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Dear Sirs and Madams,

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
THE ENTERING INTO THE SCHOOL CONSTRUCTION
FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment as the independent financial adviser (the “**Independent Financial Adviser**”) to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the School Construction Framework Agreement contemplated thereunder and the Annual Caps (the “**Transaction**”), particulars of which are set out in the section headed “Letter from the Board” (the “**Letter**”) contained in the circular of the Company to the Shareholders dated 5 January 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

1. Background of the Transaction

Reference is made to the Letter.

On 18 November 2021 (after trading hours), Hope Education, one of the Company’s subsidiaries, entered into the School Construction Framework Agreement with Sichuan Wuyang, pursuant to which Sichuan Wuyang shall provide construction services for schools of the Group.

2. Implication under the Listing Rules

As at the Latest Practicable Date, Mr. Wang Huiwu* (汪輝武) is the controlling shareholder, executive Director and chief executive officer of the Company, and Sichuan Wuyang is a company held indirectly by his brother Mr. Wang Huiming* (汪輝明) and his sister-in-law Ms. Liu Zhiqun* (劉治群) as to 55% and 45% respectively. As such, the transactions contemplated under the School Construction Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Annual Caps for the transactions contemplated under the School Construction Framework Agreement is expected to exceed 5% and the Annual Caps are more than HK\$10,000,000, such transactions are regarded as non-exempt continuing connected transactions of the Group which will be subject to the reporting, announcement, circular, annual review and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wang Huiwu is deemed to have material interests in the transactions contemplated under the School Construction Framework Agreement and therefore has abstained from voting on the relevant resolutions at the Board meeting. Save for the above Director, no other Directors have a material interest in such transactions.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Dr. Gao Hao, Mr. Chen Yunhua and Mr. Zhang Jin, has been established to consider and advise the Independent Shareholders as to whether the terms of the School Construction Framework Agreement contemplated thereunder and the Annual Caps are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and the Shareholders as a whole; and (iv) how the Independent Shareholders should vote in favour of the Transaction. None of the members of the Independent Board Committee has any material interest in the Transaction.

In our capacity as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders for the purpose of the Listings Rules, our role is to give an independent opinion to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the School Construction Framework Agreement and the transactions contemplated thereunder and the Annual Caps are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Company; (iii) in the interests of the Company and the Independent Shareholders as a whole; and (iv) how the Independent Shareholders should vote in favour of the Transaction. None of the members of the Independent Board Committee has any material interest in the Transaction.

OUR INDEPENDENCE

We, Euto Capital Partners Limited ("**Euto Capital**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard, and such appointment has been approved by the Independent Board Committee pursuant to the Listing Rules.

Euto Capital is a licensed corporation licensed under the Securities and Futures Ordinance (“SFO”) to carry out Type 6 (advising on corporate finance) regulated activity. Euto Capital has been participated in and completed various independent financial advisory transactions since 2015. Ms. Regina Wong (“**Ms. Wong**”) and Ms. Wendy Liu (“**Ms. Liu**”) are the persons jointly signing off the opinion letter from Euto Capital contained in the Circular. Ms. Wong has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2017, while Ms. Liu has been a responsible officer of Type 6 (advising on corporate finance) regulated activity under the SFO since 2014. Each of Ms. Wong and Ms. Liu was participated in and completed various independent financial advisory transactions in Hong Kong.

We are not associated with and have no significant connection financial or otherwise, with the Company, its subsidiaries, its associates or their respective substantial shareholders or associates, and accordingly, are eligible to give independent advice and recommendations.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. We are not aware of the existence of or change in any circumstances that would affect our independence. Euto Capital was engaged as the independent financial adviser to the independent board committee and the independent shareholders of the Company in relation to the Company’s discloseable transaction (details of which were set out in the Company’s circulars dated 5 November 2021) (“**Previous Engagement**”). Save for the aforesaid engagement, there was no other service provided by Euto Capital to the Company during the past two years immediately preceding the Latest Practicable Date. As at the Latest Practicable Date, we did not have any relationships or interests with the Group that could reasonably be regarded as relevant to our independence. Given (i) none of the circumstances as set out in Rule 13.84 of the Listing Rules exists regarding our appointment as the Independent Financial Adviser; and (ii) the total service fee received by us in relation to the Previous Engagement and the total service fee payable to us in relation to this appointment accounted for an immaterial part of our total revenue for the financial year ending 31 December 2021, we are qualified to give independent advice in respect of the Transactions.

Accordingly, we consider that we have performed all reasonable steps as required under the Listing Rules and are eligible to give independent advice on the terms of the School Construction Framework Agreement and the transactions contemplated thereunder and the Annual Caps.

BASIS OF OUR OPINION AND RECOMMENDATION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders in relation to the terms of the School Construction Framework Agreement contemplated thereunder and the Annual Caps, we have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the “**Management**”).

We have assumed that all information, facts, opinions and representations made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true and that all expectations and intentions of the Directors and the Management, will be met or carried out as the case may be. We have no reason to doubt the truth, accuracy and completeness of the information, facts, opinions and representations provided to us by the Directors and the Management. The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading. We have also sought and received confirmation from the Directors that no material facts have been omitted from the information supplied and opinions expressed.

We consider that we have been provided with, and we have reviewed sufficient information to reach an informed view, to justify relying on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have no reason to doubt that any relevant material facts have been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided to us by the Directors and the Management. We have not, however, conducted any independent verification of the information provided, nor have we carried out any independent investigation into the business, financial conditions and affairs of the Company or its future prospects.

We have assumed that the transactions will be consummated in accordance with the terms and conditions set forth in the Circular without any waiver, amendment, addition or delay of any terms or conditions. We have assumed that in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents as required for the transactions, no delay, limitation, condition or restriction will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived from the transactions. In addition, our opinion is necessarily based on the financial, market, economic, industry-specific and other conditions as they existed on, and the information made available to us as at the Latest Practicable Date.

We consider that we have reviewed all currently available information and documents, among others: (i) the prospectus of the Company dated 24 July 2018; (ii) the annual report of the Company for the eight months ended 31 August 2020 (the “**Annual Report**”); (iii) the interim report of the Company for the six months ended 28 February 2021; (iv) the annual results announcement for the year ended 31 August 2021 (“**Annual Results Announcement 2021**”); (v) the announcement of the Company dated 18 November 2021 in relation to the entering into of the School Construction Framework Agreement; (vi) the historical transactions documents between the Group and other independent construction companies; (vii) the basis and assumption of the transactions contemplated under the School Construction Framework Agreement and the Annual Caps; and (viii) the internal control guideline of the Company which are made available to us and enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our advice.

Based on the foregoing, we confirm that we have taken all reasonable steps, which are applicable to the Transaction, as referred to in Rule 13.80 of the Listing Rules (including the notes thereof) in formulating our opinion and recommendation.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the School Construction Framework Agreement and the transactions contemplated thereunder and the Annual Caps, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background of the Transaction

The Board of Directors announced that on 18 November 2021 (after trading hours), Hope Education, one of the Company's subsidiaries, entered into the School Construction Framework Agreement with Sichuan Wuyang in relation to the provision of Services by Sichuan Wuyang to Hope Education.

1.1 Information of the Company, Hope Education and the Group

The Company is a company incorporated in the Cayman Islands with limited liability and the issued Shares of which have been listed on the Main Board of the Stock Exchange. The principal business of the Company is investment holding, and its subsidiaries are principally engaged in provision of private higher education services through the Company's own and operated higher education schools, including independent colleges and junior colleges.

Hope Education is a subsidiary of the Company and principally engaged in education management and education industry investment.

1.2 Information of Sichuan Wuyang

Sichuan Wuyang Construction Engineering Limited Company* (四川五陽建築工程有限公司) is a limited company established under the law of PRC on 5 February 2013 and held indirectly and ultimately by Mr. Wang Huiming* (汪輝明) and Ms. Liu Zhiqun* (劉治群) as to 55% and 45% respectively. Its principal business activities include, among others, carrying out building construction, interior design and renovation.

In formulating our opinion and recommendation to the Independent Board Committee and Independent Shareholders in respect of the School Construction Framework Agreement, the transactions contemplated thereunder and the Annual Caps, we have taken into account the principal factors and reasons set out below:

2. Reasons for and benefits of entering into the School Construction Framework Agreement

As set out in the announcement issued by the Company dated 18 November 2021, we noticed that the Company has taken into consideration that (i) Sichuan Wuyang's experience and reputation in property development and construction; (ii) Sichuan Wuyang's track record in providing quality construction services to the schools owned and operated by the Group, particularly its reliability in delivering completed properties in a timely manner; (iii) Sichuan Wuyang's ability to select appropriate sub-contractors and manage them effectively; (iv) Sichuan Wuyang's in-depth understanding of school construction, which the Board considers to be relatively more customized than the construction of typical residential or commercial properties; and (v) the Group's needs as a school operator, the Board is of the view that it will be in the best interests of the Group and the Shareholders to enter into the School Construction Framework Agreement. The price and quality of deliverables of Sichuan Wuyang will be under constant review as set out below:

- (i) at the commencement of construction of each project, the Company will engage an independent third-party supervision company to supervise the quality of the Services during the whole process of construction;
- (ii) prior to the acceptance of the Services, the Company will conduct an inspection on the construction site, after which, the relevant governmental quality inspection and supervision department will also conduct on-site inspection to examine the quality of the Services; and
- (iii) after the acceptance of the Services, Sichuan Wuyang will be responsible for maintenance and repair of the construction works for a period ranging from two to five years, and in case of significant structural parts, a life-long assurance period will be provided.

As such, the Company believe the quality and deliverables of the Services will be closely monitored and reviewed by the Company during and after the construction process. In the event that the Company is able to source a supplier who is able to deliver better quality Services at a lower price, the Group will consider replacing Sichuan Wuyang with such supplier.

As advised by the Management, Sichuan Wuyang previously provided the Group with certain construction services, such as the construction of Sichuan Tianyi College and Jinci College of Shanxi Medical University. We have obtained and reviewed the (i) construction contracts entered into between the Group and Sichuan Wuyang and (ii) the report for the final acceptance of construction work in relation to the projects involving Sichuan Wuyang.

According to our research conducted on the public online search platform Tianyancha (天眼查), Sichuan Wuyang was established in February 2013 with over eight years of operating history. It is mainly engaged in the construction of residential projects and school complexes in the PRC and has obtained relevant qualifications certifications in relation to building contractor and construction engineering. Since the incorporation of Sichuan Wuyang, 15 projects has been completed primarily consist of 8 real estate projects and 7 school construction projects out of which 7 are the projects of the Group. In view of the fact that (i) the Group did engage Sichuan Wuyang in their previous projects and (ii) Sichuan Wuyang is experienced in the field of constructions, we are of the view that Sichuan Wuyang is familiar in meeting the requirements and the expectations of the Group.

Having considered the above, and particularly, the entering into the School Construction Framework Agreement will enable the stability in the construction service to be provided by Sichuan Wuyang to the Group due to the familiarity of meeting the requirements and expectation of the Group, we are of the view that the entering into of the School Construction Framework Agreement, are conducted in the ordinary and usual course of the Group's business and are in the interests of both the Company and the Shareholders as a whole.

3. Principal terms of the School Construction Framework Agreement

As extracted from the "Letter from the Board" in the Circular, the principal terms of the School Construction Framework Agreement are set out below:

Date

18 November 2021

Parties

- (i) Hope Education
- (ii) Sichuan Wuyang

Subject matter

Pursuant to the School Construction Framework Agreement, Sichuan Wuyang will, if engaged by Hope Education or any of its subsidiaries after the relevant tender process, provide the Services for schools owned and operated by the Group. If Hope Education or any of its subsidiaries, after the relevant tender process, select and engage Sichuan Wuyang to provide the Services, a separate agreement will be entered into in respect of each school construction project between the relevant entities of both parties which will set out the scope of services for such project and the specific terms and conditions pursuant to the principles stipulated in the School Construction Framework Agreement.

Payment terms

The payment terms are not provided under the School Construction Framework Agreement and will be determined on a case-by-case basis and set out in the relevant agreements as contemplated under the School Construction Framework Agreement.

Term

The School Construction Framework Agreement will be effective from the Effective Date to 31 August 2024, unless otherwise terminated in accordance with the terms and conditions thereunder.

Conditions precedent

The School Construction Framework Agreement and its performance are conditional upon the fulfillment of the following conditions:

- (a) any Independent Shareholder's approval of the contemplated transactions under the School Construction Framework Agreement and the Annual Caps in accordance with the Listing Rules; and
- (b) other consents or approvals to be obtained in relation to the contemplated transactions under the School Construction Framework Agreement in accordance with any applicable laws and regulations.

As of the Latest Practicable Date, the Board (other than Mr. Wang Huiwu, who has abstained from voting due to his interest in Sichuan Wuyang) approved the School Construction Framework Agreement and the Annual Caps and therefore the condition precedent as set out in item (b) above had been satisfied.

Pricing basis

Sichuan Wuyang is required to go through the relevant tender process before being engaged by Hope Education or any of its subsidiaries to provide the Services to Hope Education. The Company will consider comprehensive elements in relation to construction technology, professional qualification, business reputation, project management, total expenses and other relevant elements and make reference to the local market prices and charging basis for the same services proposed by independent third parties in future tender process to evaluate a supplier including Sichuan Wuyang. Each separate agreement of future construction project will be determined based on normal commercial terms.

Our analysis regarding the School Construction Framework Agreement

We have (i) reviewed the School Construction Framework Agreement which mentions that the terms of services to be rendered by Sichuan Wuyang to the Group as contemplated under the School Construction Framework Agreement; and (ii) obtained sample construction service contracts entered into between the Group and other independent service providers in relation to 12 projects of the Group in the past three years. We compared the principal terms of the abovementioned construction service contracts and found that the nature of construction services provided by other independent service providers, under the contracts which we have obtained for sampling is similar to the construction services to be provided under the School Construction Framework Agreement. Given that we have reviewed the sample construction service contracts entered into between the Group and other independent service providers in relation to 12 projects of the Group, which represent 100% of the construction projects constructed by the Group in the past three years, we consider our sample coverage is representative. We are therefore of the view that the terms of the service contracts under the School Construction Framework Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group.

Moreover, as set out in the tender documents and internal control policy of the Company, the Company would review the quotations from all services providers after the tender process. Apart from quotations, the Company would take into consideration the services providers' qualification, reputation and financial performance. Most of the tender submission will be done publicly according to the relevant PRC laws and regulations to ensure fairness. Set out below is the general tender process:

(1) Public tender – For the Services with a consideration of not less than RMB5 million

- (i) the Company will commence the tender process by publishing the invitation to bid in the relevant platform available for third-party service providers to place their bids;
- (ii) the minimum number of bidders is three, below which the validity of the tender will be prolonged until the minimum number of bidders is reached; and
- (iii) after the third-party service providers finish submitting their bidding documents, the review committee will begin to assess and select the best bidder.

In addition, the review committee for public tender usually comprises one representative of the Group, two independent experts from civil engineering and construction industry, one independent accounting or financial expert, and one independent legal expert. The selection criteria adopted by the review committee vary depending on the Services required for a specific project, yet may usually include but not limited to (i) the qualification; (ii) financial results; (iii) years of experience; (iv) expertise; and (v) bidding price of the bidder.

(2) Private tender – For the Services with a consideration of less than RMB5 million

- (i) the Company will commence the tender by sending direct invitation to at least three service providers, which are either recommended by agents or have previously provided Services to us; and
- (ii) after the third-party service providers finish submitting their bidding documents, the review committee will begin to assess and select the best bidder.

For the Services with a consideration of less than RMB5 million, the construction works usually completed within a short period. Moreover, these construction works mostly related to addition works based on the main construction projects. Due to time restriction and project nature, the company considered that it will be more efficient to conduct the bidding by way of private tender for Services with a consideration less than RMB5 million. For the tender done privately, during the selection process, a tender review committee appointed by the independent non-executive Directors will be formed. The committee will be comprised of five independent members from the risk management department, financial management department, procurement management department and bidding management department.

The abovementioned tender process will be conducted in accordance with the relevant requirements under Tendering and Bidding Law of the PRC (《中華人民共和國招標投標法》). Since any connected persons who are interested in the relevant tender will have to be abstained from the selection process to ensure fairness, we believe this could further safeguard the interests of the Company and the Shareholders as a whole.

By reviewing the Group's tender policy, we noted that all potential bidders for the Group's construction works are subject to a standard and systematic tender review procedure maintained by the Group. Both the connected persons and independent third parties will follow the same procedure. We have obtained and reviewed sample documents with regards to the tender process including but not limited to the bidding documents, tender submission documents and the bidding evaluation report showing the number of potential bidders, members of the tender review committee, the selection criteria etc., and noted that the tender submission process was carried out in accordance to the internal control procedures of the Group. Based on the above, we are of the view that the bidding methods and procedures of the Group in place can ensure all tender process to be conducted in a fair and reasonable manner. We obtained and reviewed the tender documents in relation to 8 projects of the Group, with contract amount of over RMB5.0 million. The contract sum of the projects which went through tendering process we reviewed amounted to approximately RMB1,149.8 million, representing over 90.0% of the total contract sum of the projects which went through tendering process in the past two years. We consider our sample coverage is representative.

After having conducted the aforementioned works, we are of the view that the terms of the School Construction Framework Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

4. The Annual Caps

Save for the transactions disclosed in the prospectus of the Company, the Group did not enter into any new transaction with Sichuan Wuyang after the Company's listing in August 2018. The transactions with Sichuan Wuyang as disclosed in the Company's annual reports are for implementing the agreements entered into before the Company's listing.

Prior to the Company's listing in August 2018, Sichuan Wuyang was engaged by our Company in five construction projects for a period from 2016 to 2017, the service scope of which covered the main construction including interior decoration. The contract price of each project ranged from approximately RMB15 million to RMB144 million depending on the construction area and other specific requirements of each project.

In our assessment of the reasonableness of the Annual Caps under the School Construction Framework Agreement, we have reviewed the estimated total amount of construction services to be purchased by the Group from Sichuan Wuyang for the three years ending 31 August 2024 and the underlying basis and assumptions respectively. We have discussed with the Company regarding the below factors and concurred with the Company's view that it is reasonable and in the interests of both the Company and the Shareholders to set the Annual Caps at the proposed levels, after taking the following into consideration:

- (i) the historical transaction amounts in respect of the Group's previous construction projects with independent third parties. Pursuant to the calculation of unit price (which is calculated by dividing the historical contract sum by corresponding total gross floor area ("GFA")) of the projects, we found that the Company considered the historical unit cost was approximately RMB3,000 per square meter. Based on the information provided by the Company, we noted that the average unit cost was calculated based on the data of 7 completed construction projects of the Group in the past three years. The compared contracts are (i) mainly the constructions of school campuses projects located in various provinces in the PRC where the Group's projects involving existing campuses/new campuses are/will be situated; (ii) involving construction works of comprehensive buildings blocks such as teaching blocks, library, teacher and student quarters; and (iii) had a construction duration which lasted for a period of 9 to 18 months. Therefore, the Directors considered the services provided under the compared contracts are of similar nature as the Services under the School Construction Framework Agreement;
- (ii) the Group's construction plans and the expected timetable of its construction projects on hand in the next few years, taking into account the Group's plans to expand the scale of its existing school operations and increase student enrollment in its schools. According to the Annual Report, the Company is continuously expanding since the listing in 2018, the number of schools under the Company is 22 as at the Latest Practicable Date. The Company is expecting the number of schools will increase to 24 in the foreseeable future, and the number is doubled as compared to the number during their listing. As at 1 November 2021, there are over 230,000

full-time students, a record high of the Company. Furthermore, we have reviewed either the signed agreements or the drawing plans and proposals of the Company stating the estimated GFA of each project to be constructed in the three years ending 31 August 2024;

- (iii) the Group's business development plans in the next few years, including the expansion of business operation through increasing student enrollment, according to the Implementation Plan for Accelerating the Conversion of Independent Colleges* (《關於加快推進獨立學院轉設工作的實施方案》) issued by the Ministry of Education of the PRC on 15 May 2020, we note that the government encourages education institutions to consider developing an independent privately-owned colleges, which is in line with the needs of expanding the Group's existing school campuses and development of new campuses. Therefore, it is reasonable for the Company to procure construction services for its expansion; and
- (iv) the Group's estimated expenditure for the construction of new school campuses and expansion of existing campuses in the next few years, taking into account the historical construction price for the services provided by existing independent services providers and local market price of similar construction services.

Based on the discussion with the Management, we understand that the school capacity, equipment, quality assurance systems, should be improved from time to time to meet the requirements of being higher education services in the future. In order to expand the scale of its school operations and to source contractors, the Group intends to allow Sichuan Wuyang to participate in the tender process in relation to the provision of Services. Set out below are details of the Group's construction plans with estimated amount of construction fee based on aggregate GFA of approximately 1,012,000 square meters in its new and existing school campuses:

| Details of construction works | Total GFA (sq.m.) | Total contract sum (RMB' million) | Estimated amount of construction fees for the period from | | |
|---|----------------------|--------------------------------------|---|--|--|
| | | | the Effective Date to 31 August 2022 (RMB' million) | the year ending 31 August 2023 (RMB' million) | the year ending 31 August 2024 (RMB' million) |
| Expansion of existing campuses involving the construction of a number of comprehensive buildings including but not limited to teaching blocks, library and teacher and student quarters | 852,000 | 2,808.2 | 1,008.0 | 619.5 | 1,180.7 |
| Development of new campuses involving the construction of a number of comprehensive buildings including but not limited to teaching blocks, library and teacher and student quarters | 160,000 | 504.0 | 52.5 | 451.5 | — |
| Total | 1,012,000 | 3,312.2 | 1,060.5 | 1,071.0 | 1,180.7 |

The Annual Caps for the three years ending 31 August 2022, 2023 and 2024 under the School Construction Framework Agreement in relation to 10 projects are set out below:

| | Description | from the Effective Date to 31 August 2022 Milestone (RMB'000) | Expected construction progress for the year ending 31 August 2023 Milestone (RMB'000) | for the year ending 31 August 2024 Milestone (RMB'000) | Expected contract sum (RMB'000) |
|---|---|--|---|---|---------------------------------------|
| Projects involving existing campuses | | | | | |
| Southwest Jiaotong University Hope College | The college offered a total of 46 undergraduate and specialist majors. Of which, rail transportation and civil engineering majors take a leading position among the private colleges in the Western region. | 220,500 | -- | -- | 220,500 |
| | | | including but not limited to foundation works, general construction works, fitting-out works, façade works, landscape, final inspection and completion. | | |

| | Description | from the Effective Date to 31 August 2022 Milestone (RMB'000) | Expected construction progress for the year ending 31 August 2023 Milestone (RMB'000) | for the year ending 31 August 2024 Milestone (RMB'000) | Expected contract sum (RMB'000) |
|---|--|--|--|--|--|
| Guizhou Qiannan Economic College | The college has six colleges in aspects of finance, accounting, management, information, humanities and law, and Marxism. It has 29 undergraduate majors covering five disciplines including economics, management, engineering, arts and law. | - - | 315,000 Phase 1 construction works including but not limited to foundation works, general construction works, fitting-out works, façade works, landscape, final inspection and completion. | 409,500 Phase 2 construction works including but not limited to foundation works, general construction works, fitting-out works, façade works, landscape, final inspection and completion. | 724,500 |
| Guizhou Qiannan College of Science and Technology | The college has 5 professional education departments, namely literature department, law and public management department, engineering department, commerce department and art department as well as 2 public education units. | - - | - - | 378,000 Construction works including but not limited to foundation works, general construction works, fitting-out works, façade works, landscape, final inspection and completion. | 378,000 |

| | Description | from the Effective Date to 31 August 2022 Milestone (RMB'000) | Expected construction progress for the year ending 31 August 2023 Milestone (RMB'000) | for the year ending 31 August 2024 Milestone (RMB'000) | Expected contract sum (RMB'000) | |
|--|--|--|---|--|--|---------|
| Yinchuan University of Energy | The university offered 37 undergraduate majors, covering 8 disciplines, had 3 provincial experimental teaching demonstration centres. It is the only private university in Ningxia that can enroll foreign students. | 31,500 | Construction works including but not limited to general construction works, fitting-out works, façade works, final inspection and completion. | -- | 31,500 | |
| Pioneer College of Inner Mongolia University | The college has 6 secondary colleges and 2 teaching departments, offering 28 undergraduate majors. | 315,000 | Construction works including but not limited to foundation works, general construction works and fitting-out works. | 126,000 Construction works including but not limited to façade works and landscape | 393,225 Construction works including but not limited to foundation works, general construction works, fitting-out works, façade works, landscape, final inspection and completion. | 834,225 |

| | Description | from the Effective Date to 31 August 2022 Milestone (RMB'000) | Expected construction progress for the year ending 31 August 2023 Milestone (RMB'000) | for the year ending 31 August 2024 Milestone (RMB'000) | Expected contract sum (RMB'000) |
|--|--|--|--|--|---------------------------------------|
| Gongqing College of Nanchang University | The college had 8 teaching departments, including the department of economics and Trade and the department of engineering technology, offered 21 undergraduate majors and 12 junior majors and had 1 research institute. | 31,500 | Construction works including but not limited to foundation works, general construction works, fitting-out works, façade works, landscape, final inspection and completion. | -- | 31,500 |
| Suzhou Top Institute of Information Technology | The college offered 34 majors, specialising in computer and information and software technology majors. | 262,500 | Phase 1 construction works including but not limited to foundation works, general construction works, fitting-out works, façade works, landscape, final inspection and completion. | 178,500 Phase 2 construction works including but not limited to foundation works, general construction works, fitting-out works, façade works, landscape, final inspection and completion. | 441,000 |

| | Description | from the Effective Date to 31 August 2022 Milestone (RMB'000) | Expected construction progress for the year ending 31 August 2023 Milestone (RMB'000) | for the year ending 31 August 2024 Milestone (RMB'000) | Expected contract sum (RMB'000) |
|--|--|--|--|---|--|
| | Sichuan TOP IT Vocational Institute | 147,000 | Construction works including but not limited to foundation works, general construction works, fitting-out works, façade works, landscape, final inspection and completion. | -- | 147,000 |
| | Projects involving new campuses | | | | |
| | Project A | -- | 252,000 Construction works including but not limited to foundation works, general construction works, fitting-out works, façade works, landscape, final inspection and completion. | -- | 252,000 |

| | Description | from the Effective Date to 31 August 2022 Milestone (RMB'000) | Expected construction progress for the year ending 31 August 2023 Milestone (RMB'000) | for the year ending 31 August 2024 Milestone (RMB'000) | Expected contract sum (RMB'000) | |
|--------------------|---|--|---|---|--|---------|
| Project B | Located in Guangxi, a private vocational full-time college with diploma education, this college promotes the integration of traditional industries and modern industries with planned total student enrollment of 10,000. | 52,500 | Construction works including but not limited to foundation works, general construction works and fitting-out works. | 199,500 | Construction works including but not limited to general construction works, fitting-out works, façade works, landscape, final inspection and completion. | 252,000 |
| Annual Caps | | <u>1,060,500</u> | <u>1,071,000</u> | <u>1,180,725</u> | <u>3,312,225.0</u> | |

For avoidance of doubt, the expected contract sum as shown above has taken into account of the 5% buffer to cater for inflation and currency fluctuations, which is one of the factors in determining the Annual Caps. Hence, the Annual Caps mirror the expected expenditure of the construction projects under the School Construction Framework Agreement as of each milestone date (i.e. three years ending 31 August 2022, 2023 and 2024 respectively).

In addition, in order to allow certain flexibility for any variation orders in respect of the construction works to be undertaken under the School Construction Framework Agreement, the Annual Caps have included a buffer of approximately 5% for each of the period from the Effective Date to 31 August 2022 and the years ending 31 August 2023 and 2024. We have been advised by the management of the Company that, the buffer is set based on the producer price index (“PPI”) in the PRC in the past 12 months. Since PPI covers the prices of raw materials used in construction works, we consider it is fair and reasonable to set a buffer based on the PPI. Furthermore, we also consider that the 5% is reasonably set as the Company has taken into account the fluctuation of the index in the most recent 12 months. It is not uncommon that there would be uncertain changes during construction period including but not limited to the materials required, the government regulation and the future inflationary pressure pursuant to the average inflation rate in the PRC which the Company takes into account the necessity to retain a certain level of buffer to minimise the need to adjust the Annual Caps in future. On such basis, we consider it is justifiable for the contracting parties to provide a reasonable buffer to accommodate any upward changes in the construction cost for the coming years.

According to the Annual Results Announcement 2021, adhered to the strategy of “one school with one characteristic”, the Company will promote each institution to optimize its orientation and determine its specialties based on the Company existing advantages and new demands for regional social and economic development, and increase investment in the construction of specialties to build up the faculty, teaching and research facilities and equipment and practical training system required by the specialties. The Group recorded a revenue of approximately RMB2,324.27 million for the year ended 31 August 2021, representing an increase of approximately 48.2% as compared to that of the corresponding period in 2020. The increase was mainly attributable to (i) the significant increases in enrollment of various schools of the Group and the increases in charging standards of certain schools; and (ii) the successive consolidation of a few newly acquired schools into the Group’s financial statements. The total number of students enrolled has also increased from 140,125 for the school year 2019/2020 to 196,747 for the school year 2020/2021 (excluding a total of 24,257 students from colleges acquired after 31 August 2021), representing an increase of approximately 49.3%. According to the Annual Results Announcement 2021, the Company recorded a net current liability of approximately RMB1,159.8 million as at 31 August 2021, however, the Directors considered the Group should have sufficient financial resources after taking into account the Group’s future liquidity and performance and its available sources of finance. We also noted the Group recorded a cash and bank balances of approximately RMB4,534.4 million as at 31 August 2021 and the highest percentage ratio in respect of the Annual Caps as a percentage of the Group’s consolidated total assets as at 31 August 2021 and market capitalisation as at 9 December 2021 are only approximately 5.9% and 8.8%, respectively, we considered the percentage ratios are insignificant to the size of the Company’s in terms of its total assets and market capitalisation.

In view of the (i) significant increase in revenue and the total number of students enrollment of the Group for the year ended 31 August 2021 as compared to that of the corresponding period in 2020 and (ii) the insignificant percentage ratios of the Annual Caps in terms of the Group's total assets and market capitalisation, the Directors considered that the entering into of the School Construction Framework Agreement is in line with the latest business development plan of the Group and the Group's construction plans and expected timetable is also fair and reasonable. We concur with the view of the Directors.

To conclude, based on the analysis above, we understand from the Company that the Annual Caps are determined by multiplying the historical unit price by the GFA of each project to be constructed in the three years ending 31 August 2024, with reference to the expected timetable of its construction projects in the next three years and the consideration of a certain buffer to allow flexibility to cater for any variation order in respect of the construction works. Having considered the above factors, we concur with the Directors that the Annual Caps are fair and reasonable.

INTERNAL CONTROL MEASURES CONCERNING THE SCHOOL CONSTRUCTION FRAMEWORK AGREEMENT

The Group will adopt the measures to protect the interests of the Independent Shareholders under the School Construction Framework Agreement:

- (i) adoption of an independent mechanism to govern and monitor the selection process for the Company's potential bidders, of which an internal tender review committee comprising members appointed by the independent non-executive Directors, will be established for reviewing the terms and conditions of tenders, monitoring the relevant tenders' compliance with the relevant laws and regulations and screening out unsuitable tenders;
- (ii) the Company's finance department will monitor and record the actual transaction amounts of the transactions contemplated under the School Construction Framework Agreement to ensure that the Annual Caps will not be exceeded on a monthly basis. In this regard, we believe this control procedures could ensure that the Annual Caps will not be exceeded and the continuing connected transactions contemplated under the School Construction Framework Agreement since the progress and utilisation of the proposed Annual Caps will be regularly monitored by the Company's finance department;
- (iii) the Company's auditors will review the transactions as contemplated under the School Construction Framework Agreement on an annual basis and confirm whether (a) such transactions have been approved by the Board; (b) such transactions were entered into in accordance with the terms of the School Construction Framework Agreement; and (c) the Annual Caps have been exceeded. We understand the Company must engage its auditor to report on the continuing connected transactions every year and to comment on the above-mentioned issues pursuant to rule 14A.56

to 14A.58 of the Listing Rules. As such, we are of the view that the Company's auditor will review the transactions contemplated under the School Construction Framework Agreement to confirm that the transactions thereunder have not exceeded the Annual Caps on a yearly basis; and

- (iv) the independent non-executive Directors will review the transactions contemplated under the School Construction Framework Agreement on an annual basis to confirm whether such transactions are conducted (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) in accordance with the terms of the School Construction Framework Agreement that are fair and reasonable and in the interests of the Shareholders as a whole. We have reviewed the profiles of all independent non-executive Directors in the Annual Report. All of them has extensive experience in accounting and business operations. Therefore, we consider that the independent non-executive Directors are capable of fully implementing the relevant internal control measures in respect of the transactions contemplated under the School Construction Framework Agreement.

Accordingly, we have reviewed at least ten circulars in relation to the continuing connected transactions as disclosed by the listed companies on the main board of the Stock Exchange during the past three months period prior to 3 November 2021, which reveal those companies have a similar internal control practice of governing the continuing connected transactions, such as reviewing the continuing connected transactions by auditor and independent non-executive directors on a regular basis. In light of the usual practice of the other listed companies on the Stock Exchange and our analysis regarding each of the above internal control procedures to be imposed on the continuing connected transactions, in particular, (i) the reporting system to restrict the maximum value of the continuing connected transactions by way of the Annual Caps; and (ii) the ongoing regular review by the auditors and the independent non-executive Directors of the Company of the terms of the continuing connected transactions and the relevant Annual Caps not being exceeded, we concur with the view of the Directors (including the independent non-executive Directors) that the procedures to be adopted by the Group to govern the continuing connected transactions are sufficient and effective to ensure that such transactions will be conducted under normal commercial terms and are not prejudicial to the interest of the Company and the Independent Shareholders.

The Directors consider that the proposed internal control system of the Group is adequate to ensure that the transactions as contemplated under the School Construction Framework Agreement will be on normal commercial terms and no less favourable to the Company than those offered by independent third parties.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we consider that (i) the School Construction Framework Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group; (ii) the terms of the School Construction Framework Agreement are on normal commercial terms and are fair and reasonable, and it is in the interests of the Company and the Shareholders as a whole to enter into the proposed transactions with Sichuan Wuyang; and (iii) the Annual Caps for the three years ending 31 August 2024 for the School Construction Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolution to be proposed at the EGM to approve the Transaction and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully
For and on behalf of



Euto Capital Partners Limited
Wendy Liu
Director

Yours faithfully
For and on behalf of



Euto Capital Partners Limited
Regina Wong
Director

* *For identification purpose only and should not be regarded as the official English translation of the Chinese names. In the event of any inconsistency, the Chinese names prevail.*