in the Hainan region. The Board is therefore of the view that the Acquisitions are important lateral expansion of the Group's existing business.

Having considered the aforesaid, the Directors consider that the transactions contemplated under the Sale and Purchase Agreements are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole.

None of the Directors has a material interest in the transactions contemplated under the Sale and Purchase Agreements or is required to abstain from voting on the Board resolution for considering and approving the same.

PROPERTY VALUATION

Asset Appraisal Limited, an independent property valuer, has valued the property interests held by the Target Group as at 30 April 2021. The property valuation report issued by Asset Appraisal Limited is included in Appendix IV of this circular.

The table below sets out the reconciliation between the net book value of the property interests held by the Target Group as at 28 February 2021, being the date to which the audited financial statements as set out in Appendix IIA of this circular were made up and the valuation of the property interests as at 30 April 2021 as set out in Appendix IV of this circular:

	RMB'000
Net book value of owned properties as at 28 February 2021	2,293,205
Less: Depreciation for 2 months ended 30 April 2021	(14,134)
Unaudited net book value of owned properties as at 30 April 2021	2,279,071
Less: Unaudited net book value of owned properties attributable to land parcels that have been valued at no commercial value as at 30 April 2021 *(Note)*	(604,630)
Add: Valuation surplus	53,159
Valuation as at 30 April 2021	1,727,600

Note: As mentioned in note 10 of Appendix IV — Property Valuation Report, the land parcels of the owned properties have been granted by the Government by way of administrative allocation and are prohibited from being transferred on the market. As such, the valuer has ascribed no commercial value to them.

IMPLICATIONS OF THE LISTING RULES FOR THE ACQUISITIONS

As one of the applicable percentage ratios under Rule 14.07 of the Listing Rules in respect of the Acquisitions in aggregate is more than 25% and less than 100%, the Acquisitions constitute a major transaction of the Company under Rule 14.06 of the Listing Rules and are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

WRITTEN SHAREHOLDERS' APPROVAL

Pursuant to Rule 14.44 of the Listing Rules, written Shareholders' approval may be accepted in lieu of holding a general meeting of the Company if (i) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the Acquisitions and (ii) the written Shareholders' approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% of the voting rights at that general meeting of the Company to approve the Acquisitions.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholder has a material interest in the Acquisitions. As such, no Shareholders would be required to abstain from voting on the resolution approving the Acquisitions. As at the date of the Sale and Purchase Agreements, the Controlling Shareholders, being a closely allied group of Shareholders, control an aggregate of 1,500,000,000 Shares, which represents approximately 65.99% of the total number of issued Shares as at the Latest Practicable Date.

The Controlling Shareholders are Blue Sky Education International Limited and White Clouds Education International Limited, each of which is interested in 33.00% of the total number of issued Shares as at the Latest Practicable Date. Mr. Yu, Mr. Xie, Blue Sky Education International Limited and White Clouds Education International Limited entered into the concert party agreement to align their shareholding interests in the Company. Accordingly, each of Mr. Yu, Mr. Xie, Blue Sky Education International Limited and White Clouds Education International Limited is deemed to be interested in the Shares/underlying Shares held by other parties to the concert party agreement. The interests of Blue Sky Education International Limited and White Clouds Education International Limited were duplicated with the interests of Mr. Yu and Mr. Xie. As such, the Controlling Shareholders are a closely allied group of Shareholders.

The Company has received written Shareholders' approval in respect of the Acquisitions from the Controlling Shareholders specified above, which together hold more than 50% of the issued Shares, in accordance with Rule 14.44 of the Listing Rules. Accordingly, no Shareholders' meeting will be convened by the Company to approve the Acquisitions.

RECOMMENDATION

The Directors are of the view that the terms of the Sale and Purchase Agreements are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. If the Company were to convene a general meeting for the approval of the Acquisitions, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Acquisitions at such general meeting.

FURTHER INFORMATION

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

By order of the Board
China Education Group Holdings Limited
Yu Guo **Xie Ketao**
Co-Chairmen

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for the financial period/years ended 31 August 2018, 31 August 2019 and 31 August 2020 and the six months ended 28 February 2021 are disclosed in the following documents which have been published on the websites of the Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://www.chinaeducation.hk). Web links to the annual reports of the Company are set out below:

Annual report of the Company for the eight months ended 31 August 2018:

https://www1.hkexnews.hk/listedco/listconews/sehk/2018/1227/ltn20181227349.pdf

Annual report of the Company for the year ended 31 August 2019:

https://www1.hkexnews.hk/listedco/listconews/sehk/2019/1219/2019121900277.pdf

Annual report of the Company for the year ended 31 August 2020:

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1221/2020122100443.pdf

Interim report of the Company for the six months ended 28 February 2021:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0527/2021052700757.pdf

2. INDEBTEDNESS STATEMENT

As at the close of business on 30 April 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the indebtedness of the Enlarged Group was as follows:

	The Group	The Target Group	Total
	RMB'000	*RMB'000*	*RMB'000*
Borrowings	6,020,651	1,694,833	7,715,484
Bank borrowings			
— Secured and guaranteed	—	848,738	848,738
— Secured and unguaranteed	334,970	—	334,970
— Unsecured and guaranteed	—	73,750	73,750
— Unsecured and unguaranteed	2,628,175	—	2,628,175
Other borrowings			
— Secured and guaranteed	166	317,964	318,130
— Secured and unguaranteed	—	60,249	60,249
— Unsecured and guaranteed	—	38,072	38,072
— Unsecured and unguaranteed	1,095,484	—	1,095,484
Outstanding principal payable on convertible bonds			
— Unsecured and unguaranteed	1,961,856	—	1,961,856
Amount due to related parties			
— Unsecured and unguaranteed	—	356,060	356,060
Construction cost payables			
— Unsecured and unguaranteed	—	407,937	407,937
Lease obligations	131,580	—	131,580
— Secured and unguaranteed	635	—	635
— Unsecured and guaranteed	79,507	—	79,507
— Unsecured and unguaranteed	51,438	—	51,438
Total	6,152,231	2,102,770	8,255,001

Charge of assets

As at 30 April 2021, except for the rights to receive tuition fees and boarding fees by certain schools of the Group and the Target Group being pledged to secure bank borrowings, deposits amounting to RMB19,600,000 of the Target Group being pledged to secure other borrowings under sales and lease back arrangement and rights to receive boarding fees associated with certain student dormitories of the Target Group with carrying amount of RMB47,098,000 pledged to financial institutions in respect of the loans granted to a constructor of student dormitories, no other material asset of the Group and the Target Group was under any charge.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business of the Enlarged Group, as at 30 April 2021, the Group and the Target Group did not have any other outstanding mortgages, charges, debentures, loan capital issued or agreed to be issued, bank loans and overdrafts, debt securities issued and outstanding, and authorised or otherwise created but unissued or other similar indebtedness, finance leases or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, liabilities under acceptance (other than normal trade bills) or acceptance credits, guarantees or other material contingent liabilities.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the indebtedness position and contingent liabilities of the Group since the close of business on 30 April 2021.

3. WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, taking into account the financial resources available to the Enlarged Group including cash flows to be generated from the operating activities and the available credit facilities, the Enlarged Group has sufficient working capital for its requirements for at least 12 months from the date of this circular, in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

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

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Since the listing of the Company in December 2017, the number of students served by the Group has expanded 216%, and its number of schools increasing from 3 to 13. Due to the further expansion of the school portfolio of the Group, the incentive policies for private higher education and the strong demand from students on quality education, both the granted enrollment quota and the number of newly registered students of the Group's high education schools grew significantly for the 2020/2021 academic year. This drove the number of total enrolled students to achieve continuous and rapid increase, further strengthening the Group's leading position in the private higher education in the PRC.

The Group is optimistic that its businesses will continue to grow significantly. The Group believes that after completion of the Acquisitions it will be able to leverage the leading position of the Target Group in Hainan region to enhance its competitive edge against other private education providers in the region since Haikou University of Economics is the largest and most established private university in Hainan and is highly successful in operating high-quality university especially for arts and film-related programmes and it is designated by Hainan government as a model private university of application-oriented education. The Acquisitions will significantly expand and diversify the Group's education offerings and geographical reach, thereby offering a greater potential for profit and long-term business sustainability.

The following is the text of a report set out on pages IIA-1 to IIA-67, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HAINAN CYBER EDUCATION GROUP CO., LTD AND ITS SUBSIDIARIES TO THE DIRECTORS OF CHINA EDUCATION GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Hainan Cyber Education Group Co., Ltd (the ''Target Company'') and its subsidiaries (together, the ''Target Group'') set out on pages IIA-4 to IIA-67, which comprises the consolidated statements of financial position as at 31 August 2018, 2019 and 2020 and 28 February 2021, 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 August 2020 and the six months ended 28 February 2021 (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). The Historical Financial Information set out on pages IIA–4 to IIA–67 forms an integral part of this report, which has been prepared for inclusion in Appendix IIA to the circular of China Education Group Holdings Limited (the ''Company'') dated 30 June 2021 (the ''Circular'') in connection with the acquisition of the Target Group.

Directors' responsibility for the Historical Financial Information

The directors of Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 ''Accountants' Reports on Historical Financial Information in Investment Circulars'' issued by the Hong Kong Institute of

Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material 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 and presentation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target Group's financial position as at 31 August 2018, 2019 and 2020 and 28 February 2021 and of the Target Group's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target 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 six months ended 29 February 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 1 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 1 to the Historical Financial Information.

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

Adjustments

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

Dividend

We refer to note 12 to the Historical Financial Information which contains information about the dividends declared and paid by a subsidiary of the Target Company in respect of the Relevant Periods and states that no dividend was declared or paid by the Target Company in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2021

HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board ("IASB") and were audited by 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

		Year ended 31 August			Six months ended	
					29 February	28 February
		2018	2019	2020	2020	2021
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*5*	428,036	476,158	550,079	272,746	336,316
Cost of revenue		(212,833)	(248,434)	(270,599)	(145,823)	(164,698)
Gross profit		215,203	227,724	279,480	126,923	171,618
Other income	*6*	66,297	72,857	49,380	32,252	27,165
Other expense	*10*	—	—	—	—	(20,000)
Investment income	*7a*	350	347	290	168	1,485
Other gains and losses	*7b*	3,499	1,298	433	1,105	6,158
Fair value change on long term construction cost payables for school premises	*27(c)*	(58,291)	(60,818)	(192,572)	(31,524)	(20,879)
Selling expenses		(3,144)	(5,470)	(4,036)	(3,017)	(6,300)
Administrative expenses		(106,314)	(117,168)	(111,234)	(71,854)	(58,441)
Finance costs	*8*	(107,122)	(115,119)	(118,433)	(57,761)	(52,401)
Share of results of an associate	*15*	114	104	(386)	(193)	(224)
Profit (loss) before taxation		10,592	3,755	(97,078)	(3,901)	48,181
Taxation	*9*	(7,669)	(5,615)	(2,313)	(875)	(1,734)
Profit (loss) and total comprehensive income (expense) for the year/period	*10*	2,923	(1,860)	(99,391)	(4,776)	46,447
(Loss) profit for the year/period and total comprehensive (expense) income attributable to:						
— owners of the Target Company		(498)	(1,867)	(99,391)	(4,776)	46,447
— non-controlling interests		3,421	7	—	—	—
		2,923	(1,860)	(99,391)	(4,776)	46,447

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		As at 31 August			As at 28 February
		2018	2019	2020	2021
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS					
Property and equipment	*14*	2,479,655	2,463,701	2,425,749	2,434,343
Interest in an associate	*15*	914	1,018	632	408
Deposits paid for right-of-use assets		—	—	—	31,181
Deposits paid for acquisition of property and equipment		5,522	717	1,778	4,389
Deposits paid	*16*	—	6,000	9,320	14,600
Amount due from a related party	*22*	1,855	1,855	1,855	—
		2,487,946	2,473,291	2,439,334	2,484,921
CURRENT ASSETS					
Inventories		300	405	489	357
Trade receivables, deposits, prepayments and other receivables	*16*	29,254	36,124	23,526	47,262
Amounts due from related parties	*22*	8,047	8,545	4,600	4,543
Pledged bank deposits	*17*	—	—	30,000	—
Bank balances and cash	*17*	223,946	304,824	152,495	33,285
		261,547	349,898	211,110	85,447
CURRENT LIABILITIES					
Deferred income	*18*	6,617	4,934	1,037	3,972
Other payables and accrued expenses	*19*	262,450	252,581	245,860	181,167
Provisions	*19*	104,897	116,854	130,631	133,329
Amounts due to related parties	*22*	244,318	143,622	96,981	252,687
Amount due to an associate	*23*	794	704	640	640
Income tax payable		37,721	38,525	38,143	39,933
Deferred revenue	*20a*	189,511	—	—	—
Contract liabilities	*20b*	—	275,327	148,871	337,349
Bank and other borrowings	*21*	535,256	838,562	644,483	511,044
		1,381,564	1,671,109	1,306,646	1,460,121
NET CURRENT LIABILITIES		(1,120,017)	(1,321,211)	(1,095,536)	(1,374,674)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,367,929	1,152,080	1,343,798	1,110,247

		As at 31 August			As at 28 February
		2018	2019	2020	2021
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES					
Deferred income	*18*	1,800	1,637	777	—
Other payables	*19*	365,913	374,196	382,316	404,441
Amounts due to related parties	*22*	164,201	170,286	297,491	90,323
Bank and other borrowings	*21*	957,626	731,483	888,127	796,929
		1,489,540	1,277,602	1,568,711	1,291,693
		(121,611)	(125,522)	(224,913)	(181,446)
CAPITAL AND RESERVES					
Paid-in capital	*24*	300,000	300,000	300,000	300,000
Reserves		(420,653)	(425,522)	(524,913)	(481,446)
Capital deficiencies attributable to owners of the Target Company		(120,653)	(125,522)	(224,913)	(181,446)
Non-controlling interests		(958)	—	—	—
		(121,611)	(125,522)	(224,913)	(181,446)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company						
	Paid-up capital *RMB'000*	Other reserve *RMB'000* *(Note i)*	Statutory surplus reserve *RMB'000* *(Note ii)*	Accumulated losses *RMB'000*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total *RMB'000*
At 1 September 2017	318,000	—	146,255	(506,231)	(41,976)	13,849	(28,127)
(Loss) profit and total comprehensive (expense) income for the year	—	—	—	(498)	(498)	3,421	2,923
Dividend recognised as distribution *(note 12)*	—	—	—	(8,044)	(8,044)	(5,363)	(13,407)
Transfer	—	—	3,824	(3,824)	—	—	—
Acquisition of a subsidiary under common control *(note i)*	(18,000)	(52,135)	—	—	(70,135)	(12,865)	(83,000)
At 31 August 2018	300,000	(52,135)	150,079	(518,597)	(120,653)	(958)	(121,611)
(Loss) profit and total comprehensive (expense) income for the year	—	—	—	(1,867)	(1,867)	7	(1,860)
Transfer	—	—	1,401	(1,401)	—	—	—
Deregistration of subsidiaries	—	—	(3,002)	—	(3,002)	951	(2,051)
At 31 August 2019	300,000	(52,135)	148,478	(521,865)	(125,522)	—	(125,522)
Loss and total comprehensive expense for the year	—	—	—	(99,391)	(99,391)	—	(99,391)
Transfer	—	—	1,665	(1,665)	—	—	—
At 31 August 2020	300,000	(52,135)	150,143	(622,921)	(224,913)	—	(224,913)
Profit and total comprehensive income for the period	—	—	—	46,447	46,447	—	46,447
Transfer	—	—	11,801	(11,801)	—	—	—
Deregistration of a subsidiary	—	—	(2,980)	—	(2,980)	—	(2,980)
At 28 February 2021	300,000	(52,135)	158,964	(588,275)	(181,446)	—	(181,446)

	Attributable to owners of the Target Company						
	Paid-up capital	**Other reserve**	**Statutory surplus reserve**	**Accumulated losses**	**Sub-total**	**Non-controlling interests**	**Total**
	RMB'000	*RMB'000* *(Note i)*	*RMB'000* *(Note ii)*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 September 2019 (audited)	300,000	(52,135)	148,478	(521,865)	(125,522)	—	(125,522)
Loss and total comprehensive expense for the period	—	—	—	(4,776)	(4,776)	—	(4,776)
Transfer	—	—	1,665	(1,665)	—	—	—
At 29 February 2020 (unaudited)	300,000	(52,135)	150,143	(528,306)	(130,298)	—	(130,298)

Notes:

i. Amount represents the difference between the considerations paid by the Target Group to Controlling Shareholder (as defined in note 1) and non-controlling shareholders for the acquisition of entire equity interests of Hainan Cyber Services Company Limited (海南賽伯樂教育服務有限公司) ("Hainan Cyber Services") on 3 February 2018 (as detailed in note 1), and the paid-in capital of Hainan Cyber Services attributable to Controlling Shareholder and the amount by which the non-controlling interests are adjusted, after reattribution of relevant reserves.

ii. Pursuant to the relevant laws in the People's Republic of China (the "PRC"), the Target Company's subsidiaries in the PRC shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of the relevant PRC subsidiaries. These reserves include (a) general reserve of the limited liabilities companies and (b) the development fund of schools.

   (a) For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

   (b) According to the relevant PRC laws and regulations, for private school that does not require for reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant schools as determined in accordance with generally accepted accounting principles in the PRC. The development fund shall be used for the construction or maintenance of the schools or procurement or upgrading of educational equipment.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit (loss) before taxation	10,592	3,755	(97,078)	(3,901)	48,181
Adjustments for:					
Bank interest income	(350)	(347)	(290)	(168)	(1,485)
Finance costs	107,122	115,119	118,433	57,761	52,401
Depreciation for property and equipment	67,522	69,937	71,856	37,475	37,297
Written off of other receivables	235	—	—	—	—
Impairment loss, net of reversal	—	1,857	50	(1,628)	(472)
Fair value change on long term construction cost payables for school premises	58,291	60,818	192,572	31,524	20,879
(Gain) loss on disposal of property and equipment	(3,734)	(833)	(483)	523	(617)
Gain on deregistration of subsidiaries	—	(2,322)	—	—	(5,069)
Share of results of an associate	(114)	(104)	386	193	224
Operating cash flows before movements in working capital	239,564	247,880	285,446	121,779	151,339
Decrease (increase) in inventories	4	(105)	(84)	245	132
Decrease (increase) in trade receivables, deposits, prepayments and other receivables	5,040	(14,727)	9,228	(6,300)	(28,544)
(Increase) decrease in amounts due from related parties	(925)	441	(1,309)	(1,403)	1,844
Increase (decrease) in deferred income	6,171	(1,846)	(4,757)	(410)	2,158
Increase in deferred revenue	104,860	—	—	—	—
Increase (decrease) in contract liabilities	—	85,816	(126,456)	(4,681)	188,478
(Decrease) increase in amounts due to related parties	(45,973)	(7,858)	(18,218)	2,811	(20,925)
(Decrease) increase in other payables and accrued expenses	(8,136)	32,291	20,632	1,913	22,361
Net cash generated from operations	300,605	341,892	164,482	113,954	316,843
Income tax paid	(4,637)	(4,811)	(2,695)	—	—
NET CASH GENERATED FROM OPERATING ACTIVITIES	295,968	337,081	161,787	113,954	316,843

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
INVESTING ACTIVITIES					
Payments/deposits paid for acquisition of property and equipment	(37,679)	(50,471)	(35,434)	(21,066)	(48,692)
Deposits paid for right-of-use assets	—	—	—	—	(30,000)
Repayments of construction cost payables	(11,641)	(14,273)	(18,651)	—	(35,374)
Advances to related parties	(1,251)	(939)	(204)	—	—
Advances to an associate	(6)	(90)	(64)	—	—
Proceeds from disposals of property and equipment	7,918	2,126	952	93	807
Repayments from related parties	3,730	—	5,458	5,138	68
Interest income from banks	350	347	290	168	1,485
(Placement) withdrawal of pledged bank deposits	—	—	(30,000)	(30,000)	30,000
NET CASH USED IN INVESTING ACTIVITIES	(38,579)	(63,300)	(77,653)	(45,667)	(81,706)
FINANCING ACTIVITIES					
Repayments of bank and other borrowings	(655,884)	(855,897)	(1,267,135)	(745,963)	(482,391)
Interest paid	(105,578)	(130,940)	(113,672)	(63,556)	(63,968)
Settlement of long term construction cost payables for school premises	(31,217)	(31,371)	(32,356)	(31,492)	(28,198)
Repayments to related parties	(16,807)	(69,602)	(43,999)	(37,308)	(37,909)
Dividends paid	(8,044)	—	—	—	—
Dividends paid to non-controlling interests	(5,363)	—	—	—	—
Acquisition of a subsidiary under common control	(325)	(43,601)	(16,006)	—	—
New bank and other borrowings raised	508,320	933,060	1,229,700	553,449	257,754
Advances from related parties	71,576	5,448	7,005	—	365
NET CASH USED IN FINANCING ACTIVITIES	(243,322)	(192,903)	(236,463)	(324,870)	(354,347)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,067	80,878	(152,329)	(256,583)	(119,210)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	209,879	223,946	304,824	304,824	152,495
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, REPRESENTED BY BANK BALANCES AND CASH	223,946	304,824	152,495	48,241	33,285

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, GROUP RE-ORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Target Company was established as a limited liability company in Haikou, Hainan Province on 21 October 1999. The registered office address and principal place of business address of the Target Company is at 9/F., Haikou School of Economics Administration Center, 1001 Haitao Avenue, Guilin Yang University District, Haikou, Hainan Province, the PRC.

The Target Company is an investment holding company. The Target Group is mainly engaged in the operation of private higher and vocational education institutions which are detailed in note 32.

The Historical Financial Information is presented in RMB which is also the functional currency of the Target Company.

On 7 August 2020, China Education Group Holdings (BVI) Limited, the Company and Shuzhi Education Consulting (Ganzhou) Co., Ltd, an indirect wholly owned subsidiary of the Company (together referred to as the ''Purchasers''), entered into agreements (the ''Hainan Acquisition Agreements'') with Hainan Shenzheng Industrial Group Co., Ltd. (海南申正實業集團有限公司) (''Hainan Shenzheng''), Mr. Chengjie Cao (曹成杰) (''Mr. CJ Cao''), Hainan Hualian Investment Co., Ltd. (海南鏵聯投資有限公司) (''Hainan Hualian'') and Mr. Yeke Cao (曹業科) (''Mr. YK Cao'') (collectively the ''Hainan Vendors''), pursuant to which the Hainan Vendors agreed to transfer an aggregate 60% equity interest in Hainan Cyber to the Purchasers at a consideration of RMB1,356,000,000 (the ''Hainan Acquisition''). Upon the completion of the Hainan Acquisition on 16 September 2020, Hainan Cyber and its subsidiaries became non-wholly owned subsidiaries of the Company.

Prior to the Hainan Acquisition, the ultimate controlling shareholder of the Target Group was Mr. CJ Cao (the ''Controlling Shareholder''), who controls 60% equity interest of Hainan Shenzheng that in turn held 85% equity interest of Hainan Cyber and its subsidiaries.

Acquisition of Hainan Cyber Services during the Relevant Periods (''Hainan Cyber Services Acquisition'')

Prior to the Hainan Cyber Services Acquisition, 40%, 20%, 20% and 20% equity interests in Hainan Cyber Services were held by Mr. CJ Cao, Mr. Cao Chengwei (曹成偉) ("Mr. CW Cao"), Mr. YK Cao and Ms. Ping Li, the spouse of Mr. CJ Cao, respectively, with Mr. CJ Cao and Ms. Ping Li acting in concert. On 3 February 2018, the Target Company acquired 100% equity interest in Hainan Cyber Services from the aforesaid shareholders at a total consideration of RMB83,000,000, which is payable within five years from the date of agreement. During the years ended 31 August 2018, 2019 and 2020, the Target Group has settled the consideration amounting RMB325,000, RMB43,601,000 and RMB16,006,000, respectively. The Target Company and Hainan Cyber Services are under the common control of the Controlling Shareholder prior to and after the Hainan Cyber Services Acquisition. The Target Group comprising the Target Company and its subsidiaries resulting from the Hainan Cyber Services Acquisition is regarded as a continuing entity. The equity interests held by shareholders other than Mr. CJ Cao and Ms. Ping Li are presented as non-controlling interests in the Historical Financial Information during the year ended 31 August 2018 prior to the completion of the Hainan Cyber Services Acquisition.

The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows which include the results, changes in equity and cash flows of the companies comprising the Target Group for the Relevant Periods, have been prepared as if the Target Company had always been the holding company of the Target Group and the current group structure had been in existence throughout the Relevant Periods, or since their respective dates of incorporation or establishment, where it is a shorter period.

As at 28 February 2021, the Target Group recorded net current liabilities of RMB1,374,674,000. Furthermore, the Target Group recorded net liabilities of RMB181,446,000 as at 28 February 2021. These conditions indicated the existence of an uncertainty that may cast doubt about the Target Group's ability to continue its business as a going concern. In preparing the Historical Financial Information, management has assessed the going concern ability of the Target Group in association with the Target Group's current financial situation.

Subsequent to 28 February 2021, the Company has agreed to provide adequate funds for the Target Group to meet in full its financial obligations as they fall due in the foreseeable future.

Having considered the cash inflow from operations, financial support from the Company and the available unutilised banking facilities of RMB175,043,000 at 28 February 2021, the directors of the Target Company are satisfied that the Target Group is able to meet in full its financial obligations as they fall due in the foreseeable future.

The statutory financial statements of the Target Company for the years ended 31 December 2017, 2018, 2019 and 2020 were prepared in accordance with relevant accounting principles and financial regulations applicable to the enterprises in the PRC and were audited by 海南永信德威會計師事務所, certified public accountants registered in the PRC.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purposes of preparing and presenting the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied accounting policies which conform with the International Accounting Standards ("IASs"), IFRSs, amendments and the related interpretations ("IFRICs"), which are effective for the accounting period beginning on 1 September 2020 throughout the Relevant Periods except that the Target Group adopted IFRS 15 "Revenue from contracts with Customers" ("IFRS 15") from 1 September 2018 and applied IAS 18 "Revenue" ("IAS 18") for the year ended 31 August 2018, adopted IFRS 9 "Financial Instruments" ("IFRS 9") from 1 September 2018 and applied IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") for the year ended 31 August 2018, and adopted IFRS 16 "Leases" from 1 September 2019 and applied IAS 17 "Leases" ("IAS 17") for the years ended 31 August 2018 and 2019.

The Target Group has early adopted Amendment to IFRS 3 "Definition of Business" in the Historical Financial Information for the year ended 31 August 2020. The early adoption does not have material impact on the Historical Financial Information.

The impact of the adoption of IFRS 9, IFRS 15 and IFRS 16 is detailed below.

2.1 IFRS 9 "Financial Instruments"

On 1 September 2018, the Target Group has applied IFRS 9 and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

The Target Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 September 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 September 2018. The difference between carrying amounts as at 31 August 2018 and the carrying amounts as at 1 September 2018, if any, are recognised in the opening accumulated losses, without restating comparative information.

Accordingly, financial information for the years ended 31 August 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021 may not be comparable as the financial information for the year ended 31 August 2018 was prepared under IAS 39.

The significant accounting policies resulting from application of IFRS 9 are disclosed in note 3.

Classification and measurement of financial assets

The application of IFRS 9 on 1 September 2018 has no impact on the consolidated financial position of the Target Group with regard to classification and measurement of financial instruments, all financial assets classified as loans and receivables under IAS 39 continued to be measured at amortised cost under IFRS 9.

Impairment of financial assets under ECL model

As at 1 September 2018, the directors of the Target Company reviewed and assessed the Target Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirement of IFRS 9. No additional ECL allowance is recognised as the amount involved is insignificant.

Summary of effects arising from initial application of IFRS 9

Most of the banks which the Target Group placed deposits at are graded with top credit ratings. Therefore, these deposits are considered to be low credit risk investments and the loss allowance is measured on twelve months (''12m'') ECL basis.

Loss allowances for other financial assets at amortised cost mainly comprise of other receivables, amounts due from related parties, pledged bank deposits and the bank balances deposited at financial institutions other than graded in the top credit rating agencies, are measured on 12m ECL basis and there had been no significant increase in credit risk since initial recognition.

As at 1 September 2018, the directors of the Target Company reviewed and assessed the Target Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No additional credit loss allowance has been recognised against accumulated losses.

2.2 IFRS 15 ''Revenue from Contracts with Customers''

The Target Group has applied IFRS 15 on 1 September 2018. IFRS 15 superseded IAS 18 ''Revenue'', IAS 11 ''Construction Contracts'' and the related interpretations.

The Target Group has applied IFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 September 2018. Any difference at the date of initial application is recognised in the opening accumulated losses and comparative information has not been restated. Furthermore, in accordance with the transition provisions in IFRS 15, the Target Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 September 2018. Accordingly, certain financial information for the years ended 31 August 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021 may not be comparable as the financial information for the year ended 31 August 2018 was prepared under IAS 18 ''Revenue'' and the related interpretations.

The Target Group is mainly engaged in the provision of private higher and vocational educational institution services in Haikou, Hainan Province of the PRC.

Revenue represents services income from tuition, boarding fee and ancillary services, each being single performance obligations.

Information about the Target Group's performance obligations and the accounting policies resulting from application of IFRS 15 are disclosed in notes 3 and 5 respectively.

Summary of effects arising from initial application of IFRS 15

The Target Group's major revenue-generating operation, representing tuition fees, boarding fees and ancillary services fees (each being single performance obligations) are recognised under input methods. The Target Group's efforts and inputs paid in order to earn tuition fees and boarding fees are expanded evenly throughout the school terms, therefore the existing method for recognising these three streams of revenue on a straight-line basis continue to be appropriate under IFRS 15, and thus there are no adjustments to accumulated losses arising from initial application of IFRS 15.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 September 2018. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 August 2018	Reclassification	Carrying amounts under IFRS 15 at 1 September 2018
	RMB'000	*RMB'000*	*RMB'000*
Current liabilities			
Deferred revenue	189,511	(189,511)	—
Contract liabilities	—	189,511	189,511

At the date of initial application, included in the total deferred revenue amounting to RMB169,006,000, RMB17,991,000 and RMB2,514,000 are related to the tuition fees, boarding fees and ancillary services fees respectively received in advance from students. These balances were reclassified to contract liabilities upon application of IFRS 15.

2.3 IFRS 16 "Leases"

The Target Group has applied IFRS 16 for the first time on 1 September 2019. IFRS 16 superseded IAS 17, and the related interpretations.

Definition of a lease

The Target Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 "Determining whether an Arrangement contains a Lease" and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Target 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 September 2019, the Target Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Target Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 September 2019.

The application of IFRS 16 has had no material impact on the consolidated statement of financial position on 1 September 2019.

Sales and leaseback transactions

The Target Group acts as a seller-lessee

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Target Group applies the requirements of IFRS 15 to assess whether sales and leaseback transaction constitutes a sale.

New and amendments to IFRSs in issue but not yet effective

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

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

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

Amendments to IFRS 3 "Reference to the Conceptual Framework"

The amendments:

- update a reference in IFRS 3 "Business Combinations" so that it refers to the "Conceptual Framework for Financial Reporting" issued by the IASB in March 2018 (the "Conceptual Framework") instead of the International Accounting Standards Committee's "Framework for the Preparation and Presentation of Financial Statements" (replaced by the "Conceptual Framework for Financial Reporting" issued in September 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or IFRIC 21 "Levies", an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Target Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Target Group.

Other than disclosed above, the directors of the Target Company anticipate that the application of other new and amendments to IFRSs will have no material impact on the consolidated financial statements of the Target Group in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with of IFRS 16 (since 1 September 2019) or IAS 17 (before application of IFRS 16), and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

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

(i) has power over the investee;

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

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

The Target Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Target Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Target Group considers all relevant facts and circumstances in assessing whether or not the Target Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Target Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Target Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Target Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each item of other comprehensive income are attributed to the owners of the Target Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Target Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

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

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

Non-controlling interests in subsidiaries are presented separately from the Target Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Target Group's interests in existing subsidiaries

Changes in the Target Group's interests in subsidiaries that do not result in the Target Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Target Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Target Group and the non-controlling interests according to the Target Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Target Company.

When the Target Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Target Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Target Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs).

Merger accounting for business combination involving entities under common control

The Historical Financial Information incorporates the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined 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, to the extent of the continuation of the controlling party's interest.

The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period.

Investments in an associate

An associate is an entity over which the Target Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Target Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statements of financial position at cost and adjusted thereafter to recognise the Target Group's share of the profit or loss and other comprehensive income of the associate. When the Target Group's share of losses of an associate exceeds the Target Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Target Group's net investment in the associate), the Target Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Target Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Target Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Target Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Target Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Target Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Target Group retains an interest in the former associate and the retained interest is a financial asset within the scope of IFRS 9, the Target Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Target Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Target Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate.

The Target Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Target Group reduces its ownership interest in an associate but the Target Group continues to use the equity method, the Target Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate of the Target Group, profits and losses resulting from the transactions with the associate are recognised in the Target Group's Historical Financial Information only to the extent of interests in the associate that are not related to the Target Group.

Revenue from contract with customers (upon application of IFRS 15 in accordance with transition in note 2)

Under IFRS 15, the Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation representing tuition, hoarding and ancillary services are transferred to the students.

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

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

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

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

Contract liabilities represent the Target Group's obligation to transfer goods or services to the students for which the Target Group has received tuition fees, boarding fees and fees for ancillary services from the students.

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

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Target Group's efforts or inputs mainly (representing teaching staff costs, rental expenses and depreciation of school premises) to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Target Group's performance in transferring control of goods or services.

Revenue recognition (prior to 1 September 2018)

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Target Group and when specific criteria have been met for each of the Target Group's activities, as described below.

Tuition and boarding fees received from universities and vocational schools are generally paid in advance at the beginning of school term, and are initially recorded as deferred revenue. Tuition and boarding fees are recognised proportionately over the relevant period of the applicable programme. The portion of tuition and boarding payments received from students but not earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that the Target Group expects to earn within one year.

Ancillary service income is recognised when services are provided.

Other service income is recognised when services are provided.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transition in note 2)

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 or arising from business combinations, the Target Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Target Group as lessee (prior to 1 September 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.

Operating lease payments, including the cost of acquiring land held under operating leases, are recognised as an expense on a straight-line basis over the lease term.

Sale and leaseback transactions (upon application of IFRS 16 in accordance with transition in note 2)

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

The Target Group as a seller-lessee

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

Borrowing costs

All borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target Group recognises as expenses the related costs for which the grants are intended to compensate.

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

Retirement benefit costs

Payments to defined contribution retirement benefit plan and state-managed retirement benefit scheme are recognised as an expense when employees have rendered services entitling them to the contributions.

Short-term employee benefits

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

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

Taxation

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

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

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences, and 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 goodwill or from the initial recognition (other than in a business combination) of other 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 and interest in an associate except where the Target 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 and interest 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.

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

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

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

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

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

Property and equipment

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

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Target Group's accounting policy. Such properties are classified to the appropriate categories of property 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 items of property and equipment other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property 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 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.

Impairment on property and equipment

At the end of each reporting period, the Target Group reviews the carrying amounts of its property and equipment 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 property and equipment are estimated individually. When it is not possible to estimate the recoverable amount of an asset individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

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

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

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

Inventories

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

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statements of financial position when a group entity becomes a party to the contractual provisions of the instrument.

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 since 1 September 2018. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at FVTPL are recognised immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms 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 financial assets including trade receivables, deposits and other receivables, amounts due from related parties, pledged bank deposits and bank balances and cash are subsequently measured at amortised costs.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets 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 from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the assets is no longer credit-impaired.

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

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

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 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 Target Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the end of reporting period as well as the forecast of future conditions.

The Target Group always recognises lifetime ECL for trade receivables arising from revenue from contracts with customers.

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

(i) Significant increase in credit risk

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

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

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

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

Despite the aforegoing, the Target Group assumes that the credit risk on the restricted bank deposits and the bank balances has not increased significantly since initial recognition as the pledged bank deposits and the bank balances are determined to have low credit risk at each reporting date. The pledged bank deposits and the bank deposits are considered to have low credit risk as they are deposited with the financial institutions which have an internal or external credit rating of ''investment grade'' as per globally understood definitions.

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

For collective assessment, the Target Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

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

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments through a loss allowance account.

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 September 2018)

The Target Group's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchase 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade receivables, deposits and other receivables, amounts due from related parties and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets (before application of IFRS 9 on 1 September 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Target Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The Target Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Target 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 entity. If the Target Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, 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 are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities measured at amortised cost

Financial liabilities including trade and bills payable, other payables, amounts due to related parties, amount due to an associate and bank and other borrowings, are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Target Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Upon application of IFRS 9, for financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Prior to application of IFRS 9 on 1 September 2018, financial liabilities designated at FVTPL are stated at fair value, with any gains or losses arising on changes in fair value recognised in profit or loss. The net gain or loss recognised in profit or loss includes any interests paid on the financial liabilities.

Derecognition of financial liabilities

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

Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target 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).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, which are described in note 3, management of the Target Group is required to make 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 ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

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

(a) Useful life and impairment of property and equipment

The Target Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property and equipment. This estimate is based on the management's experience of the actual useful lives of property and equipment of similar nature and functions. In addition, management assesses impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property and equipment may not be recoverable. Management will increase the depreciation charge where useful lives are estimated to be shorter than previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 August 2018, 2019 and 2020 and 28 February 2021, the carrying amount of property and equipment are RMB2,479,655,000, RMB2,463,701,000, RMB2,425,749,000 and RMB2,434,343,000, respectively. Any change in these estimates may have a material impact on the results of the Target Group.

(b) Income taxes

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether the Target Group is subject to EIT as disclosed in note 9. This assessment relies on estimates and assumptions about future events. New information may become available that causes the Target Group to change its judgement regarding the adequacy of the tax liabilities. Such changes to tax liabilities will impact tax expense in the period in which such determination is made.

(c) Fair value measurement of financial liabilities at FVTPL

Long term construction cost payables for school premises amounting to RMB390,538,000, RMB398,983,000, RMB408,377,000 and RMB400,997,000, and amounts due to related parties amounting to RMB173,870,000, RMB185,203,000, RMB2,577,000 and RMB2,638,000 as at 31 August 2018, 2019 and 2020 and 28 February 2021, respectively, are measured at fair values with fair values being determined based on unobservable inputs, including estimated future cash outflow and discount rate, using valuation technique. Judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of long term construction cost payables for school premises. Further disclosures of the above items are set out in notes 19, 22 and 27(c).

(d) Provision for compliance matters

During the Relevant Periods, the Target Group has not obtained certain certificates for constructing school premises. Under the relevant PRC laws and regulations, penalties may arise for constructing the buildings without the relevant certificates. Judgements and estimations are required regarding the likelihood of the Target Group being penalised and the rates applied in calculating the provisions. Changes in assumptions relating to these factors could result in material adjustments to the provisions. As disclosed in note 19, provisions amounted to RMB104,897,000, RMB116,854,000, RMB130,631,000 and RMB133,329,000 were made by the management regarding such compliance matters as at 31 August 2018, 2019 and 2020 and 28 February 2021, respectively.

5. REVENUE AND SEGMENT INFORMATION

The Target Group is mainly engaged in the provision of private higher and vocational education institution services in Haikou, Hainan Province of the PRC.

Revenue represents services income from tuition, boarding fee and ancillary services, each being single performance obligations.

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

Revenue from major services

The following is an analysis of the Target Group's revenue from the major services:

	Year ended 31 August		**Six months ended**	
			29 February	**28 February**
	2019	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
			(unaudited)	
Tuition fees recognised overtime	411,135	483,785	243,825	300,241
Boarding fees recognised overtime	48,768	42,239	23,856	28,993
Ancillary services fees recognised overtime	16,255	24,055	5,065	7,082
	476,158	550,079	272,746	336,316

The Target Group's contracts with students for higher education and vocational education programmes are normally with duration of 1 year renewed up to total duration of 3 – 5 years depending on the education programmes, while those for boarding fees are normally with duration of 1 year. Tuition and boarding fees are determined and paid by the students before the start of the school year while the ancillary services are charged based on students' usage at fixed rate.

	Year ended 31 August 2018
	RMB'000
Tuition fees	365,182
Boarding fees	48,629
Ancillary services fees	14,225
	428,036

Geographical information

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

Information about major customers

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

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

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

6. OTHER INCOME

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(Unaudited)	
Academic administration income	19,440	32,106	12,509	9,120	9,570
Management fee income	24,982	22,364	19,918	13,094	11,137
Government grants *(Note)*	12,359	9,973	10,055	5,299	1,816
Staff quarter income	1,089	1,434	1,176	589	650
Sundry income	8,427	6,980	5,722	4,150	3,992
	66,297	72,857	49,380	32,252	27,165

Note: Government grants mainly represent subsidies from government for conducting educational programmes and sports activities, and are recognised upon completion of relevant programmes and sports activities.

7a. INVESTMENT INCOME

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest income from banks	350	347	290	168	1,485

7b. OTHER GAINS AND LOSSES

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Gain (loss) on disposal of property and equipment	3,734	833	483	(523)	617
Gain on deregistration of subsidiaries	—	2,322	—	—	5,069
Written off of other receivables	(235)	—	—	—	—
Impairment loss, net of reversal — other receivables and deposits	—	(1,857)	(50)	1,628	472
	3,499	1,298	433	1,105	6,158

8. FINANCE COSTS

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Interest expenses on bank borrowings	61,839	65,995	53,930	21,250	25,332
Interest expenses on other borrowings	45,283	49,124	63,543	35,905	20,123
Imputed interest on amount due to a related party	—	—	960	606	6,946
	107,122	115,119	118,433	57,761	52,401

9. TAXATION

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Current tax — EIT	7,669	5,615	2,313	875	1,734

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

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) before taxation	10,592	3,755	(97,078)	(3,901)	48,181
Tax at PRC EIT rate of 25%	2,648	939	(24,269)	(975)	12,045
Tax effect of income not taxable for tax purposes	(111,684)	(124,851)	(142,798)	(69,941)	(88,503)
Tax effect of expenses not deductible for tax purposes	110,798	123,938	145,506	66,771	73,072
Tax effect on share of results of an associate	(28)	(26)	97	48	56
Tax effect of concessionary tax rate granted	(18)	(31)	(65)	(22)	77
Utilisation of tax loss previously not recognised	—	—	(746)	—	—
Tax losses not recognised	5,953	5,646	24,588	4,994	4,987
Tax charge for the year/period	7,669	5,615	2,313	875	1,734

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "EIT Law of PRC"), the statutory tax rate of PRC subsidiaries is 25% during the Relevant Periods, except for a subsidiary namely Hainan Zhengyuan Property Service Co., Limited (海南正元物業服務有限公司) ("Hainan Zhengyuan Property Service"), which is qualified with the standard of small and low profit enterprise and is therefore entitled to a preferential tax rate of 20%.

According to the relevant provisions of Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools, which are providing academic qualification education, are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns/the schools are elected to be not-for-profit schools. Given that the detailed Implementation Rules of Law for Promoting Private Education has not yet been announced, the PRC Schools of the Target Group, namely 海口經濟學院 ("Haikou University of Economics") ("Haikou University") and 海口經濟學院附屬藝術學校 ("Affiliated Art School of Haikou University of Economics") ("Haikou Art School") have not yet elected to be for-profit or not-for-profit schools. According to the relevant in-charge tax bureau, since the relevant tax policy for schools that have not yet elected to be for-profit or not-for-profit is not yet announced and if the school nature has not yet been changed, the schools could follow previous EIT exemption treatment for the tuition related income. During the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, the non-taxable tuition related income amounted to RMB413,811,000, RMB459,903,000, RMB526,024,000, RMB267,681,000 (unaudited) and RMB329,234,000, respectively, and the related non-deductible expense amounted to RMB436,511,000, RMB488,105,000, RMB554,480,000, RMB264,707,000 (unaudited) and RMB288,243,000, respectively.

At the end of the Relevant Periods, certain subsidiaries of the Target Group has unused tax losses of RMB42,991,000, RMB59,393,000, RMB154,552,000 and RMB173,928,000, respectively, available for offset against future profits. These losses may be carried forward for five years when the losses are incurred. No deferred tax asset has been recognised in respect of such losses due to the unpredictability of future assessable profit.

10. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR/PERIOD

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) and total comprehensive income (expense) for the year/period has been arrived at after charging:					
Staff costs, including directors' remuneration *(Note 11)*					
— salaries and other allowances	104,390	124,859	128,977	65,495	84,326
— retirement benefit scheme contributions	30,339	33,642	27,453	16,436	14,541
Total staff costs	134,729	158,501	156,430	81,931	98,867
Depreciation of property and equipment	67,522	69,937	71,856	37,475	37,297
Auditor's remuneration	61	167	210	—	—
Loss on compensation of rearrangement of contract (included in other expense)*(Note)*	—	—	—	—	20,000

Note: On 19 July 2019, the Target Group entered into an agreement with 海南新業樂房地產開發有限公司 ("Hainan Xinyeyue"), an independent third party, for constructing a film education building, the Target Group is obliged to make variable repayments each year for 40 years commencing upon completion of construction. On 30 July 2019, Hainan Xinyeyue has further entered into sub-contracting agreement with two related parties of the Target Group, Hainan Zhengyuanxin Industrial Co., Ltd. 海南正元鑫實業有限公司 ("Hainan Zhengyuanxin") and Hainan Qianyu Industrial Co., Ltd. 海南乾宇實業有限公司 (collectively refer to as the "Sub-contractors") to undertake part of the construction. Further on 6 August 2020, the Target Group entered into an agreement to cancel and rearrange the aforementioned construction agreements at a consideration of RMB20,000,000, for the purpose of limiting the contracting party to Hainan Xinyeyue, which was recognised as other expenses during the six months ended 28 February 2021 upon the completion of the rearrangement of contracts.

11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

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

	Salaries and other allowances *RMB'000*	Retirement benefit costs *RMB'000*	Total *RMB'000*
Year ended 31 August 2018			
Executive directors:			
Mr. CJ Cao	1,350	51	1,401
Mr. CW Cao	922	47	969
Mr. Xuandong Yao	50	—	50
Mr. YK Cao	934	48	982
Mr. Zhenfu Yang	50	—	50
Ms. Ping Li	50	—	50
Mr. Qi Cao	50	—	50
	3,406	146	3,552
Year ended 31 August 2019			
Executive directors:			
Mr. CJ Cao	1,350	67	1,417
Mr. CW Cao	932	64	996
Mr. Xuandong Yao	201	47	248
Mr. YK Cao	690	44	734
Mr. Zhengfu Yang	—	—	—
Ms. Ping Li	—	—	—
Mr. Qi Cao	—	—	—
	3,173	222	3,395
Year ended 31 August 2020			
Executive directors:			
Mr. CJ Cao	1,350	62	1,412
Mr. CW Cao	932	62	994
Mr. Guoxing Wu (appointed on 20 September 2019)	375	62	437
Mr. Xiao Chen (appointed on 20 September 2019)	510	—	510
Mr. Xuandong Yao	275	—	275
Mr. YK Cao (resigned on 20 September 2019)	—	—	—
Mr. Zhengfu Yang	—	—	—
Ms. Ping Li (resigned on 20 September 2019)	—	—	—
Mr. Qi Cao (resigned on 20 September 2019)	—	—	—
Ms. Shaping Cao (appointed on 20 September 2019)	20	—	20
	3,462	186	3,648

	Salaries and other allowances *RMB'000*	Retirement benefit costs *RMB'000*	Total *RMB'000*
Six months ended 29 February 2020 (unaudited)			
Executive directors:			
Mr. CJ Cao	750	19	769
Mr. CW Cao	537	19	556
Mr. Guoxing Wu (appointed on 20 September 2019)	290	19	309
Mr. Xiao Chen (appointed on 20 September 2019)	330	—	330
Mr. Xuandong Yao	200	—	200
Mr. YK Cao (resigned on 20 September 2019)	—	—	—
Mr. Zhengfu Yang	—	—	—
Ms. Ping Li (resigned on 20 September 2019)	—	—	—
Mr. Qi Cao (resigned on 20 September 2019)	—	—	—
Ms. Shaping Cao (appointed on 20 September 2019)	20	—	20
	2,127	57	2,184
Six months ended 28 February 2021			
Executive directors:			
Mr. CJ Cao	864	19	883
Mr. CW Cao	437	25	462
Mr. Guoxing Wu (resigned on 16 September 2020)	—	—	—
Mr. Xiao Chen (resigned on 16 September 2020)	—	—	—
Mr. Xuandong Yao (resigned on 16 September 2020)	—	—	—
Mr. Zhengfu Yang (resigned on 16 September 2020)	—	—	—
Ms. Shaping Cao (resigned on 16 September 2020)	—	—	—
Mr. Yu Guo (appointed on 16 September 2020)	30	—	30
Mr. Gongcheng Lan (appointed on 16 September 2020)	30	—	30
Ms. Lan Xu (appointed on 16 September 2020)	319	19	338
Mr. Jianfeng Hu (appointed on 16 September 2020)	30	—	30
Mr. Qi Cao (appointed on 16 September 2020)	60	—	60
	1,770	63	1,833

No emoluments was recognised or paid by the Target Group to the directors as compensation for loss of office and inducement to join for the Relevant Periods. There was no arrangement under which a director waived or agreed to waive any emoluments during the Relevant Periods.

The directors' emoluments shown above were paid for their services in connection with the management of affairs of the Target Group during the Relevant Periods.

Employees

The five highest paid individuals of the Target Group included 3, 3, 4, 3 and 2 directors for the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021 respectively whose emoluments are included in the disclosures above. The emoluments of the remaining 2, 2, 1, 2 and 3 individual(s) for the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, respectively, are as follows:

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries and other benefits	906	916	452	498	1,265
Retirement benefit scheme contributions	—	—	—	—	—
	906	916	452	498	1,265

The number of the highest paid individuals, other than directors of the Target Company, whose emoluments fell within the following bands is as follows:

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
				(unaudited)	
Nil to Hong Kong Dollar 1,000,000	2	2	1	2	3

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

12. DIVIDENDS

During the year ended 31 August 2018, the Hainan Cyber Services declared and paid dividends of an aggregate amount of RMB13,407,000 to its shareholders and no dividend was declared or paid by the Target Company in respect of the Relevant Periods. 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.

13. EARNINGS PER SHARE

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

14. PROPERTY AND EQUIPMENT

	Owned properties RMB'000	Leasehold improvements RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 September 2017	2,629,484	29,010	172,335	13,954	23,399	2,868,182
Additions	8,076	6,195	8,470	—	11,528	34,269
Transfer	31,408	—	—	—	(31,408)	—
Disposals	(4,551)	—	(258)	(43)	—	(4,852)
At 31 August 2018	2,664,417	35,205	180,547	13,911	3,519	2,897,599
Addition	—	12,784	35,337	3	7,152	55,276
Transfer	—	—	4,010	—	(4,010)	—
Disposals	(1,220)	—	(2,283)	(483)	—	(3,986)
At 31 August 2019	2,663,197	47,989	217,611	13,431	6,661	2,948,889
Addition	5,400	14,264	14,503	160	46	34,373
Disposals	(368)	—	(2,312)	—	—	(2,680)
At 31 August 2020	2,668,229	62,253	229,802	13,591	6,707	2,980,582
Addition	—	12,530	23,911	—	9,640	46,081
Transfer	2,459	—	—	—	(2,459)	—
Disposals	—	—	(240)	—	—	(240)
At 28 February 2021	2,670,688	74,783	253,473	13,591	13,888	3,026,423
ACCUMULATED DEPRECIATION						
At 1 September 2017	193,906	7,383	137,232	12,570	—	351,091
Provided for the year	52,505	3,276	11,415	326	—	67,522
Eliminated on disposals	(408)	—	(228)	(33)	—	(669)
At 31 August 2018	246,003	10,659	148,419	12,863	—	417,944
Provided for the year	52,691	4,294	12,803	149	—	69,937
Eliminated on disposals	(116)	—	(2,119)	(458)	—	(2,693)
At 31 August 2019	298,578	14,953	159,103	12,554	—	485,188
Provided for the year	52,685	5,517	13,504	150	—	71,856
Eliminated on disposals	(41)	—	(2,170)	—	—	(2,211)
At 31 August 2020	351,222	20,470	170,437	12,704	—	554,833
Provided for the period	26,261	3,343	7,616	77	—	37,297
Eliminated on disposals	—	—	(50)	—	—	(50)
At 28 February 2021	377,483	23,813	178,003	12,781	—	592,080
CARRYING VALUES						
At 31 August 2018	2,418,414	24,546	32,128	1,048	3,519	2,479,655
At 31 August 2019	2,364,619	33,036	58,508	877	6,661	2,463,701
At 31 August 2020	2,317,007	41,783	59,365	887	6,707	2,425,749
At 28 February 2021	2,293,205	50,970	75,470	810	13,888	2,434,343

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

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

At 31 August 2018, 2019 and 2020 and 28 February 2021, the Target Group is in the process of obtaining the building ownership certificates for certain owned properties with carrying value of approximately RMB369,032,000, RMB361,252,000, RMB353,473,000 and RMB349,583,000, respectively which are located in the PRC. In the opinion of management of the Target Group, the absence of formal title does not impair the value of the relevant owned property and buildings, and the formal title of these owned properties will be granted to the Target Group in due course.

Sale and leaseback transactions — seller-lessee

To better manage the Target Group's capital structure and financing needs, the Target Group would consider entered into sale and leaseback arrangements in relation to office equipment. These legal transfer does not satisfy the requirements of IFRS 15 to be accounted for as a sale of the office equipment. During the years ended 31 August 2019 and 2020 and the six months ended 28 February 2021, the Target Group has raised borrowings of RMB67,014,000, RMB241,995,000 and RMB50,864,000 in respect of such sale and leaseback arrangements, respectively.

15. INTEREST IN AN ASSOCIATE

	As at 31 August			As at 28 February
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost of investment in an associate	800	800	800	800
Share of post-acquisition profit (loss) and other comprehensive income (expense)	114	218	(168)	(392)
	914	1,018	632	408

Details of the Target Group's associates at the end of each of the reporting period are as follows:

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Target Group				Proportion of voting rights held by the Target Group				Principal activities
			As at 31 August			As at 28 February	As at 31 August			As at 28 February	
			2018	2019	2020	2021	2018	2019	2020	2021	
Hainan Zhongjia Health Development Co., Limited (海南中佳健康發展有限公司)	The PRC	The PRC	20%	20%	20%	20%	20%	20%	20%	20%	Trading of health products and sports equipment

Information of an associate that is not individually material

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
The Target Group's share of profit (loss) and total comprehensive income (expense) for the year/period	114	104	(386)	(193)	(224)

16. TRADE RECEIVABLES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 August			As at 28 February
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables *(note (i))*	—	170	69	9,861
Receivables from education bureaus	—	—	—	19,134
Staff advances	5,693	7,956	2,080	5,716
Other receivables	7,021	15,451	8,218	6,416
Deposits *(note (ii))*	9,253	15,086	10,909	18,167
Prepayments *(note (iii))*	6,919	3,099	11,503	2,508
Prepayments on behalf of students	368	362	67	60
	29,254	42,124	32,846	61,862
Analysed for reporting purposes as:				
Current assets	29,254	36,124	23,526	47,262
Non-current assets	—	6,000	9,320	14,600
	29,254	42,124	32,846	61,862

Notes:

(i) The students are required to pay tuition fees and boarding fees in advance for the upcoming school year. The outstanding receivables represent amounts related to students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed term for delayed payments. In view of the aforementioned and the fact that the Target Group's trade receivables relate to a large number of individual students, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances.

(ii) As at 31 August 2019 and 2020 and 28 February 2021, included in the amounts are deposits secured for long-term borrowings under sale and leaseback arrangements amounting RMB6,000,000, RMB9,320,000 and RMB14,600,000, respectively.

(iii) The amounts mainly represent prepayments of training costs, membership fees of education association and prepaid service fees of teaching systems.

(iv) As at 31 August 2020 and 28 February 2021, rights to receive boarding fees associated with owned properties of the Target Group with carrying amount of RMB48,025,000 and RMB47,329,000, respectively are pledged to financial institutions in respect of the loans granted to a constructor of student dormitories.

The following is an analysis of trade receivables and receivables from education bureaus, net of allowance for credit losses, by age, presented based on debit note.

	As at 31 August			As at 28 February
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0–90 days	—	170	69	21,961
91–120 days	—	—	—	2,636
121–365 days	—	—	—	4,398
	—	170	69	28,995

17. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 August 2020, pledged bank deposits represented balances pledged to a bank to secure a banking facility granted to the Target Group, and carried interest at prevailing market rate of 1.5%. The pledged bank deposits have been released during the six months ended 28 February 2021.

Bank balances and cash comprise cash and short-term deposits held by the Target Group with an original maturity of three months or less. As at 31 August 2018, 2019 and 2020 and 28 February 2021, the Target Group's bank deposits carried weighted-average interest rates of 0.44%, 0.61%, 0.30% and 0.31% per annum, respectively.

18. DEFERRED INCOME

	Year ended 31 August			As at 28 February
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants				
— current portion	6,617	4,934	1,037	3,972
— non-current portion	1,800	1,637	777	—
	8,417	6,571	1,814	3,972

Note: The amounts represent subsidies receipt in advance from government mainly for conducting educational programmes and sports activities, and are recognised as other income upon completion of relevant programmes and sports activities.

19. OTHER PAYABLES AND ACCRUED EXPENSES AND PROVISIONS

	As at 31 August			As at 28 February
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Discretionary government subsidies receipt in advance *(Note i)*	2,197	10,427	15,660	14,626
Receipt on behalf of ancillary services providers	6,443	12,102	8,426	16,622
Long term construction cost payables for school premises *(Note ii)*	390,538	398,983	408,377	400,997
Construction cost payables for school premises *(Note iii)*	86,492	72,219	53,568	18,194
Retention money payable	8,677	8,949	10,277	22,183
Deposits received	523	520	551	—
Accrued staff benefits and payroll	11,839	13,537	13,110	19,386
Interests payable for bank and other borrowings	56,301	40,480	44,281	25,768
Other payables and accruals	50,068	51,605	50,925	51,903
Other tax payables	15,285	17,955	23,001	15,929
	628,363	626,777	628,176	585,608
Analysed for reporting purposes as:				
Current liabilities	262,450	252,581	245,860	181,167
Non-current liabilities	365,913	374,196	382,316	404,441
	628,363	626,777	628,176	585,608
Provision *(Note iv)*	104,897	116,854	130,631	133,329

Notes:

i. The amounts represent scholarships and government subsidies to be distributed from time to time or upon demand, to eligible students and teachers of the schools based mainly on the financial conditions or academic achievements of students and teachers, on behalf of the government.

ii. Long term construction cost payables for school premises arose from arrangements between the Target Group and other constructors for building student dormitories and academic buildings, pursuant to which the constructors are entitled to future cash payments with a payment term of 40–42 years after completion of construction, typically with guaranteed amounts and variable premium proportionate to boarding fees and tuition fees earned by respective buildings they constructed, and are designated at FVTPL calculated by discounting the expected future cash outflow, with change in fair values recognised in profit or loss. Included in long term construction cost payables for school premises are amounts of RMB359,167,000, RMB367,587,000, RMB375,503,000 and RMB397,697,000 which are payable beyond twelve months after the end of each reporting period and are presented as non-current liabilities as at 31 August 2018, 2019 and 2020 and 28 February 2021, respectively.

iii. Included in construction cost payables for school premises are amounts of RMB6,746,000, RMB6,609,000, RMB6,813,000 and RMB6,744,000 which are payable beyond twelve months after the end of each reporting period and are presented as non-current liabilities as at 31 August 2018, 2019 and 2020 and 28 February 2021, respectively.

iv. The amount of provisions representing (a) provisions of compliance matters, mainly on social insurance benefit, housing provident fund, lack of certain certificates for constructing school premises and (b) provision for a legal case, which are the best estimate of the considerations required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation.

	Compliance matters	**Legal case**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 September 2017	90,926	—	90,926
Additional provision during the year	13,971	—	13,971
At 31 August 2018	104,897	—	104,897
Additional provision during the year	11,957	—	11,957
At 31 August 2019	116,854	—	116,854
Additional provision during the year	9,701	4,076	13,777
At 31 August 2020	126,555	4,076	130,631
Additional provision during the period	1,660	1,038	2,698
At 28 February 2021	128,215	5,114	133,329

20a. DEFERRED REVENUE

	As at 31 August 2018
	RMB'000
Tuition fees	169,006
Boarding fees	17,991
Ancillary services fees	2,514
	189,511

20b. CONTRACT LIABILITIES

The Target Group has recognised the following revenue-related contract liabilities:

	As at 1 September 2018*	As at 31 August 2019	2020	As at 28 February 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities related to tuition fees	169,006	248,442	147,837	306,468
Contract liabilities related to boarding fees	17,991	23,823	—	27,238
Contract liabilities related to ancillary services fees	2,514	3,062	1,034	3,643
	189,511	275,327	148,871	337,349

* *The amounts in this column are after the adjustments from the application of IFRS 15.*

Revenue amounting to RMB189,511,000, RMB275,327,000, RMB275,327,000 (unaudited) and RMB148,871,000 recognised during the years ended 31 August 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, respectively, relates to carried-forward contract liabilities. No revenue recognised during the years ended 31 August 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021 relates to performance obligation that were satisfied in prior periods.

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

When the Target Group receives the prepayments before commencement of school terms for, tuition courses or provision of boarding and ancillary services, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the prepayments. The Target Group typically receives the amounts in full before relevant services commence.

The significant decrease in contract liabilities at 31 August 2020 compared to the balance at 31 August 2019 was mainly due to delay of fee collection deadline by certain schools of the Target Group due to the impact of Covid-19. The significant increase in contract liabilities at 28 February 2021 comparing to the balance at 31 August 2020 was mainly due to collection of tuition fees and boarding fees for academic year 2020/2021 during the six months ended 28 February 2021.

21. BANK AND OTHER BORROWINGS

	As at 31 August			As at 28 February
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured bank borrowings	985,995	1,008,235	911,477	851,187
Secured other borrowings	352,351	463,810	522,999	341,356
Unsecured bank borrowings	100,050	98,000	50,000	73,750
Unsecured other borrowings	54,486	—	48,134	41,680
Total borrowings	1,492,882	1,570,045	1,532,610	1,307,973
Analysed as:				
— Fixed rate	630,337	1,030,770	1,067,010	833,323
— Variable rate	862,545	539,275	465,600	474,650
	1,492,882	1,570,045	1,532,610	1,307,973
Carrying amounts repayable:				
Bank borrowings				
— Within one year	480,770	819,488	301,988	334,027
— More than one year, but not exceeding two years	481,775	90,187	96,727	110,040
— More than two years, but not exceeding five years	123,500	32,000	195,217	161,225
— More than five years	—	164,560	367,545	319,645
	1,086,045	1,106,235	961,477	924,937
Other borrowings				
— Within one year	54,486	19,074	347,774	177,017
— More than one year, but not exceeding two years	352,351	420,203	132,653	114,846
— More than two years, but not exceeding five years	—	24,533	90,706	91,173
— More than five years	—	—	—	—
	406,837	463,810	571,133	383,036
	1,492,882	1,570,045	1,532,610	1,307,973
Less: Amounts due within one year shown under current liabilities	(535,256)	(838,562)	(644,483)	(511,044)
Amounts shown under non-current liabilities	957,626	731,483	888,127	796,929

Notes:

i. The Target Group has variable-rate borrowings which carried interest with reference to the Benchmark Borrowing Rate of The People's Bank of China. The ranges of effective interest rates (which are also equal to contracted interest rates) on the Target Group's borrowings are as follows:

		As at 31 August		As at 28 February
	2018	**2019**	**2020**	**2021**
Effective interest rate:				
Fixed rate bank and other borrowings	5.66% – 12.50%	4.79% – 10.00%	4.79% – 10.00%	4.79% – 10.00%
Variable-rate bank borrowings	4.88% – 6.18%	4.88% – 6.09%	4.30% – 5.70%	5.46% – 5.70%

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

iii. The Target Group's bank borrowings were secured by the rights to receive tuition fees and boarding fees of Haikou University and pledged bank deposits amounting to nil, nil, RMB30,000,000 and nil as at 31 August 2018, 2019 and 2020 and 28 February 2021 respectively; the Target Group's other borrowings under sale and leaseback arrangements amounting RMB61,734,000, RMB126,703,000 and RMB114,661,000 were secured by deposits as disclosed in note 16 as at 31 August 2019 and 2020 and 28 February 2021, and other borrowings amounting to RMB352,351,000, RMB402,076,000, RMB396,296,000 and RMB226,695,000 as at 31 August 2018, 2019 and 2020 and 28 February 2021, respectively, were further secured by the rights to receive tuition fees.

iv. As at 31 August 2018, 2019 and 2020 and 28 February 2021, bank and other borrowings amounting approximately RMB1,086,045,000, RMB1,167,969,000, RMB1,247,347,000 and RMB1,173,140,000, respectively were guaranteed by certain relatives and close family members of the directors of the Target Group, respectively, at no cost. The guarantee amounts provided by the related parties at 31 August 2018, 2019 and 2020 and 28 February 2021 were as follows:

			As at 31 August		As at 28 February
		2018	2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. CJ Cao	*(i)*	655,600	421,275	—	47,754
Mr. CJ Cao, Mr. CW Cao and Mr. YK Cao	*(i) (ii)*	304,550	242,000	85,187	—
Mr. CJ Cao and Ms. Ping Li	*(iii)*	80,000	60,000	—	100,000
Mr. CJ Cao, Mr. CW Cao, Mr. YK Cao, Ms. Ping Li, Ms. Lijie Wang and Ms. Ningming Xie	*(iv) (v)*	63,500	382,960	201,560	196,660
Mr. CJ Cao, Mr. CW Cao, Ms. Ping Li and Ms. Lijie Wang	*(i) (iii) (iv)*	—	—	649,130	400,900
Mr. CJ Cao, Mr. CW Cao, Hainan Cyber Services and Hainan Shenzheng	*(i)*	—	66,000	218,036	114,661
Mr. CJ Cao, Mr. CW Cao, Ms. Ping Li, Ms. Lijie Wang, Hainan Cyber Services and Hainan Shenzheng	*(i) (iii) (iv)*	—	—	50,000	—
Mr. CJ Cao, Mr. CW Cao and Ms. Lijie Wang	*(i) (iv)*	—	—	60,000	44,108
Mr. CJ Cao, Mr. CW Cao and Ms. Ping Li, Ms. Lijie Wang, Mr. Qi Cao, Mr. Rui Cao, Hainan Cyber Services	*(i) (iii) (iv)*	—	—	50,000	41,680
Mr. CJ Cao, Mr. CW Cao, Ms. Ping Li, Ms. Lijie Wang, Hainan Cyber Services	*(i) (iii) (iv)*	—	—	—	173,877
Mr. CJ Cao, Mr. CW Cao, Mr. YK Cao, Ms. Ping Li, Ms. Lijie Wang, Ms Ningming Xie and Hainan Cyber Services	*(i) (ii) (iii) (iv) (v)*	—	—	—	53,500
		1,103,650	1,172,235	1,313,913	1,173,140

Notes:

i. Mr. CJ Cao and Mr. CW Cao are the directors of the Target Company. Mr. Qi Cao and Mr. Rui Cao are the close family members of Mr. CJ Cao. Mr. CJ Cao is the controlling shareholder of Hainan Shenzheng.

ii. Mr. YK Cao was the controlling shareholder of Hainan Hualian up to 16 September 2020 which has significant influence over the Target Group.

iii. Ms. Ping Li is the spouse of Mr. CJ Cao.

iv. Ms. Lijie Wang is the spouse of Mr. CW Cao.

v. Ms. Ningming Xie is the spouse of Mr. YK Cao, who was the controlling shareholder of Hainan Hualian up to 16 September 2020 which has significant influence over the Target Group.

22. AMOUNTS DUE FROM (TO) RELATED PARTIES/A RELATED PARTY

The Target Group had the following balances with related parties at the end of each reporting period

							Maximum amount outstanding during			
		As at				As at				Six months ended
	Notes	1 September		At 31 August		28 February		Year ended 31 August		28 February
		2017	2018	2019	2020	2021	2018	2019	2020	2021
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due from related parties — Trade nature										
Name of related parties										
Hainan Zhonghuan Energy Testing Technology Co., Ltd. 海南中環能檢測技術有限公司	*(ii) (vii)*	27	27	97	55	—	27	97	97	55
Hainan Zhongjia Development Co., Ltd. 海南中佳拓展有限公司	*(ii) (iv)*	23	16	17	79	—	23	17	79	79
Hainan Kunlun	*(ii) (vi)*	17	946	434	1,710	—	1,205	2,153	2,128	1,710
Hainan Zhengyuan Water and Power Installation Engineering Co., Ltd. 海南正元水電安裝工程有限公司 ("Hainan Zhengyuan Water and Power Installation")	*(ii) (vi)*	—	3	3	17	17	3	17	17	17
		67	992	551	1,861	17				
Amounts due from related parties — Non-trade nature										
Name of related parties										
Hainan Zhongjia Culture Investment Co., Ltd. 海南中佳文化投資有限公司 ("Hainan Zhongjia Culture")	*(i) (vii)*	9	7	8	8	11	9	9	8	11
Hainan Haijingyuan Motor Vehicle Driving Training Co., Ltd. 海南海經院機動車駕駛培訓有限公司	*(i) (vii)*	5,497	5,497	5,530	69	—	5,497	5,530	5,530	69
Hainan Zhongjia Education Investment Co., Ltd. ("Hainan Zhongjia Education") 海南中佳教育投資有限公司	*(i) (iv) (xii)*	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855	1,855
Boruida Education (Hainan) Co., Ltd. 博瑞達教育(海南)有限公司	*(i) (iv)*	—	1,252	2,362	2,662	2,660	1,252	2,362	2,662	2,662
Hainan Zhengyuan Construction Engineering Co., Ltd. 海南正元建築工程有限公司 ("Hainan Zhengyuan Construction Engineering")	*(i) (vii)*	299	299	94	—	—	299	299	94	—
		7,660	8,910	9,849	4,594	4,526				
		7,727	9,902	10,400	6,455	4,543				
Analysed for reporting purpose as:										
Current assets		5,872	8,047	8,545	4,600	4,543				
Non-current assets		1,855	1,855	1,855	1,855	—				
		7,727	9,902	10,400	6,455	4,543				

The Target Group generally grants a credit period of one month for its services provided to its related parties. The following is an aging analysis of trade balances due from related parties presented based on invoice date:

	As at 31 August			As at 28 February
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 60 days	84	82	929	17
61 to 180 days	622	18	393	—
181 to 365 days	269	17	229	—
Over 1 year	17	434	310	—
	992	551	1,861	17

		At 31 August			As at 28 February
		2018	**2019**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Amounts due to related parties — Trade nature					
Name of related parties					
Hainan Kunlun	*(ii) (vi)*	10,550	2,691	5,508	2,544
Hainan Zhengyuan Construction Engineering	*(ii) (vii)*	40,424	40,425	19,390	1,429
		50,974	43,116	24,898	3,973
Amounts due to related parties — Non-trade nature					
Name of directors					
Mr. CJ Cao	*(i) (iv)*	33,086	22,045	12,045	12,045
Mr. CW Cao	*(i) (iv)*	16,505	2,983	—	—
		49,591	25,028	12,045	12,045

		At 31 August			As at 28 February
	Notes	**2018** *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*	**2021** *RMB'000*
Amounts due to related parties — Non-trade nature					
Name of related parties					
Mr. YK Cao	*(i) (x)*	16,543	11,023	11,023	11,023
Ms. Ping Li	*(i) (v)*	16,543	3,023	—	—
Hainan Kunlun	*(iii)*	196,082	197,893	331,923	315,435
Hainan Xiehe Education Service Co., Ltd. 海南協和教育服務有限公司	*(i) (vii)*	—	2,300	1,300	—
Hainan Shenzhongrui Industrial Co., Ltd. 海南申中瑞實業有限公司	*(i) (vii)*	800	800	800	—
Hainan Zhengyuan Real Estate Development Co., Ltd. 海南正元地產開發有限公司	*(i) (vii)*	3,000	3,300	—	—
Hainan Chengyuan Construction Engineering Construction Co., Ltd. 海南成元建築工程建設有限公司	*(i) (viii)*	70	428	170	420
Hainan Zhengyuan Water and Power Installation	*(i) (vi)*	12,600	12,100	—	—
Hainan Zhengyuan Construction Engineering	*(i) (vii)*	61,656	12,407	12,313	—
Hainan Zhongjia Culture	*(i) (vii)*	—	2,490	—	—
Hainan Shenzheng Education Investment Co., Ltd. 海南申正教育投資有限公司	*(i) (ix)*	660	—	—	—
Hainan Zhengyuanxin	*(i)(vi)*	—	—	—	114
		307,954	245,764	357,529	326,992
		408,519	313,908	394,472	343,010
Analysed for reporting purpose as:					
Current liabilities		244,318	143,622	96,981	252,687
Non-current liabilities		164,201	170,286	297,491	90,323
		408,519	313,908	394,472	343,010

Notes:

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

ii. The amounts are trade in nature, unsecured, non-interest bearing and repayable within one month.

iii. The amounts include long term construction cost payables for school premises arising from arrangements between the Target Group and Hainan Kunlun Sports Culture Co., Ltd. (海南昆侖體育文化股份有限公司) ("Hainan Kunlun"), a company which Mr. CJ Cao act as the controlling shareholder, for building student dormitories and academic buildings, pursuant to which the constructors are entitled to future cash payments with a payment term of 5-39 years after completion of construction, typically with guaranteed amounts and variable premium proportionate to boarding fees and tuition fees earned by respective buildings they constructed, and are designated at FVTPL calculated by discounting the expected future cash outflow, with change in fair values recognised in profit or loss. Pursuant to a package deal agreement signed on 6 August 2020 between the Target Group and Hainan Kunlun, the Target Group agreed to settle certain long term construction cost payables for school premises amounting RMB195,540,000 classified as financial liabilities at FVTPL, replaced with a new unsecured, interest bearing liabilities at 4.75% classified as amortised cost which is repayable up to 2022 in three instalments with gross amount and carrying amount of RMB343,350,000 and RMB324,890,000, respectively. The long term construction cost payables for school premises due to Hainan Kunlun amounting to RMB195,540,000 was derecognised while the amount due to Hainan Kunlun amounting to RMB324,890,000 was recognised, resulting in a non-recurring loss arising from fair value change on long term construction cost payables for school premises amounted to RMB129,350,000 recognised in the profit or loss during the year ended 31 August 2020, of which mainly represented compensation of loss of contracts borne by Hainan Kunlun.

iv. Mr. CJ Cao and Mr. CW Cao are the directors of these related companies.

v. Ms. Ping Li is the spouse of Mr. CJ Cao.

vi. Mr. CJ Cao, a director of the Target Company, is the controlling shareholder of these related companies.

vii. Mr. CJ Cao, a director of the Target Company, exercises significant influence over these related companies.

viii. Mr. CY Cao, a close family member of a director of the Target Company, is the controlling shareholder of the related company.

ix. Mr. Jie Tang, a former shareholder of the Target Company up to 26 August 2019, is an indirect controlling shareholder of related company.

x. Mr. YK Cao was the controlling shareholder of Hainan Hualian up to 16 September 2020 which has significant influence over the Target Group.

xi. All the entities above were established in the PRC and their English names are included for identification purpose only.

xii. The management of the Target Group expected that the amount due from Hainan Zhongjia Education will not be repaid within next twelve months from 31 August 2018, 2019 and 2020. In the opinion of the management of the Target Group, the amount due from Hainan Zhongjia Education will be settle within twelve months from 28 February 2021.

The following is an aging analysis of trade balances due to related parties presented based on respective invoice date:

	As at 31 August			As at 28 February
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
0 to 60 days	50,974	43,116	24,898	3,973

23. AMOUNT DUE TO AN ASSOCIATE

The amount is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

24. PAID-IN CAPITAL

The paid up capital as at 1 September 2017 represented the combined paid-in capital of the Target Company and Hainan Cyber Services attributable to owners of the Target Company. The paid up capital as at 31 August 2018, 2019 and 2020 represented to paid up capital of the Target Company.

	As at 1 September 2017	**As at 31 August 2018**	**As at 31 August 2019**	**As at 31 August 2020**	**As at 28 February 2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Target Company	300,000	300,000	300,000	300,000	300,000
Hainan Cyber Services	18,000	N/A	N/A	N/A	N/A
	318,000	300,000	300,000	300,000	300,000

On 3 February 2018, the Target Company acquired 100% equity interests Hainan Cyber Services from Mr. CJ Cao and non-controlling shareholders, pursuant to which the paid-in capital of Hainan Cyber Services attributable to owners of the Target Company was transferred to other reserve upon the re-organisation.

25. RETIREMENT BENEFIT PLANS

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

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

26. CAPITAL RISK MANAGEMENT

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

The capital structure of the Target Group consists of net debt, which includes bank and other borrowings and amounts due to related parties disclosed in notes 21 and 22, respectively, net of cash and cash equivalent, and equity attributable to owners of the Target Group, comprising paid-in capital and reserves.

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

27. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 August			As at 28 February
	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables	256,183	—	—	—
At amortised cost	—	354,249	210,293	97,122
Financial liabilities				
At amortised cost	1,939,026	1,895,756	2,128,833	1,798,280
FVTPL	564,408	584,186	410,954	403,635

(b) Financial risk management objectives and policies

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

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The directors of the Target Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (interest rate risk), credit risk and liquidity risk.

Market risk

Interest rate risk

The Target Group's fair value interest rate risk relates primarily to its fixed-rate borrowings. The Target Group is also exposed to cash flow interest rate risk through the impact of rate changes on interest bearing financial assets and liabilities, mainly fixed-rate pledged bank deposits, bank balances and variable-rate bank and other borrowings (see notes 17 and 21 for details). The Target Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Benchmark Borrowing Rate of the People's Bank of China. The Target Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for variable-rate borrowings and bank balances at 31 August 2018, 2019 and 2020 and 28 February 2021 and assumed that the amount outstanding at 31 August 2018, 2019 and 2020 and 28 February 2021 was outstanding for the whole year/period. A 10 basis point increase or decrease for bank balances and 50 basis point increase or decrease for variable-rate borrowings are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 10 or 50 basis points higher/lower and all other variables were held constant, the Target Group's post-tax profit for the years ended 31 August 2018 and 2019 and the six months ended 28 February 2021 would decrease/increase by RMB3,067,000, RMB1,794,000 and RMB1,755,000, respectively, and post-tax loss for the year ended 31 August 2020 would increase/ decrease by RMB1,632,000. This is mainly attributable to the Target Group's exposure to interest rates on its bank balances and borrowings with variable rates.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent interest rate risk as the year/period end exposure at the end of each reporting period does not reflect the exposure during the respective years/periods.

Credit risk and impairment assessment

The Target Group's maximum exposure to credit risk in the event of the counterparties' failure to perform their obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statements of financial position. The Target Group does not hold any collateral or other credit enhancement associated with its financial assets.

Before adoption of IFRS 9 as at 1 September 2018

The Target Group had no concentration of credit risk in respect of trade receivables, deposits and other receivables, with exposure spread over a number of students. The management of the Target Group considered that the credit risk of amounts due from related parties is insignificant after considering the credit quality and financial resources of these counterparties.

In order to minimise the credit risk, the management of the Target Group has monitoring procedures to ensure follow-up action is taken to recover overdue debts. In addition, the Target Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate allowances are made. In this regard, the executive directors of the Target Company consider that the Target Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC.

After adoption of IFRS 9 as at 1 September 2018

In order to minimise the credit risk on trade receivables, deposits and other receivables, amounts due from related parties, management at the Target Group makes periodic collective assessments as well as individual assessment on the recoverability of receivables based on historical settlement records. In addition, the Target Group performs impairment assessment under ECL model on the trade receivables from students based on provision matrix. In this regard, the directors of the Target Company believe there is no material credit risk inherent in the Target Group's outstanding balances of trade receivables, deposits and other receivables, amounts due from related parties.

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

Impairment assessment on trade receivables and receivable from educational bureaus

Since the adoption of IFRS 9 on 1 September 2018, the Target Group applies the simplified approach to provide for ECL prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for trade receivables not credit-impaired. Trade receivables from students are considered to be credit-impaired when the students drop out from the tuition programmes and are assessed individually for lifetime ECL provision.

Management of the Target Group assessed the expected loss on trade receivables from students grouped based on the ageing of the trade receivables, taking into account the historical default experience and future market conditions.

The Target Group assessed the loss allowances for receivables from educational bureaus with gross carrying amount of RMB nil, nil and RMB19,134,000 as at 31 August 2019, 2020 and 28 February 2021 on lifetime ECL basis individually. In determining the ECL for receivables from educational bureaus, the directors of the Target Group have taken into account the historical default experience and forward-looking information, as appropriate, for example, the Target Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Target Group's outstanding receivables from educational bureaus are insignificant.

In addition, the directors of the Target Company are of the opinion that there has no default occurred for (i) trade receivables aged over 90 days for students that are not dropped out from schools as the tuition fees and boarding fees will be fully received upon the graduation of the students by reference to past experience, and (ii) receivables from educational bureaus overdue over 90 days are not default as payment from educational bureaus may take long administrative process based on historical experience.

Based on the historical loss rates, the directors of the Target Company considers ECL for trade receivables as at 31 August 2019, 2020 and 28 February 2021 is insignificant.

The Target Group writes off a trade receivable when there is information indicating that the student is in severe financial difficulty and there is no realistic prospect of recovery. None of trade receivables that have been written off during the Relevant Periods.

Deposits and other receivables, amounts due from related parties

Deposits, staff advance and other receivables amounting RMB235,000 has been written off by the Target Group as at 31 August 2018. The Target Group individually assessed the ECL for its deposits, staff advance and other receivables with gross carrying amount of RMB40,350,000, RMB21,257,000 and RMB31,734,000, and amounts due from related parties with gross carrying amount of RMB10,400,000, RMB6,455,000 and RMB4,543,000 as at 31 August 2019 and 2020 and 28 February 2021 respectively on 12m ECL basis, based on past due information which, in the opinion of the directors of the Target Company, have no significant increase in credit risk since initial recognition. ECL are estimated based on historical observed default rates over the expected life of receivables and are adjusted for forward-looking estimate.

The Target Group reviews the recoverable amount of each individual other receivable at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. No impairment losses were made for these balances as at 1 September 2018 as the amounts involved were insignificant. At 31 August 2019 and 2020 and 28 February 2021, the Target Group provided an impairment allowance of deposits, staff advance and prepayments on behalf of students and other receivables of RMB1,857,000, RMB50,000 and RMB472,000, respectively.

Pledged bank deposits and bank balances

The Target Group's pledged bank deposits with gross carrying amount nil, nil, RMB30,000,000 and nil, and bank balances RMB219,560,000, RMB301,197,000, RMB149,693,000 and RMB28,859,000 as at 31 August 2018, 2019 and 2020 and 28 February 2021, respectively, are placed with the financial institutions that are authorised banks in the PRC with high credit rating, therefore the credit risk is considered limited. The management of the Target Group considers these pledged bank deposits and bank balances are short-term in nature and the probability of default is negligible, and accordingly, loss allowance was considered as insignificant.

In determining the ECL for pledged bank deposits and bank balances deposited at financial institutions other than graded in the top credit rating agencies, the management of the Target Group has taken into account the historical default experience and forward-looking information, as appropriate. There had been no significant increase in credit risk since initial recognition.

The Target Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Target Group's outstanding bank deposits is insignificant.

Liquidity risk

As at 28 February 2021, the Target Group recorded net current liabilities of RMB1,374,674,000. Furthermore, the Target Group recorded net liabilities of RMB181,446,000 as at 28 February 2021. In view of these circumstances, the directors of the Target Company have given consideration of the future liquidity and performance of the Target Group and its available sources of finance in assessing whether the Target Group will have sufficient financial resources to continue as a going concern.

The directors of the Target Company are satisfied that the Target Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future by taking into account the Target Group's cash flow projection, financial support from the Company and the available unutilised bank facilities of RMB175,043,000 as at 28 February 2021 as detailed in note 1.

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

The following table details the Target Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest rates are floating rate, the undiscounted amount is derived from interest rate curve at 31 August 2018, 2019 and 2020 and 28 February 2021.

	Weighted average effective interest rate	On demand or less than 1 month	1–3 months	3 months to 1 year	1–5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 August 2018								
Other payables	—	210,701	—	—	—	—	210,701	210,701
Long term construction cost payables for school premises	—	2,614	5,229	23,528	176,434	1,740,819	1,948,624	390,538
Long term construction cost payables for school premises included in the amounts due to related parties	—	806	1,612	7,251	103,463	633,176	746,308	173,870
Amounts due to related parties	—	234,649	—	—	—	—	234,649	234,649
Amount due to an associate	—	794	—	—	—	—	794	794
Bank borrowings								
— variable rate	5.38	317,554	—	1,144	672,437	—	991,135	862,545
— fixed rate	6.39	45,736	80,830	39,808	76,875	—	243,249	223,500
Other borrowings								
— fixed rate	10.33	—	—	58,657	428,944	—	487,601	406,837
		812,854	87,671	130,388	1,458,153	2,373,995	4,863,061	2,503,434

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 August 2019								
Other payables	—	196,302	—	—	—	—	196,302	196,302
Long term construction cost payables for school premises	—	2,616	5,233	23,547	159,852	1,757,376	1,948,624	398,983
Long term construction cost payables for school premises included in the amounts due to related parties	—	1,243	2,486	11,188	85,037	643,584	743,538	185,203
Amounts due to related parties	—	128,705	—	—	—	—	128,705	128,705
Amount due to an associate	—	704	—	—	—	—	704	704
Bank borrowings								
— variable rate	5.52	541,694	—	—	—	—	541,694	539,275
— fixed rate	5.58	241,491	908	40,531	140,305	215,919	639,154	566,960
Other borrowings								
— fixed rate	10.00	4,901	—	15,265	544,332	—	564,498	463,810
		1,117,656	8,627	90,531	929,526	2,616,879	4,763,219	2,479,942

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 August 2020								
Other payables	—	183,688	—	—	—	—	183,688	183,688
Long term construction cost payables for school premises	—	2,739	5,479	24,655	156,527	1,759,224	1,948,624	408,377
Long term construction cost payables for school premises included in the amounts due to related parties	—	78	156	702	1,872	—	2,808	2,577
Amounts due to related parties	3.59	96,045	—	—	316,269	—	412,314	391,895
Amount due to an associate	—	640	—	—	—	—	640	640
Bank borrowings								
— variable rate	5.57	22,351	—	82,843	174,923	287,111	567,228	465,600
— fixed rate	5.72	141,343	4,946	58,402	176,138	196,164	576,993	495,877
Other borrowings								
— fixed rate	9.38	41,865	260,147	51,872	294,165	—	648,049	571,133
		488,749	270,728	218,474	1,119,894	2,242,499	4,340,344	2,519,787

	Weighted average effective interest rate	On demand or less than 1 month	1-3 months	3 months to 1 year	1-5 years	>5 years	Total undiscounted cash flows	Carrying amount
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 28 February 2021								
Other payables	—	149,295	—	—	—	—	149,295	149,295
Long term construction cost payables for school premises	—	2,739	5,479	24,655	160,667	1,755,083	1,948,623	400,997
Long term construction cost payables for school premises included in the amounts due to related parties	—	96	192	864	1,722	—	2,874	2,638
Amounts due to related parties	4.23	37,576	—	219,181	97,088	—	353,845	340,372
Amount due to an associate	—	640	—	—	—	—	640	640
Bank borrowings								
— variable rate	5.63	2,227	4,453	142,083	250,396	263,300	662,459	474,650
— fixed rate	5.60	2,088	4,175	227,524	165,942	225,321	625,050	450,287
Other borrowings								
— fixed rate	9.16	2,923	5,846	203,325	296,725	—	508,819	383,036
		197,584	20,145	817,632	972,540	2,243,704	4,251,605	2,201,915

(c) Fair value measurements of financial instruments

Fair value of the Target Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Target Group's financial liabilities are measured at fair value at 31 August 2018, 2019 and 2020 and 28 February 2021. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

	Fair value 2018	Fair value 2019	Fair value 2020	As at 28 February 2021	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	RMB'000	*RMB'000*	*RMB'000*					
Long term construction cost payables for school premises	390,538	398,983	408,377	400,997	Level 3	Discounted cash flow — Future cash flows are estimated based on estimated cash outflow and discounted at a rate that reflects the risk of counterparty.	Expected cash outflow and discount rate	The higher the expected cash outflow, the higher the fair value, vice versa *(Note i)*
Long term construction cost payables for school premises included in the amounts due to related parties	173,870	185,203	2,577	2,638				The higher the discount rate, the lower the fair value, vice versa *(Note ii)*
	564,408	584,186	410,954	403,635				

Notes:

i. As at 31 August 2018, 2019 and 2020 and 28 February 2021, if the expected variable cash outflow was 5% higher/lower and the other variables were held constant, the total carrying amount of long term construction costs payables for school premises and amounts due to related parties at FVTPL would increase/decrease by RMB1,348,000/RMB1,348,000, RMB2,833,000/RMB2,833,000, RMB4,468,000/RMB4,468,000 and RMB3,276,000/RMB3,276,000, respectively.

ii. As at 31 August 2018, 2019 and 2020 and 28 February 2021, if the discount rate was 5% higher/lower and the other variables were held constant, the total carrying amount of long term construction cost payables for school premises and amounts due to related parties at FVTPL would decrease/increase by RMB25,842,000/RMB28,596,000, RMB25,365,000/RMB28,103,000, RMB15,875,000/RMB17,665,000 and RMB18,182,000/RMB22,505,000 respectively.

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

Reconciliation of Level 3 measurements

The following table presents the reconciliation of Level 3 measurements of the financial liabilities at FVTPL during the Relevant Periods:

	Long term construction cost payables for school premises	**Long term construction cost payables for school premises included in the amounts due to related parties**	**Total**
	RMB'000	*RMB'000*	*RMB'000*
At 1 September 2017	382,736	157,368	540,104
Fair value change	39,019	19,272	58,291
Repayment during the year	(31,217)	(2,770)	(33,987)
At 31 August 2018	390,538	173,870	564,408
Fair value change	39,816	21,002	60,818
Repayment during the year	(31,371)	(9,669)	(41,040)
At 31 August 2019	398,983	185,203	584,186
Fair value change	41,750	150,822	192,572
Derecognition	—	(324,890)	(324,890)
Repayment during the year	(32,356)	(8,558)	(40,914)
At 31 August 2020	408,377	2,577	410,954
Fair value change	20,818	61	20,879
Repayment during the period	(28,198)	—	(28,198)
At 28 February 2021	400,997	2,638	403,635
At 1 September 2019	398,983	185,203	584,186
Fair value change	20,280	11,244	31,524
Repayment during the period	(31,492)	(5,080)	(36,572)
At 29 February 2020 (unaudited)	387,771	191,367	579,138

Of the total gain or losses for the years ended 31 August 2018, 2019 and 2020 included in profit or loss, unrealised loss of RMB24,304,000, RMB19,778,000, RMB22,308,000 and RMB7,319,000 relates to the financial liabilities at FVTPL at 31 August 2018, 2019 and 2020, and 28 February 2021, respectively.

The directors of the Target Company determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value of the liabilities, the Target Group uses market observable data to the extent it is available. Where Level 1 inputs are not available, the finance team of the Target Group establish the appropriate valuation techniques and inputs to the model.

Information about the valuation techniques and inputs used in determining the fair value of various liabilities are disclosed above.

Fair value of financial instruments that are recorded at amortised cost

During the Relevant Periods, the management of the Target Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the Historical Financial Information approximate their fair values at the end of each reporting period.

28. CAPITAL COMMITMENTS

	As at 31 August			As at 28 February
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Capital expenditure contracted for but not provided in the Historical Financial Information in respect of the acquisition of				
— property and equipment	—	117,500	117,500	244,911
— further acquisition of interest in an associate	—	—	5,760	5,760

29. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Long term payables for school constructions	Bank and other borrowings	Amounts due to related parties	Interests payable	Dividend payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 September 2017	382,736	1,640,446	200,829	54,757	13,407	2,292,175
Financing cash flow *(Note)*	(31,217)	(147,564)	54,769	(105,578)	(13,407)	(242,997)
Consideration payable on acquisition of a subsidiary under common control	—	—	83,000	—	—	83,000
Consideration paid on acquisition of a subsidiary under common control	—	—	(325)	—	—	(325)
Fair value change	39,019	—	19,272	—	—	58,291
Finance costs	—	—	—	107,122	—	107,122
At 31 August 2018	390,538	1,492,882	357,545	56,301	—	2,297,266
Financing cash flow *(Note)*	(31,371)	77,163	(64,154)	(130,940)	—	(149,302)
Consideration paid on acquisition of a subsidiary under common control	—	—	(43,601)	—	—	(43,601)
Fair value change	39,816	—	21,002	—	—	60,818
Finance costs	—	—	—	115,119	—	115,119
At 31 August 2019	398,983	1,570,045	270,792	40,480	—	2,280,300
Financing cash flow *(Note)*	(32,356)	(37,435)	(36,994)	(113,672)	—	(220,457)
Consideration paid on acquisition of a subsidiary under common control	—	—	(16,006)	—	—	(16,006)
Fair value change	41,750	—	150,822	—	—	192,572
Finance costs	—	—	960	117,473	—	118,433
At 31 August 2020	408,377	1,532,610	369,574	44,281	—	2,354,842
Financing cash flow *(Note)*	(28,198)	(224,637)	(37,544)	(63,968)	—	(354,347)
Fair value change	20,818	—	61	—	—	20,879
Finance costs	—	—	6,946	45,455	—	52,401
At 28 February 2021	400,997	1,307,973	339,037	25,768	—	2,073,775
At 1 September 2019	398,983	1,570,045	270,792	40,480	—	2,280,300
Financing cash flow *(Note)*	(31,492)	(192,514)	(37,308)	(63,556)	—	(324,870)
Fair value change	20,280	—	11,244	—	—	31,524
Finance costs	—	—	607	57,154	—	57,761
At 29 February 2020 (unaudited)	387,771	1,377,531	245,335	34,078	—	2,044,715

Note: The cash flows represent the addition of and repayment of long term construction cost payables for school premises, bank and other borrowings, amounts due to related parties, interest paid and dividend paid in the consolidated statements of cash flows.

30. RELATED PARTIES DISCLOSURES

During the Relevant Periods, the Target Group entered into the following transactions with related parties:

Nature of transactions	**Year ended 31 August**			**Six months ended**	
				29 February	**28 February**
	2018	**2019**	**2020**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Training fee paid/payable to Hainan Kunlun	5,331	6,027	6,198	3,000	5,042
Expenses for beach volleyball matches paid/payable to Hainan Kunlun	1,168	3,509	4,804	2,990	—
Purchase of property and equipment from Hainan Kunlun	—	—	2,710	—	—
	6,499	9,536	13,712	5,990	5,042

Balances with related parties and guarantees by related parties are set out in the consolidated statements of financial position on pages IIA–5 and in notes 19, 21, 22 and 23.

The key management personnel of Target Group are the directors of the Target Company. The details of the remunerations paid to them relating to short-term employee benefits are set out in note 10 to the Historical Financial Information.

31. STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

	As at 31 August			As at 28 February
	2018	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property and equipment	9,806	9,643	9,453	378
Investments in subsidiaries	589,143	589,143	589,143	557,462
Interest in an associate	914	1,018	632	—
Amounts due from related parties	1,855	1,855	1,855	—
Amounts due from subsidiaries	370,227	378,031	387,992	—
	971,945	979,690	989,075	557,840
CURRENT ASSETS				
Amounts due from related parties	1,258	2,364	2,661	4,516
Other receivables and prepayments	935	1,428	990	895
Bank balances and cash	5,511	5,509	19,617	392
	7,704	9,301	23,268	5,803
CURRENT LIABILITIES				
Other payables and accrued expenses	92,873	56,283	44,431	10,651
Amounts due to related parties	182,994	94,420	42,953	23,068
Amounts due to subsidiaries	873,977	1,079,656	1,154,973	768,739
Other borrowings	54,486	—	—	—
	1,204,330	1,230,359	1,242,357	802,458
NET CURRENT LIABILITIES	(1,196,626)	(1,221,058)	(1,219,089)	(796,655)
	(224,681)	(241,368)	(230,014)	(238,815)
CAPITAL AND DEFICITS				
Paid-in capital	300,000	300,000	300,000	300,000
Reserves	(524,681)	(541,368)	(530,014)	(538,815)
	(224,681)	(241,368)	(230,014)	(238,815)

Reserve of the Target Company

	Statutory surplus reserve	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*
As at 1 September 2017	35,215	(536,003)	(500,788)
Loss for the year	—	(23,893)	(23,893)
As at 31 August 2018	35,215	(559,896)	(524,681)
Loss for the year	—	(16,687)	(16,687)
As at 31 August 2019	35,215	(576,583)	(541,368)
Profit for the year	—	11,354	11,354
As at 31 August 2020	35,215	(565,229)	(530,014)
Loss for the period	—	(8,801)	(8,801)
As at 28 February 2021	35,215	(574,030)	(538,815)

32. PARTICULARS OF SUBSIDIARIES

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

Name of subsidiary	Date and place of establishment	Registered capital					Equity interests attributable to the Target Group					Principal activities
		As at 31 August			As at 28 February	As at the date of this report	As at 31 August			As at 28 February	As at the date of this report	
		2018	2019	2020	2021		2018	2019	2020	2021		
Haikou University *(note i)*	1 November 1999 The PRC	RMB300,000,000	RMB300,000,000	RMB300,000,000	RMB300,000,000	RMB300,000,000	100%	100%	100%	100%	100%	Provision of private higher education services
Haikou Art School *(note i)*	10 August 2005 The PRC	RMB1,500,000	RMB1,500,000	RMB1,500,000	RMB1,500,000	RMB1,500,000	100%	100%	100%	100%	100%	Provision of private vocational education services
Hainan Cyber Services *(note ii)*	29 December 2008 The PRC	RMB30,000,000	RMB30,000,000	RMB30,000,000	RMB30,000,000	RMB30,000,000	100%	100%	100%	100%	100%	Provision of education consulting services
Hainan Saipolo Logistics Group Limited 海南賽伯樂後勤集團有限公司 *(note ii)*	6 December 2002 The PRC	RMB30,000,000	RMB30,000,000	RMB30,000,000	RMB30,000,000	RMB30,000,000	100%	100%	100%	100%	100%	Provision of education consulting services
Hainan Zhongrui Construction Engineering Co., Limited 海南中瑞建築工程有限公司 *(note ii and iii)*	25 June 2008 The PRC	RMB150,000,000	N/A	N/A	N/A	N/A	100%	100%	N/A	N/A	N/A	Provision of construction services
Hainan Shunda Decoration Engineering Co., Limited 海南順達裝飾工程有限公司 *(note ii and iii)*	25 June 2008 The PRC	RMB3,000,000	N/A	N/A	N/A	N/A	100%	100%	N/A	N/A	N/A	Provision of interior decoration services
Haijing Logistics Management Service (Hainan) Co., Limited 海經後勤管理服務(海南)有限公司 *(note iv)*	29 April 2020 The PRC	N/A	N/A	RMB30,000,000	N/A	N/A	N/A	N/A	100%	N/A	N/A	Provision of business administrative services
Hainan Zhengyuan Property Service Co., Limited 海南正元物業服務有限公司 *(note ii)*	14 January 2009 The PRC	RMB2,000,000	RMB2,000,000	RMB2,000,000	RMB2,000,000	RMB2,000,000	100%	100%	100%	100%	100%	Provision of property management services

Notes:

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

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

(iii) These subsidiaries are deregistered during the year ended 31 August 2019.

(iv) The subsidiary is deregistered during the period ended 28 February 2021.

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

The Target Company and each of its subsidiaries established in the PRC have adopted 31 December as their financial year end date. The statutory financial statements of certain subsidiaries were prepared in accordance with relevant accounting principles and financial regulations applicable to their respective place of establishment and were audited by the following certified public accountants registered in the PRC and details are as follows:

Name of subsidiaries	Financial year ended	Name of auditors
Haikou University	31 December 2017, 2018, 2019 and 2020	Hainan Yong Xin De Wei Accounting Firm 海南永信德威會計師事務所
Haikou Art School	31 December 2017, 2018, 2019 and 2020	Hainan Yong Xin De Wei Accounting Firm 海南永信德威會計師事務所
Hainan Cyber Services	31 December 2017, 2018, 2019 and 2020	Hainan Yong Xin De Wei Accounting Firm 海南永信德威會計師事務所
Hainan Saipolo Logistics Group Limited 海南賽伯樂後勤集團有限公司	31 December 2017, 2018, 2019 and 2020	*(Note i)*
Hainan Zhongrui Construction Engineering Co., Limited 海南中瑞建築工程有限公司	31 December 2017, 2018, 2019 and 2020	*(Note i)*
Hainan Shunda Decoration Engineering Co., Limited 海南順達裝飾工程有限公司	31 December 2017, 2018, 2019 and 2020	*(Note i)*
Haijing Logistics Management Service (Hainan) Co., Limited 海經後勤管理服務(海南)有限公司	31 December 2017, 2018, 2019 and 2020	*(Note i)*
Hainan Zhengyuan Property Service Co., Limited 海南正元物業服務有限公司	31 December 2017, 2018, 2019 and 2020	Hainan Yong Xin De Wei Accounting Firm 海南永信德威會計師事務所

Note:

i. No statutory financial statements have been prepared for these companies as they were established in jurisdictions where there are no statutory audit requirements.

33. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Target Company, any of its subsidiaries or the Target Group has been prepared in respect of any period subsequent to 28 February 2021.

The following is the text of a report set out on pages IIB-1 to IIB-24, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF HAINAN HUALIAN INVESTMENT CO., LTD. TO THE DIRECTORS OF CHINA EDUCATION GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Hainan Hualian Investment Co., Ltd. (''Hainan Hualian'') set out on pages IIB-4 to IIB-24, which comprises the statements of financial position as at 31 August 2018, 2019 and 2020 and 31 December 2020 (date of deregistration), and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 August 2020 and the four months ended 31 December 2020 (date of deregistration) (the ''Relevant Periods'') and a summary of significant accounting policies and other explanatory information (together, the ''Historical Financial Information''). As detailed in note 1 to the Historical Financial Information, on 16 September 2020, the Company has completed the acquisition of the entire equity interest of Hainan Hualian which held 15% equity interests in Hainan Cyber Education Group Co., Ltd. (''Hainan Cyber'') and became the ultimate holding company of Hainan Hualian. On 31 December 2020, Hainan Hualian had been deregistered. The Historical Financial Information set out on pages IIB-4 to IIB-24 forms an integral part of this report, which has been prepared for inclusion in Appendix IIB to the circular of China Education Group Holdings Limited (the ''Company'') dated 30 June 2021 (the ''Circular'') in connection with the acquisition of Hainan Cyber and its subsidiaries.

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material 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 set out in note 1 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 Hainan Hualian's financial position as at 31 August 2018, 2019 and 2020 and 31 December 2020 (date of deregistration), and of Hainan Hualian's financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation set out in note 1 to the Historical Financial Information.

Emphasis of Matter

We draw attention to note 1 to the Historical Financial Information which indicates that Hainan Hualian had been deregistered on 31 December 2020. Accordingly, the Historical Financial Information is prepared on a basis other than that of a going concern, which includes reclassifying the non-current asset as current asset as at 31 August 2020. The Historical Financial Information does not include any provision for future losses or liabilities for which there was no legal or constructive obligation at 31 August 2020. Our opinion is not modified in respect of this matter.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Hainan Hualian which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the four months ended 31 December 2019 and other explanatory information (the ''Stub Period Comparative Financial Information''). The directors of the Company are responsible for the preparation of the Stub Period Comparative Financial Information in accordance with the basis of preparation set out in note 1 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 set out in note 1 to the Historical Financial Information.

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

Adjustments

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

Dividend

No dividends have been paid by Hainan Hualian in respect of the Relevant Periods.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 June 2021

HISTORICAL FINANCIAL INFORMATION OF HAINAN HUALIAN

Preparation of Historical Financial Information

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

The financial statements of Hainan Hualian for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policy which conform with International Financial Reporting Standards ("IFRS") issued by International Accounting Standards Board ("IASB") 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.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 August			Four months ended 31 December	
		2018	2019	2020	2019	2020
	NOTES	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Revenue	*4*	—	—	—	—	—
Administrative expenses		(60)	(797)	(1,848)	(557)	—
Gain on partial disposal of interest in an associate	*10*	—	6,373	—	—	—
Share of results of an associate	*10*	85	—	—	—	—
Profit (loss) before taxation		25	5,576	(1,848)	(557)	—
Taxation	*5*	—	—	—	—	—
Profit (loss) and total comprehensive income (expense) for the year/period	*6*	25	5,576	(1,848)	(557)	—

STATEMENTS OF FINANCIAL POSITION

		As at 31 August			As at 31 December
		2018	2019	2020	2020
	NOTES	RMB'000	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSET					
Interest in an associate	10	—	—	—	—
CURRENT ASSETS					
Interest in an associate	10	—	—	—	—
Amount due from a related party	11	31,129	—	—	—
Bank balance	12	94	47	—	—
		31,223	47	—	—
CURRENT LIABILITY					
Amount due to a related party	13	—	33,248	11,049	—
NET CURRENT ASSETS (LIABILITIES)		31,223	(33,201)	(11,049)	—
		31,223	(33,201)	(11,049)	—
CAPITAL AND RESERVES					
Paid-in capital	14	120,000	50,000	74,000	—
Reserves		(88,777)	(83,201)	(85,049)	—
		31,223	(33,201)	(11,049)	—

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital *RMB'000*	Other reserve *RMB'000* *(Note)*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 September 2017	120,000	2,440	(78,500)	43,940
Profit and total comprehensive income for the year	—	—	25	25
Share of other reserve movements of an associate	—	(12,742)	—	(12,742)
At 31 August 2018	120,000	(10,302)	(78,475)	31,223
Profit and total comprehensive income for the year	—	—	5,576	5,576
Capital reduction *(note 14)*	(70,000)	—	—	(70,000)
Share of other reserve movement of an associate	—	1,275	(1,275)	—
At 31 August 2019	50,000	(9,027)	(74,174)	(33,201)
Loss and total comprehensive expense for the year	—	—	(1,848)	(1,848)
Capital injection *(note 14)*	24,000	—	—	24,000
At 31 August 2020	74,000	(9,027)	(76,022)	(11,049)
Waiver of amount due to a related party	—	11,049	—	11,049
Transfer upon deregistration	(74,000)	(2,022)	76,022	—
At 31 December 2020	—	—	—	—
At 1 September 2019 (audited)	50,000	(9,027)	(74,174)	(33,201)
Loss and total comprehensive expense for the period	—	—	(557)	(557)
At 31 December 2019 (unaudited)	50,000	(9,027)	(74,731)	(33,758)

Note: The amount represented the effect of (i) the dividend paid to the equity interest owners of the Acquired Subsidiaries before acquisition by Hainan Cyber (as defined and detailed in note 10) during the years ended 31 August 2018, (ii) consideration paid by Hainan Cyber for acquisition of Acquired Subsidiaries under common control during the year ended 31 August 2018, (iii) partial disposal of interest in an associate as detailed in note 10 during the year ended 31 August 2019, and (iv) waiver of amount due to a related party upon acquisition by the Company during the four months ended 31 December 2020.

STATEMENTS OF CASH FLOWS

	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
OPERATING ACTIVITIES					
Profit (loss) before taxation	25	5,576	(1,848)	(557)	—
Adjustments for:					
Gain on partial disposal of interest in an associate	—	(6,373)	—	—	—
Share of results of an associate	(85)	—	—	—	—
NET CASH USED IN OPERATING ACTIVITIES	(60)	(797)	(1,848)	(557)	—
FINANCING ACTIVITIES					
Advance from a related party	—	780	39,401	649	—
Repayment to a related party	—	(30)	(37,600)	—	—
NET CASH FROM FINANCING ACTIVITIES	—	750	1,801	649	—
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(60)	(47)	(47)	92	—
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	154	94	47	47	—
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD, representing bank balance	94	47	—	139	—

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION AND BASIS OF PREPARATION OF HISTORICAL FINANCIAL INFORMATION

Hainan Hualian was incorporated as a limited liability company in Haikou, Hainan Province on 7 June 2010 and had been deregistered on 31 December 2020. The registered address and the principal place of business of Hainan Hualian's office is at 9/F., Haikou School of Economics Administration Center, Guilin Yang University District, Meilan District, Haikou, Hainan Province, the People's Republic of China ("PRC").

Hainan Hualian was an investment holding company having equity interest in Hainan Cyber which was amounted for as an associate during the Relevant Periods. The principal activity of Hainan Cyber is detailed in note 10.

The Historical Financial Information is presented in RMB which is also the functional currency of Hainan Hualian.

As at 1 September 2017, Hainan Hualian was held by Mr. Cao Yeke (曹業科) ("YK Cao"), Zhejiang Juneng Investment Company Limited and Mr. Tang Jie at 34%, 34% and 32%, respectively. On 26 November 2018, 34% and 32% of equity interest previously held by Zhejiang Juneng Investment Company Limited and Mr. Tang Jie were transferred to Mr. YK Cao, who became the controlling equity interest holder of Hainan Hualian. On 19 August 2020, 100% equity interest of Hainan Hualian was transferred by Mr. YK Cao to Hainan Hualian Engineering Management Services Centre (Limited Partnership) ("Hualian Engineering"), a limited partnership controlled by Mr. YK Cao. On 16 September 2020, 100% of equity interest previously held by Hualian Engineering was transferred to Shuzhi Education Consulting (Ganzhou) Company Limited ("Shuzhi Education"), an indirect wholly owned subsidiary of the Company at a consideration of RMB188,000,000. After the transfer, the Company has completed the acquisition of the entire equity interest in Hainan Hualian and became the ultimate holding company of Hainan Hualian.

Hainan Hualian recorded net current liabilities and net liabilities of RMB11,049,000 as of 31 August 2020. During the four months ended 31 December 2020, the amount has been fully waived by Mr. YK Cao following the transfer of Hainan Hualian's 100% equity interest from Hualian Engineering to Shuzhi Education. In addition, Hainan Hualian had been deregistered on 31 December 2020. Accordingly, the Historical Financial Information has been prepared on a basis other than of a going concern, which includes reclassifying the non-current asset as current asset as at 31 August 2020. The Historical Financial Information does not include any provisions for future losses or liabilities for which there was no legal or constructive obligation at 31 August 2020.

Hainan Hualian has not prepared any statutory financial statements for the calendar years ended 31 December 2017, 2018, 2019 and 2020.

2. APPLICATION OF IFRSs

For the purposes of preparing and presenting the Historical Financial Information for the Relevant Periods, Hainan Hualian has consistently adopted accounting policies which conform with the International Accounting Standards ("IASs"), IFRSs, amendments and the related interpretations ("IFRICs"), which are effective for the accounting period beginning on 1 September 2020 throughout the Relevant Periods except that Hainan Hualian adopt IFRS 9 "Financial Instruments" ("IFRS 9") on 1 September 2018 and applied IAS 39 "Financial Instruments: Recognition and Measurement" ("IAS 39") for the year ended 31 August 2018. The accounting policies for financial instruments under IFRSs are set out in note 3 as below.

Except as described below, the application of the new and amendments to IFRSs in the Relevant Periods has had no material impact on Hainan Hualian's financial positions and performance for the years/periods and/or on the disclosures set out in the Historical Financial Information.

On 1 September 2018, Hainan Hualian has applied IFRS 9 and the related consequential amendments to other IFRS for the first time. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

Hainan Hualian has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that have not been derecognised as at 1 September 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 September 2018. The difference between carrying amounts as at 31 August 2018 and the carrying amounts as at 1 September 2018, if any, are recognised in the opening accumulated losses, without restating comparative information.

Accordingly, financial information for the years ended 30 August 2019 and 2020 and the four months ended 31 December 2019 and 2020 (date of deregistration) may not be comparable as the financial information for year ended 31 August 2018 which was prepared under IAS 39.

Summary of effects arising from initial application of IFRS 9

Classification and measurement of financial assets

The application of IFRS 9 on 1 September 2018 has no impact on the financial position of Hainan Hualian with regard to classification and measurement of financial instruments, all financial assets classified as loans and receivables under IAS 39 continued to be measured at amortised cost under IFRS 9.

Impairment of financial assets

As at 1 September 2018, the management of Hainan Hualian reviewed and assessed Hainan Hualian's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9. No additional credit loss allowance has been recognised against accumulated losses.

Hainan Hualian has early adopted Amendment to IFRS 3 "Definition of Business" in the Historical Financial Information since 1 September 2019. The early adoption does not have material impact on the Historical Financial Information.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, Hainan Hualian 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 measurements that have some similarities to fair value but are not fair value, such as value in use in IAS 36 "Impairment of Assets".

The principal accounting policies are set out below.

Interest in an associate

An associate is an entity over which Hainan Hualian has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associate are incorporated in the Historical Financial Information using the equity method of accounting. The financial statements of associate used for equity accounting purposes are prepared using uniform accounting policies as those of Hainan Hualian for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the statement of financial position at cost and adjusted thereafter to recognise Hainan Hualian's share of the profit or loss and other comprehensive income of the associate. When Hainan Hualian's share of losses of an associate exceeds Hainan Hualian's interest in that associate (which includes any long-term interests that, in substance, form part of Hainan Hualian's net investment in the associate), Hainan Hualian discontinues recognising its share of further losses. Additional losses are recognised only to the extent that Hainan Hualian has incurred legal or constructive obligations or made payments on behalf of the associate. Hainan Hualian also shares the movement of net assets attributable to owners of the associate other than change in profit or loss and other comprehensive income in "other reserve" in equity.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over Hainan Hualian's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of Hainan Hualian's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

Hainan Hualian assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When Hainan Hualian reduces its ownership interest in an associate but Hainan Hualian continues to use the equity method, Hainan Hualian reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

Taxation

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

The tax currently payable is based on taxable profit for the Relevant Periods. Taxable profit differs from profit before taxation because of income or expense that are taxable or deductible in other years/periods and it further excludes items that are never taxable or deductible. Hainan Hualian'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, and 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 goodwill or from the initial recognition (other than in a business combination) of other 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 interest in an associate except where Hainan Hualian 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 interests 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.

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

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

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

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

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

Short-term employee benefits

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

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

Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when an entity becomes a party to the contractual provisions of the instruments.

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.

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

Financial assets

Classification and subsequent measurement of financial assets (before application of IFRS 9 on 1 September 2018)

Hainan Hualian's financial assets are classified as loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including amount due from a related party and bank balance) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy in respect of impairment loss on financial assets below).

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets (before application of IFRS 9 on 1 September 2018)

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for receivables could include Hainan Hualian's past experience of collecting payments, an increase in the number of delayed payments in the portfolio and observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Classification and subsequent measurement of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

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

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

- the contractual terms 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 through profit or loss.

Financial assets including amount due from a related party and bank balance are subsequently measured at amortised costs.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets 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 from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the assets is no longer credit-impaired.

Impairment of financial assets (upon application of IFRS 9 in accordance with transitions in note 2)

Hainan Hualian performs impairment assessment under ECL model on financial assets (including amount due from a related party and bank balance) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, Hainan Hualian 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, Hainan Hualian considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

Despite the aforegoing, Hainan Hualian assumes that the credit risk on bank balance has not increased significantly since initial recognition as the bank balance is determined to have low credit risk at the reporting date. The bank deposit is considered to have low credit risk as it is deposited with the financial institution which have an internal or external credit rating of "investment grade" as per globally understood definitions.

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

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

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

(d) it is becoming probable that the borrower will enter bankruptcy or other financial re-organisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

Hainan Hualian recognises an impairment gain or loss in profit or loss for all financial instruments through a loss allowance account.

Derecognition of financial assets

Hainan Hualian 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 entity.

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

Financial liability and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liability

All financial liability is subsequently measured at amortised cost using the effective interest method.

Financial liability subsequently measured at amortised cost

Financial liability including amount due to a related party is subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liability

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

4. REVENUE

Hainan Hualian does not generate any revenue during the Relevant Periods.

5. TAXATION

No PRC Enterprise Income Tax is provided in the Historical Financial Information as Hainan Hualian does not have any assessable income during the Relevant Periods.

	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) before taxation	25	5,576	(1,848)	(557)	—
Tax at PRC EIT rate of 25%	6	1,394	(462)	(139)	—
Tax effect of income not taxable for tax purposes	(21)	—	—	—	—
Tax effect of temporary difference not previously recognised	—	(1,593)	—	—	—
Tax effect of expenses not deductible for tax purposes	15	199	462	139	—
Taxation for the year/period	—	—	—	—	—

As at 31 August 2018, 2019 and 2020 and 31 December 2020, Hainan Hualian has deductible temporary difference of RMB71,373,000, RMB62,523,000, RMB62,523,000 and nil in relation to interest in an associate. No deferred tax asset has been recognised as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

6. PROFIT (LOSS) AND TOTAL COMPREHENSIVE INCOME (EXPENSE) FOR THE YEAR/PERIOD

	Year ended 31 August			Four months ended 31 December	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit (loss) and total comprehensive income (expense) for the year has been arrived at after charging:					
Sole director's remuneration *(note 7)*	—	25	112	40	—
Other staff costs	—	680	465	233	—
Auditor's remuneration	—	—	—	—	—

7. SOLE DIRECTOR'S, CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Sole director's and chief executive's emoluments

Sole director

Details of the emoluments paid or payable by the Hainan Hualian to the sole director of Hainan Hualian, representing salaries and other allowances, during the Relevant Periods are as follows:

	Year ended 31 August			**Four months ended 31 December**	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Mr. YK Cao *(Note i)*	—	25	112	40	—
Mr. Youxuan Tan *(Note ii)*	N/A	N/A	—	—	—
	—	25	112	40	—

Notes:

i: Resigned on 19 August 2020

ii: Appointed on 19 August 2020

The chief executive of Hainan Hualian is also the sole director of Hainan Hualian.

No emoluments was recognised or paid by Hainan Hualian to the sole director as compensation for loss of office and inducement to join or upon joining Hainan Hualian. No director had waived any emoluments during the Relevant Periods.

Employees

The emoluments of the remaining nil, 2, 2, 2 and nil individuals, representing all employees other than the sole director of Hainan Hualian during the Relevant Periods, are as follows:

	Year ended 31 August			**Four months ended 31 December**	
	2018	**2019**	**2020**	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries and other benefits	—	680	465	233	—

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

	Year ended 31 August			**Four months ended 31 December**	
	2018	**2019**	**2020**	**2019** (unaudited)	**2020**
Nil to Hong Kong Dollar 1,000,000	—	2	2	2	—

During the Relevant Periods, no emoluments was paid by Hainan Hualian to the employees as an inducement to join or upon joining Hainan Hualian or as compensation for loss of office.

8. EARNINGS PER SHARE

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

9. DIVIDEND

No dividend has been paid by Hainan Hualian during the Relevant Periods.

10. INTEREST IN AN ASSOCIATE

	As at 31 August			As at 31 December
	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Share of net liabilities of an associate	—	—	—	—

Interest in an associate is classified as non-current asset as at 31 August 2018 and 2019 and reclassified as current asset as at 31 August 2020 as detailed in note 1.

Details of Hainan Hualian's associate at 31 August 2018, 2019 and 2020 are as follows:

Name of entity	Country of incorporation/ registration	Principal place of business	Proportion of ownership interest held by Hainan Hualian				Proportion of voting rights held by Hainan Hualian				Principal activity
			As at 31 August			As at 31 December	As at 31 August			As at 31 December	
			2018	2019	2020	2020	2018	2019	2020	2020	
海南賽伯樂教育集團有限公司 Hainan Cyber and its subsidiaries (together the "Hainan Cyber Group")	The PRC	The PRC	17.12%	15.00%	15.00%	N/A	17.12%	15.00%	15.00%	N/A	Investment holding

Hainan Hualian is able to exercise significant influence over Hainan Cyber through its participation in the board of directors of Hainan Cyber under the Article of Association of Hainan Cyber.

On 22 November 2018, Hainan Hualian has disposed 2.12% equity interest in Hainan Cyber to Mr. Cao Chengwei (曹成偉) for a consideration of RMB6,373,000. A gain on partial disposal of interest in an associate of RMB6,373,000 has been recognised in the statement of profit or loss and other comprehensive income during the year ended 31 August 2019. The proceeds on disposal were received by Mr. YK Cao on behalf of Hainan Hualian.

On 11 November 2020, Hainan Hualian transferred the 15% equity interest in Hainan Cyber to Shuzhi Education for a nominal consideration of RMB1.

Summarised financial information of a material associate

Summarised financial information in respect of Hainan Hualian's material associate is set out below. The summarised financial information below represents amounts shown in the associate's consolidated financial statements prepared in accordance with IFRSs.

During the year ended 31 August 2018, Hainan Cyber has acquired subsidiaries under common control ("Acquired Subsidiaries") and the enlarged group of companies of Hainan Cyber and its subsidiaries (the "Enlarged Hainan Cyber Group") resulting from the acquisition is regarded as a continuing entity. The consolidated financial statements of the companies comprising the Enlarged Hainan Cyber Group for the Relevant Periods have been prepared as if Hainan Cyber had always been the holding company of the Enlarged Hainan Cyber Group and the group structure had been in existence throughout the Relevant Periods.

The associate is accounted for using the equity method in the Historical Financial Information.

Hainan Cyber Group

	As at 31 August		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current assets	261,547	349,898	211,110
Non-current assets	2,487,946	2,473,291	2,439,334
Current liabilities	1,381,564	1,671,109	1,306,646
Non-current liabilities	1,489,540	1,277,602	1,568,711

	Year ended 31 August		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	428,036	476,158	550,079
Profit (loss) and total comprehensive income (expense) for the year	2,923	(1,860)	(99,391)

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associate recognised in the financial statements:

	As at 31 August		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Net liabilities of Hainan Cyber Group	(121,611)	(125,522)	(224,913)
Non-controlling interests of Hainan Cyber's subsidiaries	958	—	—
	(120,653)	(125,522)	(224,913)
Proportion of Hainan Hualian's ownership interest in Hainan Cyber Group	17.12%	15.00%	15.00%
Hainan Hualian's share of net liabilities of Hainan Cyber Group	(20,656)	(18,828)	(33,737)
Goodwill	20,000	17,523	17,523
Unrecognised share of net liabilities	656	1,305	16,214
Carrying amount of Hainan Hualian's interest in Hainan Cyber Group	—	—	—

	Year ended 31 August		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
The unrecognised share of loss of an associate	—	(280)	(14,909)

	As at 31 August		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cumulative unrecognised share of loss of an associate	—	(280)	(15,189)

11. AMOUNT DUE FROM A RELATED PARTY

Hainan Hualian had the following balance with a related party at the end of each reporting period.

	As at 1 September	At 31 August			31 December	Maximum amount outstanding during Year ended 31 August			Maximum amount outstanding during Four months ended 31 December
	2017	2018	2019	2020	2020	2018	2019	2020	2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Mr. YK Cao *(Note)*	31,129	31,129	–	–	–	31,129	–	–	–

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

12. BANK BALANCE

Bank balance represents short-term deposit held by Hainan Hualian with an original maturity of three months or less. As at 31 August 2018 and 2019, Hainan Hualian's bank deposit carried interest rates of 0.35% and 0.35% per annum, respectively, while Hainan Hualian did not hold any bank deposit as at 31 August 2020 and 31 December 2020.

13. AMOUNT DUE TO A RELATED PARTY

The amounts as at 31 August 2019 and 2020 represent amount due to Mr. YK Cao which is non-trade in nature, unsecured, non-interest bearing and repayable on demand. During the four months ended 31 December 2020, the amount has been fully waived by Mr. YK Cao as detailed in note 1.

14. PAID-IN CAPITAL

	RMB'000
As at 1 September 2017 and 31 August 2018	120,000
Capital reduction *(Note i)*	(70,000)
As at 31 August 2019	50,000
Capital injection *(Note ii)*	24,000
As at 31 August 2020	74,000
Transfer upon deregistration	(74,000)
As at 31 December 2020	—

Notes:

i. Pursuant to a resolution dated 12 August 2019, Hainan Hualian's registered and paid-in capital were reduced by RMB70,000,000 to RMB50,000,000 and an amount of RMB70,000,000 was distributed to the Mr. YK Cao through crediting to amount due from a related party.

ii. Pursuant to a resolution dated 18 August 2020, Hainan Hualian's registered and paid-in capital increased by RMB24,000,000 to RMB74,000,000 which was contributed by Mr. YK Cao through debiting to amount due to a related party.

15. CAPITAL RISK MANAGEMENT

Hainan Hualian manages its capital to maximise the return to equity holders through the optimisation of the debt and equity balance. Hainan Hualian's overall strategy remains unchanged during the Relevant Periods.

The capital structure of Hainan Hualian consists of net debt, which includes amount due to a related party disclosed in note 13, net of cash and cash equivalent, and equity attributable to owners of Hainan Hualian, comprising paid-in capital.

The management of Hainan Hualian reviews the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital.

16. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	As at 31 August			As at 31 December
	2018	**2019**	**2020**	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loans and receivables	31,223	—	—	—
At amortised cost	—	47	—	—
Financial liability				
At amortised cost	—	33,248	11,049	—

(b) Financial risk management objectives and policies

Hainan Hualian's major financial instruments include amount due from (to) a related party and bank balance. Details of these financial instruments are disclosed in the respective notes.

The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of Hainan Hualian manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner. These risks include market risk (interest rate risk), credit risk and liquidity risk.

Market risk

Interest rate risk

Hainan Hualian is exposed to fair value interest rate risk in relation to a fixed-rate bank deposit. Hainan Hualian has not used any interest rate swaps to mitigate its exposure associated with fluctuations relating to interest rate risk. However, the management monitors interest rate exposure and consider there had been no significant interest rate risk.

Credit risk and impairment assessment

Hainan Hualian's maximum exposure to credit risk in the event of the counterparties' failure to perform its obligations is arising from the carrying amounts of the respective recognised financial assets as stated in the statements of financial position. Hainan Hualian does not hold any collateral or other credit enhancement associated with its financial assets.

Before adoption of IFRS 9 as at 1 September 2018

In order to minimise the credit risk on amount due from a related party, the management makes periodic collective assessments as well as individual assessment on the recoverability of receivables based on historical settlement records and past experience. In this regard, the management of Hainan Hualian believes there is no material credit risk inherent in Hainan Hualian's outstanding balances of amount due from a related party and bank balances.

Other than concentration of credit risk on amount due from a related party, Hainan Hualian does not have any other significant concentration of credit risk.

After adoption of IFRS 9 as at 1 September 2018

Credit risk refers to the risk that the Hainan Hualian's counterparties default on their contractual obligations resulting in financial losses to the Hainan Hualian. Hainan Hualian's credit risk exposures are primarily attributable to bank balance.

Impairment assessment on bank balance

Since the adoption of IFRS 9 on 1 September 2018, Hainan Hualian assessed the loss allowances for bank balance with gross carrying amount of RMB47,000, nil and nil as at 31 August 2019 and 2020 and 31 December 2020, respectively, on 12m ECL basis. The management of Hainan Hualian considers the bank balance that is deposited with the financial institution with high credit rating to be low credit risk financial asset. The management of Hainan Hualian considers the bank balance is short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

Liquidity risk

In management of the liquidity risk, Hainan Hualian monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance Hainan Hualian's operations and mitigate the effects of fluctuations in cash flows.

Hainan Hualian's amount due to a related party at 31 August 2019 and 2020 is repayable on demand. The amount due to a related party at 31 August 2020 has been waived during the four months ended 31 December 2020.

(c) Fair value measurements of financial instruments

During the Relevant Periods, the management of Hainan Hualian considers that the carrying amounts of financial assets and financial liability recorded at amortised cost in the Historical Financial Information approximate their fair values at 31 August 2018, 2019 and 2020, respectively.

17. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Amount due from (to) a related party
	RMB'000
At 1 September 2017 and 31 August 2018	31,129
Capital reduction	(70,000)
Proceed on partial disposal of an associate *(note 10)*	6,373
Financing cash flow *(Note)*	(750)
At 31 August 2019	(33,248)
Capital injection	24,000
Financing cash flow *(Note)*	(1,801)
At 31 August 2020	(11,049)
Waiver of amount due to a related party	11,049
At 31 December 2020	—

Note: The cash flows represent the advance from and repayment to a related party in the statements of cash flows.

18. RELATED PARTIES DISCLOSURES

Balances with a related party are set out in the statements of financial position on pages IIB-6 and in notes 11 and 13.

The key management personnel of Hainan Hualian is the sole director of Hainan Hualian. The details of the remunerations paid to them relating to short-term employee benefits are set out in note 7 to the Historical Financial Information.

19. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of Hainan Hualian has been prepared in respect of any period subsequent to 31 December 2020 (date of deregistration).

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The following discussion and analysis should be read in conjunction with the financial information of the Target Group for the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, as set out in Appendix IIA to this circular.

Business Overview

For the years ended 31 August 2018, 2019 and 2020 and the six months ended 28 February 2021, the Target Company did not have any material business operation other than serving as an investment holding company. The Target Company is the sole sponsor of Haikou University of Economics and the Affiliated Art School of Haikou University of Economics. For further information of Haikou University of Economics and Affiliated Art School of Haikou University of Economics, please refer to ''Information of the Target Group'' above.

Liquidity, financial resources and capital structure

The following table sets forth a summary of the Target Group's financial position as at the dates indicated below:

	At 31 August 2018	At 31 August 2019	At 31 August 2020	At 28 February 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets	2,487,946	2,473,291	2,439,334	2,484,921
Current assets	261,547	349,898	211,110	85,447
Total assets	2,749,493	2,823,189	2,650,444	2,570,368
Non-current liabilities	1,489,540	1,277,602	1,568,711	1,291,693
Current liabilities	1,381,564	1,671,109	1,306,646	1,460,121
Total liabilities	2,871,104	2,948,711	2,875,357	2,751,814

The net current liabilities of the Target Group were approximately RMB1,374.7 million as at 28 February 2021.

The net cash inflow from the Target Group's operating activities was approximately RMB296.0 million, RMB337.1 million, RMB161.8 million and RMB316.8 million for the years ended 31 August 2018, 2019 and 2020 and the six months ended 28 February 2021. Assume the conditions of the Target Group's operations remain unchanged, the net current liabilities will gradually decrease. Having considered the net cash inflow from operations, financial support from the Company and the available unutilised banking facilities of RMB175,043,000 at 28 February 2021, the Directors are satisfied that the Target Group will be able to meet in full its financial obligations as they fall due in the foreseeable future.

The Target Group would settle its debts by its internal resources and refinancing from banks. The Target Group received total tuition fees of RMB568,800,000 for the 2020/2021 academic year. After 28 February 2021, the Target Group obtained new banking facilities amounted to RMB192,000,000 up to the Latest Practicable Date. The Target Group is in the process of applying other new banking facilities to refinance its outstanding loans which fall due soon.

Having considered the future liquidity and the performance of the Target Group, the Company expected that the operating cash flow generated and the new funding from financial institutions are sufficient to maintain the Target Group's operation and settle its debts as they fall due. The Company does not anticipate that the Company would be required to provide financial assistance to the Target Group shortly after the completion of the Acquisitions.

Total bank balances and cash

Including the pledged bank deposits, the carrying amount of the total bank balances and cash as at 31 August 2018, 2019 and 2020 and 28 February 2021 was RMB223,946,000, RMB304,824,000, RMB182,495,000 and RMB33,285,000, respectively.

Bank and other borrowings

As at 31 August 2018, 2019 and 2020 and 28 February 2021, the bank and other borrowings of the Target Group amounted to RMB1,492,882,000, RMB1,570,045,000, RMB1,532,610,000 and RMB1,307,973,000, respectively, while the weighted effective interest rates (per annum) were 6.9%, 6.9%, 7.0% and 6.7%, respectively; all bank and other borrowings of the Target Group were denominated in RMB.

As at 31 August 2018, 2019 and 2020 and 28 February 2021, RMB535,256,000, RMB838,562,000, RMB644,483,000 and RMB511,044,000 of the bank and other borrowings were repayable within one year.

As at 28 February 2021, the bank and other borrowings of RMB1,173,140,000 were guaranteed by certain relatives and close family members of the directors of the Target Group. As at 28 February 2021, the Company and the Target Group did not provide any pledge of assets to the guarantors for the provision of the guarantees. Up to the date of Latest Practicable Date, the amount of RMB19,284,000 was repaid. The remaining bank and other borrowings were still guaranteed by these related parties and third parties. The guarantors will continue to provide the guarantees until respective borrowings are fully settled.

Gearing ratio

As at 31 August 2018, 2019 and 2020 and 28 February 2021, the gearing ratio (calculated as a percentage of total bank and other borrowings to total equity) was -1,227.6%, -1,250.8%, -681.4% and -720.9%, respectively.

Current ratio

As at 31 August 2018, 2019 and 2020 and 28 February 2021, the current ratio (calculated as a percentage of the current assets to current liabilities) was 18.9%, 20.9%, 16.2% and 5.9%, respectively.

Amounts due from (to) related parties

As at 31 August 2018, 2019 and 2020 and 28 February 2021, the carrying amount of the amounts due from related parties was RMB9,902,000, RMB10,400,000, RMB6,455,000 and RMB4,543,000, respectively.

As at 31 August 2018, 2019 and 2020 and 28 February 2021, the carrying amount of the amounts due to related parties was RMB408,519,000, RMB313,908,000, RMB394,472,000 and RMB343,010,000, respectively.

Subsequent settlement up to the Latest Practicable Date of the non-trade amounts due from (to) related parties are as follows:

	At 28 February 2021	Subsequent settlement up to the Latest Practicable Date
	RMB'000	*RMB'000*
Amounts due from related parties		
— Non-trade nature		
Name of related parties		
Hainan Zhongjia Culture Investment Co., Ltd.(i)	11	—
Hainan Zhongjia Education Investment Co., Ltd.(i)	1,855	—
Boruida Education (Hainan) Co., Ltd.(i)	2,660	—
	4,526	—
Amount due to a related party		
— Non-trade nature		
Name of directors		
Mr. CJ Cao(ii)	12,045	—
	12,045	—
Amounts due to related parties		
— Non-trade nature		
Name of related parties		
Mr. YK Cao(ii)	11,023	—
Hainan Kunlun Sports Culture Co, Ltd.(iii)	315,435	2,030
Hainan Chengyuan Construction Engineering Construction Co., Ltd.(i)	420	—
Hainan Zhengyuanxin Industrial Co., Ltd.(iv)	114	—
	326,992	2,030

Notes:

(i) Amounts represented current account.

(ii) Amounts represented considerations for acquisition of Hainan Cyber Services Company Limited as detailed in the section headed "Acquisition of Hainan Cyber Services during the Relevant Periods" in page IIA-10 of this circular.

(iii) Amounts mainly represented the payments of a package deal agreement, pursuant to which, the Target Group will settle the payments which is repayable up to 2022 in three instalments.

(iv) Amount mainly represented payables for capital expenditure and construction costs.

Except for the amount due to Hainan Kunlun Sports Culture Co., Ltd. ("**Hainan Kunlun**") of RMB90,323,000, which will be settled over one year according to respective agreement, the remaining non-trade amounts due from/(to) related parties are expected to be received and paid within one year, subject to the actual financial and operational position.

For further details, please refer to "APPENDIX IIA ACCOUNTANTS' REPORT OF THE TARGET GROUP — Note 22. AMOUNTS DUE FROM (TO) RELATED PARTIES/A RELATED PARTY".

Provision

As at 31 August 2018, 2019 and 2020 and 28 February 2021, the carrying amount of the provisions was RMB104,897,000, RMB116,854,000, RMB130,631,000 and RMB133,329,000, respectively and such provisions mainly represent provision of compliance matters.

As at 28 February 2021, the provisions included the provision of compliance matters on lack of building ownership certificates and the provision for a legal case which amounted to RMB89,825,000 and RMB5,114,000, respectively.

The legal case was a contract dispute in 2012 relating to a series of sale and purchase agreements. The purchaser claimed the compensation was due to the failure to transfer the title of land in the relevant transaction, and is not relevant to the assets or equities transferred in the Acquisitions. The carrying amount of the land related to this contract dispute was not included in the Target Group's financial information as set out in the announcement dated 7 August 2020 and the accountants' report of the Target Group in this circular. The provision of RMB5,114,000 is the best estimate (based on the then available information) of the consideration required to settle the present obligation as at 28 February 2021.

Pursuant to the acquisition agreements, the vendors will fully indemnify the costs in obtaining the building ownership certificates, which amounted to RMB89,825,000. In addition, in respect of the liabilities or provisions that are not disclosed in the acquisition agreements (the "**Undisclosed Liabilities**"), the vendors will indemnify the amounts in excess of RMB51,622,000. At the date of acquisition, the Undisclosed Liabilities amounted to RMB53,555,000, which included the provisions for compliance matters (other than lack of building ownership certificates) and a legal case amounted to RMB37,353,000 and RMB4,174,000, respectively, and the payables amounted to RMB12,028,000, which have been recorded in the financial statements of the Target Group on the date of acquisition.

As disclosed in pages 60 to 62 of the interim report of the Company for the six months ended 28 February 2021, the indemnification assets acquired from the Acquisitions amounted to RMB91,758,000 at the date of acquisition which represented the indemnifications for the provision for costs in obtaining building ownership certificate of RMB89,825,000 and the Undisclosed Liabilities of RMB1,933,000 (representing the net amount of RMB53,555,000 in excess of RMB51,622,000).

Revenue

The Target Group generates its revenue from tuition fees, boarding fees and ancillary services fees. For the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, the revenue of the Target Group was approximately RMB428,036,000, RMB476,158,000, RMB550,079,000, RMB272,746,000 and RMB336,316,000, respectively, of which approximately RMB365,182,000, RMB411,135,000, RMB483,785,000, RMB243,825,000 and RMB300,241,000 were generated from tuition fees.

The increase in revenue of 11.2% for the year ended 31 August 2019 compared to the year ended 31 August 2018, the increase in revenue of 15.5% for the year ended 31 August 2020 compared to the year ended 31 August 2019 and the increase in revenue of 23.3% for the six months ended 28 February 2021 compared to the six months ended 29 February 2020 were mainly attributable to the organic growth in student enrollment and tuition fees.

Cost of Revenue

The cost of revenue of the Target Group mainly consist of staff costs, educational operational costs and depreciation of property and equipment.

For the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, the cost of revenue of the Target Group was approximately RMB212,833,000, RMB248,434,000, RMB270,599,000, RMB145,823,000 and RMB164,698,000, respectively. The increase in cost of revenue of 16.7% for the year ended 31 August 2019 compared to the year ended 31 August 2018, the increase in cost of revenue of 8.9% for the year ended 31 August 2020 compared to the year ended 31 August 2019 and the increase in cost of revenue of 12.9% for the six months ended 28 February 2021 compared to the six months ended 29 February 2020 were mainly due to the growth of student number.

For the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, expenses for beach volleyball matches to Hainan Kunlun was approximately RMB1,168,000, RMB3,509,000, RMB4,804,000, RMB2,990,000 and nil, respectively, which are recognised in the cost of revenue. Haikou University of Economics hosted the National Beach Volleyball Tour Finals (全國沙灘排球巡迴賽總決賽) during the years ended 31 August 2018, 2019 and 2020. Haikou University of Economics was the host of the finals while Hainan Kunlun was the contractor to execute the match arrangements, such as public relations and logistic arrangement. The expenses for beach volleyball matches were incurred for the service fees paid to Hainan Kunlun in relation to organizing the finals. For the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, Haikou University of Economics was granted the subsidies for hosting the finals of RMB971,000, RMB2,990,000, RMB2,900,000, nil and nil, respectively. Haikou University of Economic's brand and reputation were promoted through hosting the finals. Haikou University of Economic does not currently expect to host any such matches going forward in order to focus on the core education business, hence from 2021 such event is non-recurring.

Gross Profit

For the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, the gross profit of the Target Group was approximately RMB215,203,000, RMB227,724,000, RMB279,480,000, RMB126,923,000 and RMB171,618,000, respectively. The increase in gross profit of 5.8% for the year ended 31 August 2019 compared to the year ended 31 August 2018, the increase in gross profit of 22.7% for the year ended 31 August 2020 compared to the year ended 31 August 2019 and the increase in gross profit of 35.2% for the six months ended 28 February 2021 compared to the six months ended 29 February 2020 were primarily attributable to the net effect of the significant increase in revenue and the less notable increase in cost of revenue.

Other income

Other income primarily included academic administration income, management fee income and government grants.

Fair value change on long term construction cost payables for school premises

The long term construction cost payables for school premises (which were completed and in use at the initial recognition) arose from arrangements between the Target Group and constructors (including Hainan Kunlun) for building student dormitories and academic buildings, whereby constructors are entitled to cash payments with a term of 5 to 42 years with reference to boarding fees and tuition fees earned by the respective buildings they constructed. Such payables are measured at fair values and change in fair values are recognised in profit or loss at the end of each reporting period upon re-measurements. For further details, please refer to "APPENDIX IIA ACCOUNTANTS' REPORT OF THE TARGET GROUP — Note 4. KEY SOURCES OF ESTIMATION UNCERTAINTY and Note 19. OTHER PAYABLES AND ACCRUED EXPENSES AND PROVISIONS".

Fair value loss on long term construction cost payables

The fair values are determined based on unobservable inputs, including estimated future cash outflow and discount rate, using valuation technique and judgement and estimation are required in establishing the relevant valuation technique and the relevant inputs. Therefore, any changes in assumptions relating to these factors could affect the reported fair values of long term construction cost payables for school premises resulting in fair value changes on long term construction cost payables for school premises.

For the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, the fair value change on long term construction cost payables for school premises was approximately RMB58,291,000, RMB60,818,000, RMB192,572,000, RMB31,524,000 and RMB20,879,000, respectively. The fair value change on long term construction cost payables for school premises is recognised in profit or loss at the end of each reporting period.

These fair value changes in the above periods were caused by the changes in the determination of the fair values as stated above, save and except for the fair value loss of RMB192,572,000 for the year ended 31 December 2020. Such fair value loss of RMB192,572,000 comprise,

(i) compensation of loss of contracts borne by Hainan Kunlun (as detailed in note 22 Note iii of Appendix IIA of this circular) in the amount of RMB129,350,000 under the package deal agreement. The package deal agreement was entered into between the Target Group and Hainan Kunlun on 6 August 2020 pursuant to which the Target Group agreed to settle certain long term construction cost payables for school premises in three instalments instead of the original payment term of 5 to 39 years. The amount of the original long term construction cost payables amounted to RMB195,540,000 classified as financial liabilities at FVTPL, which was replaced by a new unsecured, interest bearing liabilities at 4.75% classified as amortised cost which is repayable up to 2022 in three instalments with gross amount and carrying amount of RMB343,350,000 and RMB324,890,000 on inception date, respectively. To account for such settlement above, the long term construction cost payables for school premises due to Hainan Kunlun amounting to RMB195,540,000 was derecognised while the amount due to Hainan Kunlun amounting to RMB324,890,000 was recognised, resulting in a non-recurring loss arising from fair value change on long term construction cost payables for school premises amounted to RMB129,350,000 recognised in the profit or loss during the year ended 31 August 2020; and

(ii) other changes mainly due to changes in time value (as explained above in the determination of fair values and in page IIA-31 note 4(c) of this circular) in the amount of RMB63,222,000.

Together with the other changes due to determination of the fair values in the amount of RMB63,222,000, the fair value loss of RMB129,350,000 resulted from the package deal arrangement was recognised in the profit or loss during the year ended 31 August 2020.

The net loss (after tax) for the year ended 31 August 2020 was RMB99,390,000, should the impact of the non-cash fair value change on the construction costs payable in relation to the package deal arrangement in the amount of RMB129,350,000 be excluded, the net profit (after tax) (adjusted) for the year ended 31 August 2020 should have been RMB29,959,000.

Administrative expenses

For the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, the administrative expenses were approximately RMB106,314,000, RMB117,168,000, RMB111,234,000, RMB71,854,000 and RMB58,441,000, respectively. The administrative expenses represented about 24.8%, 24.6%, 20.2%, 26.3% and 17.4%, respectively, of the revenue for the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021. The decrease in the year ended 31 August 2020 as compared to the year ended 31 August 2019 was mainly attributable to the implementation of cost saving measures.

Finance costs

For the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021, the finance costs of the Target Group were approximately RMB107,122,000, RMB115,119,000, RMB118,433,000, RMB57,761,000 and RMB52,401,000 respectively. The finance costs represented the interest expenses on bank and other borrowings.

Net profit/loss and earnings before interest, tax, depreciation and amortisation ("EBITDA")

The net profit/loss and adjusted net profit of the Target Group for the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021 are as follows:

	Year ended 31 August			Six months ended	
				29 February	28 February
	2018	2019	2020	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Net profit (loss) (before tax)	10,592	3,755	(97,078)	(3,901)	48,181
Adjustment for:					
Fair value change on construction cost payables(i)	58,291	60,818	192,572	31,524	20,879
Adjusted net profit (before tax)	68,883	64,573	95,494	27,623	69,060
Net profit (loss) (after tax)	2,923	(1,860)	(99,391)	(4,776)	46,447
Adjustment for:					
Fair value change on construction cost payables(i)	58,291	60,818	192,572	31,524	20,879
Adjusted net profit (after tax)	61,214	58,958	93,181	26,748	67,326
EBITDA	185,236	188,811	93,211	91,335	137,879
Adjustment for:					
Fair value change on construction cost payables(i)	58,291	60,818	192,572	31,524	20,879
Adjusted EBITDA	243,527	249,629	285,783	122,859	158,758

Note:

(i) Amounts represented non-cash fair value change on long term construction cost payables for school premises.

The adjusted net profit (after tax) was increased significantly by 58.0% to RMB93,181,000 for the year ended 31 August 2020 from RMB58,958,000 for the year ended 31 August 2019 and by 151.7% to RMB67,326,000 for the six months ended 28 February 2021 from RMB26,748,000 for the six months ended 29 February 2020. The slight decrease of 3.7% in adjusted net profit for the year ended 31 August 2019 compared to the year ended 31 August 2018 was within the scope of normal operation fluctuations.

The adjusted EBITDA was increased by 2.5% to RMB249,629,000 for the year ended 31 August 2019 from RMB243,527,000 for the year ended 31 August 2018 and which was increased by 14.5% to RMB285,783,000 for the year ended 31 August 2020 as compared to the year ended 31 August 2019. The adjusted EBTIDA was increased significantly by 29.2% to RMB158,758,000 for the six months ended 28 February 2021 from RMB122,859,000 for the six months ended 29 February 2020. The increases in adjusted EBITDA demonstrated the improvement in operating and financial performance of the Target Group.

Property and Equipment

As at 31 August 2018, 2019 and 2020 and 28 February 2021, the carrying amount of the property and equipment was RMB2,479,655,000, RMB2,463,701,000, RMB2,425,749,000 and RMB2,434,343,000, respectively.

Employment and remuneration policies

The Target Group had approximately 1,245, 1,345, 1,316 and 1,463 employees as at 31 August 2018, 2019 and 2020 and 28 February 2021, respectively. The Target Group remunerated their employees by reference to their qualifications, experiences, responsibilities and profitability of the Target Group.

The Target Group did not have any share option schemes.

Significant investments held and future plans for material investments

As at 31 August 2018, 2019 and 2020 and 28 February 2021, the Target Group did not have any significant investments. There is no immediate plan for material investments by the Target Group.

Capital commitment and contingent liabilities

As at 31 August 2018, the Target Group had no material capital commitments for the acquisition of fixed assets or intangible assets. As at 31 August 2019 and 2020 and 28 February 2021, the Target Group had capital commitment for the acquisition of property and equipment. As at 31 August 2020 and 28 February 2021, the Target Group had capital commitments for further acquisition of interest in an associate. For further details, please refer to "APPENDIX IIA ACCOUNTANTS' REPORT OF THE TARGET GROUP — Note 28. CAPITAL COMMITMENTS".

As at 31 August 2018, 2019 and 2020 and 28 February 2021, the Target Group had no material contingent liabilities.

Foreign exchange exposure

All of the Target Group's revenue, cost of sales and expenses are denominated in RMB. The Target Group also uses RMB as its reporting currency. The Target Group's operations are not currently subject to any significant foreign exchange risk and the Target Group did not use any financial instruments to hedge its exposure to such risk.

Treasury policy and hedging arrangement

During the years ended 31 August 2018, 2019 and 2020 and the six months ended 28 February 2021, the Target Group did not have any treasury policy or hedging arrangement.

Acquisitions and disposals

Save as disclosed in the section headed "Acquisition of Hainan Cyber Services during the Relevant Periods" in page IIA-10 of this circular, during the years ended 31 August 2018, 2019 and 2020 and the six months ended 28 February 2021, the Target Group did not have other material acquisitions or disposals of subsidiaries, associates or joint ventures.

Segment information

For the years ended 31 August 2018, 2019 and 2020 and the six months ended 29 February 2020 and 28 February 2021 , most of the revenue of the Target Group was derived from provision of private higher and vocational education institution services.

Charges on assets

As at 31 August 2019, 31 August 2020 and 28 February 2021, the carrying amount of assets pledged by the Target Group as security for bank and other borrowings amounted to RMB6,000,000, RMB87,345,000 and RMB61,929,000, respectively. As at 31 August 2020 and 28 February 2021, the assets pledged with carrying amount of RMB87,345,000 and RMB61,929,000 included rights to receive boarding fees associated with owned properties with carrying amount of RMB48,025,000 and RMB47,329,000, respectively. Such rights were pledged to financial institutions in respect of the loans granted to a constructor of student dormitories (which is a third party independent of the Target Group). The abovementioned boarding fees shall be payable to the constructor under respective construction arrangements of school premises. As at 31 August 2018, the Target Group had no charges on any assets.

MANAGEMENT DISCUSSION AND ANALYSIS OF HAINAN HUALIAN

The following discussion and analysis should be read in conjunction with the financial information of Hainan Hualian for the years ended 31 August 2018, 2019 and 2020 and the four months ended 31 December 2019 and 2020, as set out in Appendix IIB to this circular.

Business Overview

For the years ended 31 August 2018, 2019 and 2020 and the four months ended 31 December 2019 and 2020, the Hainan Hualian did not have any material business operation other than serving as an investment holding company. Hainan Hualian holds 15% of equity interests in the Target Group. Hainan Hualian had been deregistered on 31 December 2020.

Liquidity, financial resources and capital structure

The following table sets forth a summary of Hainan Hualian's financial position as at the dates indicated below:

	At 31 August 2018	**At 31 August 2019**	**At 31 August 2020**	**At 31 December 2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Non-current asset	—	—	—	—
Current assets	31,223	47	—	—
Total assets	31,223	47	—	—
Non-current liability	—	—	—	—
Current liability	—	33,248	11,049	—
Total liability	—	33,248	11,049	—

Bank balance

The carrying amount of the bank balance was RMB94,000, RMB47,000, nil and nil respectively as at 31 August 2018, 2019 and 2020 and 31 December 2020.

Bank and other borrowings

As at 31 August 2018, 2019 and 2020 and 31 December 2020, Hainan Hualian has no bank and other borrowings.

Current ratio

As at 31 August 2018, 2019 and 2020 and 31 December 2020, the current ratio (calculated as a percentage of the current assets to current liability) was n/a, 0.1%, 0.0% and n/a, respectively.

Gain on partial disposal of interest in an associate

During the year ended 31 August 2019, the gain on partial disposal of interest in an associate of RMB6,373,000 was recognised for the disposal of 2.12% equity interest in the Target Group for a consideration of RMB6,373,000.

Net profit/loss

Hainan Hualian recorded net result (before taxation) of profit of RMB25,000, profit of RMB5,576,000, loss of RMB1,848,000, loss of RMB557,000 and nil for the years ended 31 August 2018, 2019 and 2020 and the four months ended 31 December 2019 and 2020, respectively.

Hainan Hualian recorded net result (after taxation) of profit of RMB25,000, profit of RMB5,576,000, loss of RMB1,848,000, loss of RMB557,000 and nil for the years ended 31 August 2018, 2019 and 2020 and the four months ended 31 December 2019 and 2020, respectively.

Employment and remuneration policies

Hainan Hualian had nil, 2, 2 and nil employees as at 31 August 2018, 2019 and 2020 and 31 December 2020, respectively. Hainan Hualian remunerated their employees by reference to their qualifications, experiences and responsibilities of Hainan Hualian. Hainan Hualian did not have any share option schemes.

Significant investments held and future plans for material investments

As at 31 August 2018, 2019 and 2020 and 31 December 2020, Hainan Hualian did not have any significant investments. There is no immediate plan for material investments by Hainan Hualian.

Capital commitment and contingent liabilities

As at 31 August 2018, 2019 and 2020 and 31 December 2020, Hainan Hualian had no material capital commitments for the acquisition of fixed assets or intangible assets.

As at 31 August 2018, 2019 and 2020 and 31 December 2020, Hainan Hualian had no material contingent liabilities.

Foreign exchange exposure

All of Hainan Hualian's incomes and expenses are denominated in RMB. Hainan Hualian also uses RMB as its reporting currency. Hainan Hualian's operations are not currently subject to any significant foreign exchange risk and Hainan Hualian did not use any financial instruments to hedge its exposure to such risk.

Treasury policy and hedging arrangement

During the years ended 31 August 2018, 2019 and 2020 and the four months ended 31 December 2020, Hainan Hualian did not have any treasury policy or hedging arrangement.

Acquisitions and disposals

During the years ended 31 August 2018, 2019 and 2020 and the four months ended 31 December 2020, Hainan Hualian did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures. In addition, Hainan Hualian has no specific future plans for investments or acquisition.

Segment information

During the years ended 31 August 2018, 2019 and 2020 and the four months ended 31 December 2020, Hainan Hualian did not have any revenue.

Charges on assets

As at 31 August 2018, 2019 and 2020 and 31 December 2020, Hainan Hualian has no charges on any asset.

The following is the text of a letter and valuation certificate, prepared for the purpose of incorporation in this circular received from Asset Appraisal Limited, an independent valuer, in connection with its valuation of the properties held by the Target Group as at 30 April 2021.

Asset Appraisal Limited
中誠達資產評值顧問有限公司

Rm 901, 9/F., On Hong Commercial Building
145 Hennessy Road, Wanchai, Hong Kong
香港灣仔軒尼詩道145號
安康商業大廈9字樓901室
Tel : (852) 2529 9448 Fax : (852) 3521 9591

30 June 2021

The Board of Directors
China Education Group Holdings Limited
Suite 6703-04, 67/F, Central Plaza
18 Harbour Road, Wanchai
Hong Kong

Dear Sirs,

Land, buildings and structures of the campus of Haikou University of Economics and Affiliated Art School of Haikou University of Economics Haitou Boulevard, Meilan District, Haikou City Hainan Province, the PRC

In accordance with the instructions from **China Education Group Holdings Limited** (the "**Company**") to value the property interests (the "**Properties**") held by the Target Company or its subsidiaries (altogether referred to as the "**Target Group**"), we confirm that we have carried out inspection of the Properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Properties as at **30 April 2021** (the "**Valuation Date**").

BASIS OF VALUATION

Our valuation of the Properties represents its market value which we would define as intended to mean "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 wherein the parties had each acted knowledgeably, prudently, and without compulsion".

TITLESHIP

We have been provided with copies of legal documents regarding title to the Properties. However, we have not verified ownership of the Properties and to ascertain any amendment which may not appear on the copies handed to us.

We have also relied upon the legal opinion provided by the PRC legal advisers, namely Haiwan & Partners (the "**PRC Legal Opinion**"), to the Company on the relevant laws and regulations in the PRC.

VALUATION METHODOLOGY

Having considered the general and inherent characteristics of the buildings and structures of the Properties, we have adopted the depreciated replacement cost (DRC) approach which is an application of the Cost Approach in valuing specialised properties like the Properties. 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 costs and those public utilities connection charges to the Properties. We have assigned no commercial value to the land use rights of the Properties on the ground that the land use rights have been granted by the Government by way of administrative allocation and are prohibited from being transferred, lease or charged.

The valuation of the Properties by adopting their DRC is subject to the test of adequate potential profitability of the business having due regard to the values of the total operating assets employed and the nature of the operations.

ASSUMPTIONS

Our valuation has been made on the assumption that the owner sells the Properties on the market in their existing states without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the value of the Properties.

As the Properties are held by the Group by means of administrative allocated land use rights granted by the Government to the grantee on unspecified term, we have assumed that the Group has free and uninterrupted rights to use the Properties throughout the expected physical life of the buildings and structures erected on the subject land parcels.

Other special assumptions for our valuation (if any) would be stated out in the footnotes of the valuation certificate attached herewith.

LIMITING CONDITIONS

No allowance has been made in our report for any charges, mortgages, resettlement compensation, fines, off-balance sheet liabilities, contingent liabilities or amounts owing on the Properties nor for any expenses or taxation which may be incurred in holding them. It is assumed that the Properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

We have relied to a very considerable extent on the information given by the Company and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings and all other relevant matters.

We have not carried out detailed site measurements to verify the correctness of the site and floor areas in respect of the Properties but have assumed that the site areas and the floor areas shown on the documents and official plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations.

The Properties were last inspected on between 16 September 2020 and 17 September 2020 by Zhou Tong, who is a registered PRC Real Estate Appraiser. We have inspected the exterior and, where possible, the interior of the buildings and structures of the Properties. However, no structural survey has been made for them. In the course of our inspection, we did not note any apparent defects. We are not, however, able to report whether the buildings and structures inspected by us are free of rot, infestation or any structural defect. No test was carried out on any of the building services and equipment. During the site inspection, he has ascertained the following matters of the Properties as at the date of site inspection:

- the general environment and development conditions of the area in which the Properties are situated;
- the existing uses of the Properties;
- the occupancy of the Properties;
- the facilities provided by the Properties;
- the existence of any non-conformity uses within the Properties;
- the repair and maintenance conditions of the Properties; and
- the existence of any closure order and resumption order affixed to the Properties.

The market value estimate contained within this report specifically excludes the impact of environmental contamination resulting from abnormal ground movement or other causes. It is recommended that the reader of this report consult a qualified environmental auditor for the evaluation of possible environmental defects, the existence of which could have a material impact on market value.

No soil analysis or geological studies were ordered or made in conjunction with this report, nor were any water, oil, gas, or other subsurface minerals use rights or conditions investigated.

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

In valuing the Properties, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 to the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the HKIS Valuation Standards (2020 Edition) published by The Hong Kong Institute of Surveyors.

All market values of the Properties are denominated in Renminbi (RMB).

Our valuation certificate is attached herewith.

Yours faithfully,
for and on behalf of
Asset Appraisal Limited

Tse Wai Leung
MFin MRICS MHKIS RPS(GP)
Director

Tse Wai Leung is a member of the Royal Institution of Chartered Surveyors, a member of The Hong Kong Institute of Surveyors, a Registered Professional Surveyor in General Practice and a qualified real estate appraiser in the PRC. He is on the list of Property Valuers for Undertaking Valuations for Incorporation or Reference in Listing Particulars and Circulars and Valuations in Connection with Takeovers and Mergers of the Hong Kong Institute of Surveyors, Registered Business Valuer under the Hong Kong Business Forum and has over 10 years' experience in valuation of properties, ports and logistics facilities in the PRC.

VALUATION CERTIFICATE

Property interests held by the Target Group for owner occupation

Property	Description and tenure	Particulars of occupancy	Market Value in Existing State as at 30 April 2021 *RMB*
Land, buildings and structures of the campus of Haikou University of Economics and Affiliated Art School of Haikou University of Economics Haitou Boulevard Meilan District Haikou City Hainan Province the PRC (中華人民共和國海南省海口市美蘭區海濤大道 海口經濟學院及海口經濟學院聯屬藝術學校校舍之土地，房屋及構築物)	The Properties are occupying 2 parcels of land (of which land use rights have been granted to the Target Group) with a total area of 593,329.95 square metres and other land parcels of which land grant procedures have yet to be completed (see note 9 below) falling within the Guilinyang University City (桂林洋大學城) which is situated at a distance of approximately 30 kilometres at the south-east of the city core of Haikou City. Various tertiary educational institutions have been established within the area including Qiong Tai Normal University (瓊台師範學院), Hainan College of Economics and Business (海南經貿職業技術學院) and Hainan Normal University (海南師範學院). The subject land parcels mentioned above are accommodating 62 major buildings and structures with a total gross floor area (GFA) of 607,358.17 square metres. They include 10 blocks of teaching building of 3 to 9-storey high with a total GFA of 172,593.03 square metres; 38 blocks of staff or student dormitory building of 7 to 15-storey high with a total GFA of 253,818.33 square metres (excluding 56,906.80 square metres of dormitory units that have been sold); 4 blocks of administrative building of 2 to 9-storey high with a total GFA of 68,448.09 square metres; 1 block of research laboratory of 6-storey high with a GFA of 17,334.53 square metres; 3 blocks of canteen building of 3-storey high with a total GFA of 25,128.44 square metres; 4 blocks of sport complex of 2 to 3-storey high with a total GFA of 40,927.48 square metres; cluster of 3-storey shop houses with a total GFA of 11,700 square metres and an auditorium of 5-storey high with a GFA of 17,408.27 square metres. These major buildings were completed in between 2010 and 2019. The land use rights of the subject land parcels have been granted by the Government by way of administrative allocation for an unspecified term for research and educational uses.	The Properties are being occupied by the Target Group as the campus of Haikou University of Economics (海口經濟學院) and Affiliated Art School of Haikou University of Economic (海口經濟學院聯屬藝術學校).	1,727,600,000

Notes:

1. As revealed from the Land Use Right Certificate (Ref No. Hai Kou Shi Guo Yong (2013) No. 011360) issued by the Municipal Government of Haikou City on 19 December 2013, one of the two subject land parcels with an area of 589,281.49 square metres was granted to Haikou University of Economics (海口經濟學院) by way of administrative allocation. The permitted use of the land parcel is Research and Education.

2. As revealed from another Land Use Right Certificate (Ref No. Hai Kou Shi Guo Yong (2013) No. 011361) issued by the Municipal Government of Haikou City on 19 December 2013, the remaining land parcel with an area of 4,048.46 square metres was granted to Haikou University of Economics by way of administrative allocation. The permitted use of the land parcel is Research and Education.

3. 2 blocks of teaching buildings of the Properties with a total gross floor area of 45,171.39 square metres have been issued with 2 sets of Real Estate Title Certificate (不動產權證) (Ref Qiong (2020) Hai Kou Shi Bu Dong Chan Quan Nos. 0136327 and 0136331) in the name of Haikou University of Economics.

4. 5 blocks of dormitory buildings of the Properties with a total gross floor area of 37,319.05 square metres have been issued with 5 sets of Real Estate Title Certificate (Ref Qiong (2020) Hai Kou Shi Bu Dong Chan Quan Nos. 0136317, 0136318, 0136322, 0136323 and 0136324) in the name of Haikou University of Economics.

5. A canteen building of the Properties with a gross floor area of 5,827.21 square metres has been issued with a Real Estate Title Certificate (Ref Qiong (2020) Hai Kou Shi Bu Dong Chan Quan No. 0136325) in the name of Haikou University of Economics.

6. An administrative building of the Properties with a gross floor area of 55,818.54 square metres has been issued with two sets of Real Estate Title Certificate (Ref Qiong (2020) Hai Kou Shi Bu Dong Chan Quan Nos. 0136333 and 0136334) in the name of Haikou University of Economics.

7. As confirmed by the Company, Building Ownership Certificate of the remaining subject buildings has not yet been obtained by Haikou University of Economics. Our valuation of the subject buildings are subject to the following assumptions:

   7.1 Haikou University of Economics has obtained all planning, construction and environmental consents, permits and approvals from the relevant Government authorities for constructing the subject buildings;

   7.2 The design, construction, fabrics and materials, building services installation of all buildings and structures of the Properties have been built in conformity with all relevant building codes, rules and regulations such that they are safe and do not pose danger or environmental impact to the building occupants and the public; and

   7.3 Haikou University of Economics has secured or shall have no legal impediment in securing land use rights for all the subject buildings;

   7.4 There shall have no legal and administrative impediment for Haikou University of Economics to complete construction work completion examination procedures and to obtain Building Ownership Certificate for the subject buildings without undue delays.

8. Out of the 38 dormitory buildings of the Properties, 7 of them with a total gross floor area of 67,423.16 square metres which have been built under the Employee's Funding Contribution Scheme (職員工集資建房) and have been partially sold to employees of the Target Group (please refer to note 11.7 below). In our valuation, only the unsold portions of the aforesaid 7 dormitory buildings with a total unsold gross floor area of 10,516.36 square metres are included in the scope of this valuation.

9. With reference to the site layout plan and the confirmation of the Company, out of the 62 subject buildings of the Properties, there are 22 dormitory buildings with a total gross floor area of 179,335.20 square metres, 2 canteen building with a total gross floor area of 19,301.23 square metres, 2 teaching buildings with a total gross floor area of 3,600.00 square metres and the unsold portion of 7 dormitory buildings with a total unsold gross floor area of 10,516.36 square metres are erected outside the subject land parcels as mentioned in note 1 and 2 above. These building portions have been valued on the basis that Haikou University of Economics shall have no legal and administrative impediment in securing land use rights for them. The market value of the Property attributable to these building portions is RMB533,000,000.

10. We have assigned no commercial value to the subject land parcels of the Properties on the ground that they have been granted by the Government by way of administrative allocation for research and educational uses. According to the PRC Legal Adviser, the subject land parcels are restricted for self use of the land grantee and are prohibited from being transferred, leased or charged on the market. As confirmed by the Target Group, a total sum of approximately RMB703,800,000 has been incurred for the acquisition of the subject land parcels (including the costs for infrastructure construction for local community). Such acquisition costs have been excluded in the valuation of the Properties.

11. Opinion of the PRC Legal Adviser on the Properties is summarized as follows:

11.1 Haikou University of Economics is holding the land use rights of the two subject land parcels with a total land area of 593,329.95 square metres. As revealed from the registration details as at 27 May 2021 obtained from the Real Estate Title Registry of Haikou City (海口市不動產登記中心), the two subject land parcels were not subject to mortgage or seizure order.

11.2 For the land parcel on which those buildings mentioned in note 9 above are erected, the Land Administration Bureau of Haikou City completed the formality of resuming the land for the construction of the second phase campus in 2019. However, the relocation and compensation negotiation processes were still in progress as at the Valuation Date such that the granting of the concerned land parcel to Haikou University of Economics cannot be proceeded. According to the Land Administration Law of the PRC (中華人民共和國土地管理法) and its implementation regulations, for entities or individuals to legally use state-owned land, the land user is required to apply for land title registration by the land administration bureau of local county which shall then issue land use right certificate to endorse the land use rights after formulation of the land register. For occupation of land without approval, the relevant natural resource administration authorities in local county shall order the return of the land being occupied outlaw. For any unlawful conversion of agricultural land into construction land, it may be subject to order for demolishing the buildings and structures within prescribed period and to restore the land into it original. If the conversion of land use is conforming with the master plan of the land use planning, it may be subject to confiscation order and penalized with fines. As revealed from the document namely The Instructions from the Haikou Jiangdong New Area Administrative Bureau for Mediating Various Parties for Resolving the Unsettled Issues in Relation to Haikou University of Economics (海口江東新區管理局關於協調相關單位解決海口經濟學院歷史遺留問題的請示), the concerned land parcel shall be granted to Haikou University of Economics by way of administrative allocation once the relocation and compensation processes are completed. Before securing land title document for the concerned land parcel and completing title registration procedures, the usage rights of Haikou University of Economics over the concerned land parcel are not protected by law. As the concerned land parcel is being occupied by Haikou University of Economics, it may expose to the risk of being penalized with such administrative penalties as fines, confiscation order or order for demolition within limited time period. Furthermore, Haikou University of Economics may be charged for relevant costs in associate with the issue of Land Use Right Certificate for the concerned land parcel. According to the information and explanation provided by the Target Group, as at the date of the Legal Opinion, Haikou University of Economic did not receive any penalty notice from the Land Administration Bureau.

11.3 Haikou University of Economics is holding the real estate title to 9 blocks of subject buildings of the Properties with a total GFA of 144,136.19 square metres. As revealed from the registration details as at 22 October 2020 obtained from the Real Estate Title Registry of Haikou City (海口市不動產登記中心), the aforesaid 9 buildings were not subject to mortgage or seizure order.

11.4 Building Ownership Certificate for the remaining 53 subject buildings with a total GFA of 520,128.78 square metres (including 56,906.80 square metres of dormitory units that have been sold) of the Properties has not yet been issued. The following documents have been obtained in relation to the construction of the subject buildings:

- The Decision on the Allocation of State-owned Construction Land (國有建設用地劃撥決定書) of 23 June 2016 by virtue of which the Land Administration Bureau of Haikou City agreed to grant the land parcels of 593,329.95 square metres located at Guilinyang, Haikou City by way of administrative allocation;

- Two sets of Approval on the consent to the development plan of Haikou Economic Vocational and Technical College Guilinyang Campus (關於同意海口經濟職業技術學院桂林洋校區建設方案的批復) (Ref: Shi Gui Bian Hao 2008 Zhi Zi Nos. 074 and 075) issued by the Office of Education of Hainan Province (海南省教育廳) on 22 October 2007;

- Notice on Allowing the Filing of the Construction Scheme of New Campus of Haikou University of Economics (關於海口經濟學院新校區建設專案准予備案的通知) (Ref: Shi Fa Gai (2008) No. 666) issued by the Development and Reform Bureau of Haikou City on 8 September 2008;

- Opinion on Project Location Selection (項目選址意見書) issued by the Town Planning Bureau of Haikou (海口市規劃局) on 20 October 2008;

- Approval on the Adjustments on the Project Planning Details of Haikou University of Economics New Campus (關於海口經濟學院新校區修建性詳細規劃調整問題的復函) issued by the Town Planning Bureau on 9 August 2012, as per the approval, there is an increase in the development density as originally approved via the aforesaid Opinion on Project Location Selection and the increase in the development density is subject to additional Density Incremental Charge (增容費);

- Acceptance on Environmental Impact Study of Haikou University of Economic New Campus Development Project (關於海口經濟學院新校區專案環境影響報告書的批復) (Ref: Qiong Tu Huan Zi Shen Zi (2009) No. 297) issued by the Office of Land Resources and Environmental Administration of Hainan Province (海南省國土環境資源廳) on 28 December 2009;

- Two sets of Construction Land Use Planning Permit (建設用地規劃許可證) (Ref Nos. 2009008 and 2009009) issued by the Town Planning Bureau of Haikou City on 17 February 2009;

- Construction Work Planning Permit (建設工程規劃許可證) (Ref No. 400100201000067) and its appendix namely Notice on Confirmation of Project Design Amendment (建設項目設計方案變更確認通知) issued by the Town Planning Bureau of Haikou City on 6 May 2010 and 3 April 2019 respectively in relation to the planning approval of 15 blocks of the subject buildings;

- Three sets of Construction Work Permit (建築工程施工許可證) (Ref Nos. 460100201007200301, 460100201008060101 and 460100201011290101) issued by the Housing, Urban and Rural Construction Administrative Bureau of Haikou City (海口市住房和城鄉建設局) on between 20 July 2010 and 29 November 2010 in relation to the construction of 15 blocks of the subject buildings

- Construction Project Fire Safety Design Review Opinion (建設工程消防設計審核意見書) (Ref: Hai Gong Xiao Shen [2010] Nos. 0031, 0032, 0054, 0065, 00102, 00133 and Hai Gong Xiao Shen [2019] No. 148) issued by the Public Order Fire Bureau of Haikou City on between 9 February 2010 and 16 May 2019 in relation to 23 blocks of the subject buildings;

- Construction Project Fire Safety System Examination Opinion (建設工程消防驗收意見書) (Ref: Hai Gong Xiao Yan Zi [2013] No. 0024, Hai Gong Xiao Yan Zi [2019] Nos. 0050, 0052, 0127 and 0274) issued by the Public Order Fire Bureau of Haikou City on between 7 April 2013 and 6 June 2019 in relation to 7 blocks of the subject buildings;

- Confirmation on Approval of Work Completion Examination on Construction Project Involving National Security Matters (涉及國家安全事項的建設專案(驗收)准予許可決定書) issued by the National Security Bureau of Haikou City on 25 September 2013.

11.5 Out of the 53 subject buildings mentioned in note 11.4 above, some of them have been built without fulfilling the following procedures:

- 38 subject buildings with a total GFA of 344,229.82 square metres have not obtained Construction Work Planning Permit;

- 38 subject buildings with a total GFA of 344,229.82 square metres have not obtained Construction Work Permit;

- 30 subject buildings with a total GFA of 289,159.56 square metres have not obtained Construction Project Fire Safety Design Review Opinion;

- 47 subject buildings with a total GFA of 476,717.99 square metres have not gone through construction work completion examination process;

- 46 subject buildings with a total GFA of 440,487.21 square metres have not filed the construction work completion certificate; and

- not all the subject buildings have gone through environmental impact study approval and environmental protection measure implementation examination process

11.6 Given the above irregularities, Haikou University of Economics as the developer of the aforesaid buildings may subject to the following administrative penalties:

- fines (at amounts of 5% to 10% on the construction costs of the building) or order of demolition within prescribed period or confiscation order for undertaking building construction without Construction Work Planning Permit under Proviso 64 of the Town and Rural Planning Law (城鄉規劃法);

- fines (at amounts of 1% to 2% on the construction work contract sum) and order for rectification for undertaking building construction without Construction Work Permit under Proviso 12 of the Measures on the Administration of Construction Permits for Construction Projects (建築工程施工許可管理辦法);

- Property Closure Order, Rectification Order and fines (at amount from RMB30,000 to RMB300,000) for undertaking building construction without obtaining Construction Project Fire Safety Design Review Opinion under Proviso 58 of the Fire Safety Law (消防法);

- Fines (at amounts of 2% to 4% on the construction work contract sum) for allowing occupation of buildings and structures without going through construction work completion examination process under Proviso 58 of the Rules on Construction Work Quality Control (建設工程品質管制條例);

- Fines (at amounts between RMB200,000 and RMB500,000) for allowing occupation of buildings and structures without filing the construction work completion examination document under Proviso 56 of the Rules on Construction Work Quality Control (建設工程品質管制條例);

- Under Proviso 25 of the PRC Environmental Impact Assessment Law 2018 Edition (中華人民共和國環境影響評價法2018修正), all inceptions of construction works are prohibited without obtaining approval on environmental impact studies by the relevant Government authority. Under Proviso 31 of the same law, any violation of this rule shall have the construction work being ordered to discontinue, penalized with fines of 1% to 5% on the total investment costs of the construction project and work reinstatement order by the relevant environmental control authorities; and

- Fines (at amounts between RMB200,000 and RMB1,000,000) for allowing occupation of buildings and structures without going through environmental protection measure implementation examination process under Proviso 23 of the Rules on Construction Work Environmental Protection Control (建設專案環境保護管理條例).

- For the land portion as mentioned in note 11.2 above which is being developed and occupied by Haikou University of Economics before completing land grant procedures, it may expose to the risk of being penalized with such administrative penalties as fines, confiscation order or order for demolition within limited time period. Furthermore, Haikou University of Economics may be charged for relevant costs in associate with the issue of the Land Use Right Certificate for the concerned land parcel. In April 2021, Haikou University of Economics was penalized by Haikou City Comprehensive Administration Enforcement Bureau (海口市綜合行政執法局) for carrying out building construction on the aforesaid land parcel without obtaining planning approval at a fine of RMB11,139,539.5 (being 5% of the construction contract sum of RMB222,790,789.49 and the fine has been settled in full) and was ordered to complete the planning applications for the building works. According to the information and explanation provided by the Target Group, as at the date of the Legal Opinion, save for the aforesaid penalty, Haikou University of Economics did not receive any other penalty notice from the land administrative bodies of the municipal Government authorities at or above county level.

11.7 For the 7 dormitory buildings (mentioned in note 8 above) which have been built under the Employees' Funding Contribution Scheme (職員工集資建房) and are eligible to be sold to the Target Group's employees, provided that the following irregularities are rectified:

- Units within the dormitory buildings have GFA ranging from 66 square metres to 160 square metres with some of them have sizes exceeding the limit of national and Hainan affordable housing (保障性住房). As at the date of the PRC Legal Opinion, Haikou University of Economics was not imposed by the Government with any penalty due to this violation.

- The buildings have been constructed without obtaining construction approval, approval from relevant authority governing affordable housing, building ownership certificate (Haikou University of Economics is in the course of going through the approval application and shall apply for title transfer for those sold units afterwards). As at the date of the PRC Legal Opinion, Haikou University of Economics was not imposed by the Government with any penalty due to this violation.

11.8 Based on the interview with the relevant PRC regulatory authorities by the PRC lawyer on 22 January 2021, upon full settlement of all relevant fines and penalties (if any), Haikou University of Economics shall have no legal impediment to complete all relevant construction approval procedures, work completion examination procedures and to obtain Building Ownership Certificates for the subject buildings.

12. Given the land area of approximately 390,668.6 square metres (or 586 mus) and the prevailing administrative fees for granting allocated land of RMB200,000 to RMB300,000 per mu, the costs as estimated by the Company for compensating the local villagers, completing the land grant process and obtaining Land Use Certificate for the concerned land parcels as mentioned in note 11.2 above is approximately RMB176 million. As confirmed by the Company, the aforesaid land use right granting costs shall be borne by Haikou University of Economics and there is no legal impediment to complete the aforesaid land grant procedures and to obtain the Land Use Right Certificate for the concerned land parcels.

13. The costs for obtaining the Building Ownership Certificates for the 53 subject buildings (including the potential penalties and fines that may be charged by the Government authorities) are estimated by the Company at a total amount of approximately RMB89.8 million. As confirmed by the Company, the vendors of the Acquisitions namely Hainan Shenzheng Industrial Group Co., Ltd., Mr. CJ Cao, Hainan Shenzheng Haina Education Investment Centre (Limited Partnership), Mr. CW Cao, Mr. Q Cao, Mr. R Cao, Hainan Hualian Engineering Management Services Centre (Limited Partnership) and Mr. YK Cao have committed to obtain at their own costs the Building Ownership Certificates for the aforesaid 53 subject buildings upon completion of the transaction.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept by the Company under section 352 of the SFO; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**"), to be notified to the Company and the Stock Exchange, were as follows:

Company name	Name	Nature of interest	Number of shares held	Approximate percentage of shareholding in the total issued share capital
Company	Yu Guo	Beneficial interest (L)	6,500,000	66.57%
		Other interest (L) *Notes 1, 4*	1,506,500,000	
		Other interest (S) *Notes 3, 4*	8,000,000	0.35%
	Xie Ketao	Beneficial interest (L)	6,500,000	66.57%
		Other interest (L) *Notes 2, 4*	1,506,500,000	
		Other interest (S) *Notes 3, 4*	8,000,000	0.35%
	Yu Kai	Beneficial interest (L)	6,500,000	33.28%
		Other interest (L) *Note 5*	750,000,000	
		Other interest (S) *Note 5*	4,000,000	0.18%
	Xie Shaohua	Beneficial interest (L)	6,500,000	0.29%

Company name	Name	Nature of interest	Number of shares held	Approximate percentage of shareholding in the total issued share capital
Jiangxi University of Technology	Yu Guo	Beneficial interest (L)	—	100%
Huafang Education	Yu Guo	Beneficial interest (L)	—	50%
	Xie Ketao	Beneficial interest (L)	—	50%
Guangdong Baiyun University	Xie Ketao	Beneficial interest (L)	—	100%

Notes:

1. Blue Sky Education International Limited ("**Blue Sky BVI**") is the beneficial owner of the long position interests in 750,000,000 Shares. Blue Sky BVI is a company wholly-owned by Passionate Jade Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely Blue Sky Trust. Mr. Yu Guo is the settlor and a beneficiary of the Blue Sky Trust. For the remaining 756,500,000 Shares/underlying Shares, please refer to note 4 below.

2. White Clouds Education International Limited ("**White Cloud BVI**") is the beneficial owner of the long position interests in 750,000,000 Shares. White Clouds BVI is a company wholly-owned by Shimmery Diamond Holding Limited and which in turn is wholly owned by Cantrust (Far East) Limited as the trustee of a discretionary trust, namely White Clouds Trust. Mr. Xie Ketao is the settlor and a beneficiary of the White Clouds Trust. For the remaining 756,500,000 Shares/underlying Shares, please refer to note 4 below.

3. Each of Blue Sky BVI and White Clouds BVI entered into an agreement authorising stock borrow with Credit Suisse AG, Hong Kong Branch ("**CS**") on 21 March 2019 to facilitate the Company's issue of convertible bond in March 2019. As at the Latest Practicable Date, 4,000,000 Shares were lent by each of Blue Sky BVI and White Clouds BVI to CS. Each of Blue Sky BVI and White Clouds BVI beneficially held the short position interests in 4,000,000 Shares.

4. Mr. Yu Guo, Mr. Xie Ketao, Blue Sky BVI and White Clouds BVI entered into the concert party agreement to align their shareholding interests in the Company. Accordingly, each of Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI is deemed to be interested in the Shares/underlying Shares held by other parties to the concert party agreement.

5. Dr. Yu Kai is a beneficiary of the Blue Sky Trust, a discretionary trust with Mr. Yu Guo as settlor and Cantrust (Far East) Limited as trustee. His long position interests in 750,000,000 Shares and short position interests in 4,000,000 Shares were duplicated with the interests of Mr. Yu held under the Blue Sky Trust as disclosed above.

6. (L) represents long position and (S) represents short position.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executive of the Company had or were deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. DIRECTORS' INTEREST IN ASSETS OR CONTRACTS

(a) As at the Latest Practicable Date, none of the Directors was interested, directly or indirectly, in any assets which, since 31 August 2020, being the date to which the latest published audited consolidated financial statements of the Group were made up, had been acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

(b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which was significant in relation to the business of the Enlarged Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates had any interest in a business which competed or might compete with the business of the Enlarged Group.

5. DIRECTORS' SERVICE CONTRACT

None of the Directors has entered into any service contract with the Enlarged Group, which is not expiring or determinable by the Enlarged Group within one year without payment of compensation (other than the payment of statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or claims of material importance nor was any litigation or claims of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Enlarged Group within the two years immediately preceding the date of this circular and are or may be material:

(a) the agreement dated 23 September 2019 between Australian Education Group Limited as purchaser, Viss Holdings Pty Ltd, the Company and Aspen Higher Education Pty Ltd in relation to the acquisition of 100% equity interest in Aspen Higher Education Pty Ltd for a consideration of AUD128,000,000;

(b) the business cooperation agreement dated 27 November 2019 between WFOE, University of Jinan Quancheng College (''Shandong Quancheng University''), Shandong Dazhong Cultural Industry Investment Limited (山東大眾文化產業投資有限公司) (''Shandong Dazhong Cultural''), Renjing Education Consulting (Ganzhou) Company Limited (仁敬教育諮詢(贛州)有限公司) (''Renjing Education''), Huafang Education, Mr. Yu Guo and Mr. Xie Ketao, pursuant to which WFOE has the exclusive right to provide each of the relevant consolidated affiliated entities technical services, management support services, consulting services, intellectual property licences and other additional services as the parties may mutually agree from time to time in return for service fees;

(c) the exclusive technical services and management consultancy agreement dated 27 November 2019 between WFOE, Shandong Quancheng University, Shandong Dazhong Cultural, Renjing Education and Huafang Education, pursuant to which WFOE has the exclusive right to provide, or designate any third party to provide technical services and exclusive management consultancy services to the relevant consolidated affiliated entitles in return for service fees;

(d) the exclusive call option agreement dated 27 November 2019 between WFOE, Shandong Quancheng University, Shandong Dazhong Cultural, Renjing Education, Huafang Education, Mr. Yu Guo and Mr. Xie Ketao pursuant to which WFOE was granted an exclusive, unconditional and irrevocable option to purchase from Mr. Yu Guo and Mr. Xie Ketao all or part of their respective equity interests in Shandong Quancheng University, Shandong Dazhong Cultural, Renjing Education and Huafang Education;

(e) the school sponsors' and directors' rights entrustment agreement dated 27 November 2019 between WFOE, Shandong Dazhong Cultural and each director of Shandong Quancheng University appointed by its school sponsor, pursuant to which (i) the registered school sponsor has irrevocably authorised and entrusted WFOE to exercise all its rights as school sponsor of Shandong Quancheng University to the extent permitted by the PRC laws, and (ii) each of the directors of Shandong Quancheng University has irrevocably authorised and entrusted WFOE to exercise all his/her rights as directors of the school as appointed by its school sponsor and to the extent permitted by the PRC laws;

(f) the school sponsors' powers of attorney executed on 27 November 2019 by Shandong Dazhong Cultural authorising and appointing WFOE as its agents to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of Shandong Quancheng University;

(g) the directors' powers of attorney executed on 27 November 2019 by each of the directors of Shandong Quancheng University authorising and appointing WFOE as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of Shandong Quancheng University;

(h) the agreement dated 10 January 2020 between Junshi Education Consulting (Ganzhou) Company Limited (君時教育諮詢(贛州)有限公司) as purchaser and Mr. Yu Cuntao and Ganzhou Yuze Enterprise Management Partnership (Limited Partnership) (贛州雨澤企業管理合伙企業(有限合伙)) in relation to the acquisition of 100% equity interest in Ganzhou Meizhi Education Consulting Company Limited (贛州市美智教育諮詢有限公司) for a consideration of RMB238,000,000;

(i) the Vendors A Agreement and the Vendors B Agreement;

(j) the agreement dated 10 August 2020 between Blue Sky BVI, White Clouds BVI, the Company and UBS AG Hong Kong Branch as the placing agent in relation to the placing of 130,000,000 Shares in aggregate to be placed by Blue Sky BVI and White Clouds BVI at HK$15.5 per Share;

(k) the agreement dated 10 August 2020 between Blue Sky BVI, White Clouds BVI and the Company in relation to the subscription of 130,000,000 new Shares to be issued by the Company and subscribed by Blue Sky BVI and White Clouds BVI at HK$15.5 per Share;

(l) the Supplemental Vendors A Agreement and the Supplemental Vendors B Agreement;

(m) an exclusive management consultancy and business cooperation framework agreement dated 3 September 2020 between WFOE and the Target Group, among others, pursuant to which the Target Group agreed to engage WFOE as the exclusive service provider to provide the Target Group with corporate management, consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

(n) an exclusive management consultancy and business cooperation agreement dated 3 September 2020 between Hainan WFOE, NewHoldCo and Ms. Wu pursuant to which NewHoldCo agreed to engage Hainan WFOE as the exclusive service provider to provide NewHoldCo with corporate management, consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

(o) an exclusive call option agreement dated 3 September 2020 between Hainan WFOE, NewHoldCo and Ms. Wu pursuant to which Hainan WFOE was granted an exclusive, unconditional and irrevocable option to purchase from Ms. Wu all or part of their respective equity interests in NewHoldCo;

(p) powers of attorney executed on 3 September 2020 by Ms. Wu appointing Hainan WFOE (or any person designated by Hainan WFOE) as her attorney to appoint directors and act on her behalf to exercise all its rights as equity holder of NewHoldCo under its articles of association and relevant PRC laws and regulations;

(q) an equity pledge agreement dated 3 September 2020 between Hainan WFOE, Ms. Wu and NewHoldCo pursuant to which Ms. Wu irrevocably and unconditionally agreed to pledge 100% equity interests in NewHoldCo to Hainan WFOE;

(r) a share earning right transfer agreement dated 5 September 2020 between Hainan Shenzheng and CEG PRC pursuant to which Hainan Shenzheng agreed to transfer all its economic rights (including but not limited to rights to dividend and bonuses, other income rights derived from the equity interests of the Target Group and the entitlement of 40% of the operating results of the Target Group to the Group until the end of February 2023) as the 40% equity interests holder of the Target Group;

(s) an exclusive management consultancy and business cooperation agreement dated 15 September 2020 between (among others) (i) WFOE, (ii) the Target Group, (iii) NewHoldCo, CEG PRC and Hainan Hualian, pursuant to which the Target Group, NewHoldCo, CEG PRC and Hainan Hualian agreed to engage WFOE as the exclusive service provider to provide the Target Group with corporate management consultancy services, education management consultancy services, intellectual property licensing services as well as technical and business support services in return for service fees;

(t) an exclusive call option agreement dated 15 September 2020 between (among others) (i) WFOE, (ii) NewHoldCo, CEG PRC and Hainan Hualian; (iii) the Target Group; and (iv) Hainan Shenzheng, pursuant to which NewHoldCo, CEG PRC and Hainan Hualian granted WFOE an exclusive, unconditional and irrevocable option to purchase from them all or part of their respective equity interests and their respective shares of the assets in the Target Company;

(u) powers of attorney executed on 15 September 2020 by each of CEG PRC and NewHoldCo appointing WFOE (or any person designated by WFOE) as its attorney-in-fact to appoint directors and act on its behalf to exercise all its rights as shareholder of the Target Company under its articles of association and under the relevant PRC laws and regulations;

(v) the agreement dated 16 December 2020 between Shangzhi Education Consulting (Ganzhou) Co. Ltd. (上智教育諮詢(贛州)有限公司) as purchaser, Ganzhou Yousheng Investment Center (Limited Partnership) ((贛州友盛投資中心(有限合夥)) and Mr. Xi Pengbin and Mr. Cai Jianlin in relation to the acquisition of 28% equity interest of Ganzhou Xitie Education Consulting Company Limited (贛州西鐵教育諮詢有限公司) for a consideration of RMB308,000,000;

(w) the agreement dated 26 January 2021 between Blue Sky BVI, White Clouds BVI, the Company and UBS AG Hong Kong Branch as the placing agent in relation to the placing of 122,000,000 Shares in aggregate to be placed by Blue Sky BVI and White Clouds BVI at HK$16.6 per Share; and

(x) the agreement dated 26 January 2021 between Blue Sky BVI, White Clouds BVI and the Company in relation to the subscription of 122,000,000 new Shares to be issued by the Company and subscribed by Blue Sky BVI and White Clouds BVI at HK$16.6 per Share.

8. EXPERT AND CONSENT

The following are the qualifications of the experts who have given opinion or advice contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountant
Asset Appraisal Limited	Independent valuer
Haiwen & Partners	PRC Legal Advisers

As at the date of this circular, each of the experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and/or report (as the case may be) and reference to its name, in the form and context in which it appears.

As at the Latest Practicable Date, each of the experts:

(a) did not have any shareholding in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group; or

(b) did not have any interest, either directly or indirectly, in any assets which have been, since the date to which the latest published audited financial statements of the Company were made up (i.e. 31 August 2020), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any weekday (except public holidays) at the principal place of business of the Company in Hong Kong at Suite 6703-04, 67/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong from 30 June 2021 to 14 July 2021 (both days inclusive):

(a) the memorandum and articles of association of the Company;

(b) the annual report of the Company for the eight months ended 31 August 2018 and for the financial years ended 31 August 2019 and 31 August 2020, and interim report of the Company for the six months ended 28 February 2021;

(c) the accountants' report on the Target Group, the text of which is set out in Appendix IIA to this circular;

(d) the accountants' report on Hainan Hualian, the text of which is set out in Appendix IIB to this circular;

(e) the valuation report on the properties to be acquired under the Acquisitions, the text of which is set out in Appendix IV to this circular;

(f) copy of the material contracts referred to in the section headed "Material Contracts" in this appendix;

(g) the written consents referred to in the section headed "Expert and Consent" in this appendix; and

(h) this circular.

10. GENERAL

(a) The address of the registered office of the Company is the offices of Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1–9008, Cayman Islands.

(b) The address of the head office and principal place of business in Hong Kong of the Company is Suite 6703-04, 67/F, Central Plaza, 18 Harbour Road, Wanchai, Hong Kong.

(c) The Company's Hong Kong branch share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Mok Kwai Pui Bill. He is a member of the American Institute of Certified Public Accountants and a member of the Hong Kong Institute of Certified Public Accountants.