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 a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Chunlai Education Group Co., Ltd., you should at once hand this circular to the purchaser or 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 transferee.

CHINA CHUNLAI EDUCATION GROUP CO., LTD.
中國春來教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1969)

MAJOR TRANSACTION
ACQUISITION OF THE SCHOOL SPONSOR INTEREST OF TIANPING COLLEGE IN ADDITION TO THE RIGHT AND OBLIGATION TO CONVERT TIANPING COLLEGE INTO A STANDALONE PRIVATE ORDINARY COLLEGE

The Letter from the Board is set out on pages 7 to 22 of this circular. This circular is an information circular only and as noted in the section headed "8. Listing Rules Implications" in the Letter from the Board, no shareholders' meeting will be convened to consider and approve the Acquisition and the transaction contemplated under the Formal Agreement.

18 January 2022

CONTENTS

Pages

DEFINITIONS 1

LETTER FROM THE BOARD 7

APPENDIX I **FINANCIAL INFORMATION OF THE GROUP** I-1

APPENDIX II **FINANCIAL INFORMATION OF TIANPING COLLEGE** II-1

APPENDIX III **UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP** III-1

APPENDIX IV **VALUATION REPORT OF THE SPONSOR INTEREST OF TIANPING COLLEGE** IV-1

APPENDIX V **GENERAL INFORMATION** V-1

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

"**Acquisition**"	the acquisition of the school sponsor interest of Tianping College in addition to the right and obligation to convert Tianping College into a standalone private ordinary college owned and operated solely by the School Sponsor under the Formal Agreement
"**Announcements**"	the announcements of the Company dated 23 July 2019 and 20 August 2019 in relation to, among other things, the Acquisition
"**Anyang University**"	Anyang University* (安陽學院), a private HEI (formerly an independent college known as College of Humanities and Management of Anyang Normal University)* (安陽師範學院人文管理學院) that obtained approval from the MOE for its establishment on 25 April 2003 (excluding the Wenming Avenue (文明大道) campus of the College of Humanities and Management of Anyang Normal University, which was managed by Anyang Normal University)
"**Board**"	the board of directors of the Company
"**BVI**"	the British Virgin Islands
"**Chairman Hou**"	Mr. Hou Chunlai (侯春來), a PRC citizen, a non-executive Director and Chairman of the Board, and spouse of Ms. Jiang and father of Mr. Hou
"**Change of Sponsor Agreement**"	the agreement entered into on 19 August 2019 between the School Sponsor, Suzhou University of Science and Technology and the Foundation in relation to the Acquisition
"**China**" or "**PRC**"	the People's Republic of China, and for the purposes of this circular only, except where the context requires otherwise, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"**Chunlai (BVI)**"	China Chunlai Education (BVI) Limited (中國春來教育(英屬維爾京群島)有限公司), a company with limited liability incorporated in the BVI on 28 November 2017, and a wholly-owned subsidiary of the Company
"**Chunlai Investment**"	Chunlai Investment Co., Ltd (春來投資有限公司), a company incorporated in the BVI and a controlling shareholder of the Company
"**Company**"	China Chunlai Education Group Co., Ltd. (中國春來教育集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 15 November 2017
"**connected person(s)**"	has the meaning ascribed to it under the Listing Rules
"**Consideration**"	the total consideration of the Acquisition, being RMB800,111,100 (equivalent to approximately HK$909,217,159) which has been or shall be paid (as the case may be) by the School Sponsor in instalments
"**Contractual Arrangements**"	the series of contractual arrangements entered into by, among others, WFOE, Mr. Hou, Chairman Hou, Ms. Jiang and the Group's consolidated affiliated entities, details of which are described in the section headed "Contractual Arrangements" in the Prospectus
"**controlling shareholder**"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Hou and Chunlai Investment. See the section headed "Relationship with Controlling Shareholders" in the Prospectus
"**Director(s)**"	the director(s) of the Company from time to time
"**Enlarged Group**"	the Group as enlarged by the consolidation of Tianping College as a result of the Acquisition
"**Formal Agreement**"	the Change of Sponsor Agreement entered into on 19 August 2019 and as supplemented and amended by the Supplemental Agreement dated 20 August 2019

"**Foundation**"	Suzhou University of Science and Technology Education Development Foundation* (蘇州科技大學教育發展基金會)
"**Group**"	the Company, its subsidiaries and its consolidated affiliated entities
"**HK$**"	Hong Kong dollars, the lawful currency of Hong Kong
"**Hong Kong**"	the Hong Kong Special Administrative Region of the People's Republic of China
"**IFRS**"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"**Latest Practicable Date**"	11 January 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"**Listing**"	the listing of the Shares on the Main Board of the Stock Exchange on 13 September 2018
"**Listing Rules**"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"**Model Code**"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"**MOE**"	the Ministry of Education of the PRC (中華人民共和國教育部)
"**MOFCOM**"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"**Mr. Hou**"	Mr. Hou Junyu (侯俊宇), a PRC citizen, an executive Director and controlling shareholder of the Company, and son of Chairman Hou and Ms. Jiang
"**Ms. Jiang**"	Ms. Jiang Shuqin (蔣淑琴), a PRC citizen and an executive Director, and spouse of Chairman Hou and mother of Mr. Hou

"PRC Holdco"	Henan Chunlai Education Technology Co., Ltd.* (河南春來教育科技有限公司), a limited liability company established in the PRC on 1 August 2017 and one of the consolidated affiliated entities of the Company
"Pre-IPO Share Option Scheme"	the share option scheme effective from 9 August 2018, the principal terms of which are set out in the section headed "Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 1. Pre-IPO Share Option Scheme" in Appendix V to the Prospectus
"Preparatory Period for Conversion"	the period from the date of the Change of Sponsor Agreement to 1 September 2023, and such period shall be extended to a date when the required regulatory approval in the PRC for changing the school sponsor and related conversion is obtained if such approval could not be obtained before 1 September 2023 due to force majeure events
"private HEI"	a PRC private higher education institution (民辦高等教育機構) not affiliated with any public universities that is operated by nongovernmental entity(ies) or individual(s) where government funding is not a major source of capital and has open admission and enrolment to the public
"Prospectus"	the prospectus of the Company published on 31 August 2018
"RMB"	Renminbi, the lawful currency of the PRC
"School Sponsor"	Henan Shangqiu Chunlai Education Corporation* (河南商丘春來教育集團), a private non-enterprise entity (民辦非企業單位) established in the PRC on 18 October 2004, a consolidated affiliated entity of the Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"**Shangqiu University**"	Shangqiu University* (商丘學院), a private HEI (formerly an independent college known as Huayu College of Henan Agricultural University* (河南農業大學華豫學院) that obtained approval from the MOE for its establishment on 14 July 2005)
"**Shangqiu University Kaifeng Campus**"	Shangqiu University Applied Science and Technology College* (商丘學院應用科技學院), a branch college (下屬學院) of Shangqiu University located in Kaifeng, Henan Province, the PRC that obtained approval from the Education Department of Henan Province (河南省教育廳) for its establishment on 16 May 2013
"**Shares**"	ordinary shares in the Company of par value of HK$0.00001 each
"**Shareholder(s)**"	holder(s) of the Shares
"**Stock Exchange**"	The Stock Exchange of Hong Kong Limited
"**Supplemental Agreement**"	the supplemental agreement entered into on 20 August 2019 between the School Sponsor and Suzhou University of Science and Technology to amend certain terms of the Change of Sponsor Agreement
"**Suzhou University of Science and Technology**"	Suzhou University of Science and Technology* (蘇州科技大學)
"**Tianping College**" or "**Target School**"	Tianping College of Suzhou University of Science and Technology* (蘇州科技大學天平學院), an independent college of Suzhou University of Science and Technology
"**Transition Period**"	from the grant of approval from the relevant PRC authorities to the change the name of Tianping College as a standalone private ordinary college such that its name will not include "Suzhou University of Science and Technology" or related entity names to when all students who were admitted under the name "Suzhou University of Science and Technology" have graduated from or otherwise completed their studies at Tianping College
"**US$**"	US dollars, the lawful currency of the United States of America

"**WFOE**"	Henan Chunlai Education Information Consultancy Co., Ltd.* (河南春來教育信息諮詢有限公司), a company established in the PRC with limited liability on 19 January 2018 and a wholly-owned subsidiary of the Company
"**%**"	per cent

* *The English translation of company names in Chinese is for identification purposes only. If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail.*

Unless otherwise specified in this circular, amounts denominated in RMB have been converted into HK$ at the rate of HK$1.00 = RMB0.88. This exchange rate is for the purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be converted at the above rate or any other rates.

CHINA CHUNLAI EDUCATION GROUP CO., LTD.
中國春來教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1969)

Executive Directors:
Mr. Hou Junyu
Ms. Jiang Shuqin
Ms. Zhang Jie (*Chief Executive Officer*)

Non-executive Director:
Mr. Hou Chunlai (*Chairman*)

Independent Non-executive Directors:
Dr. Jin Xiaobin
Ms. Fok, Pui Ming Joanna
Mr. Lau, Tsz Man

Registered Office:
190 Elgin Avenue
George Town
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Head Office and Principal Place of Business in China:
No. 66, Beihai East Road
Shangqiu
Henan Province
PRC

Principal Place of Business in Hong Kong:
40/F, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

18 January 2022

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
ACQUISITION OF THE SCHOOL SPONSOR INTEREST OF TIANPING COLLEGE IN ADDITION TO THE RIGHT AND OBLIGATION TO CONVERT TIANPING COLLEGE INTO A STANDALONE PRIVATE ORDINARY COLLEGE**

1. INTRODUCTION

Reference is made to the Announcements in which it was disclosed that after a tender process, the School Sponsor (being a consolidated affiliated entity of the Company) had entered into the Formal Agreement with Suzhou University of Science and Technology and the Foundation in relation to the Acquisition.

The purpose of this circular is to provide further details of:

(a) the Acquisition;

(b) the financial information of the Group;

(c) the financial information of Tianping College;

(d) the unaudited pro forma financial information of the Enlarged Group; and

(e) the valuation report of the sponsor interest of Tianping College.

2. THE FORMAL AGREEMENT

Date of the Change of Sponsor Agreement

19 August 2019

Parties to the Change of Sponsor Agreement

(i) Suzhou University of Science and Technology

(ii) The Foundation

(iii) The School Sponsor

Date of the Supplemental Agreement

20 August 2019

Parties to the Supplemental Agreement

(i) Suzhou University of Science and Technology

(ii) The School Sponsor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of Suzhou University of Science and Technology and the Foundation and their respective ultimate beneficial owners is a third party independent of the Company and its connected persons (as defined in the Listing Rules).

Subject Matter

The terms of the Acquisition are set out in the Formal Agreement which is the Change of Sponsor Agreement as supplemented and amended by the Supplemental Agreement. Pursuant to the Formal Agreement, the School Sponsor has agreed to be the new school sponsor of Tianping College and to cooperate with Suzhou University of Science and Technology to jointly operate Tianping College during the Preparatory Period for Conversion. Pursuant to the Formal Agreement, the School Sponsor shall have the right and obligation to convert Tianping College into a standalone private ordinary college. Upon receiving the approval from the relevant PRC authorities to change the name of Tianping College as a standalone private ordinary college such that its name will not include "Suzhou University of Science and Technology" or related entity names, Tianping College will be owned and operated solely by the School Sponsor. Upon completion of the Acquisition (i.e. the end of the Preparatory Period for Conversion), the Company expects to acquire effective control of Tianping College through contractual arrangements and consolidate its results of operations into those of the Group. For details of the Group's contractual arrangements, please refer to the section headed "Contractual Arrangements" in the Prospectus.

Supplemental Agreement

The Supplemental Agreement, entered into one day after the Change of Sponsor Agreement, amended, among others, the board composition (i.e. the decision-making body) of Tianping College. As noted under the section headed "– Arrangement during the Preparatory Period for Conversion – Board composition of Tianping College" below, during the Preparatory Period for Conversion, the board of directors of Tianping College shall be jointly formed by Suzhou University of Science and Technology and the School Sponsor. The chairman and majority of the board of directors of Tianping College shall be appointed by the School Sponsor. The dean of Tianping College shall be recommended by Suzhou University of Science and Technology to the board of directors of Tianping College.

Consideration and Payment Terms

The Consideration for the Acquisition is RMB800,111,100 (equivalent to approximately HK$909,217,159), which has been paid or is payable (as the case may be) by the School Sponsor to Suzhou University of Science and Technology (for itself and on behalf of the Foundation) in the following manner:

(i) a sum of RMB400,055,550 (equivalent to approximately HK$454,608,580), representing 50% of the Consideration, shall be payable by the School Sponsor within five days from the end of the three-day public notification period of the tender results, and has been paid by the School Sponsor on 24 July 2019;

(ii) a sum of RMB240,033,330 (equivalent to approximately HK$272,765,148), representing 30% of the Consideration, shall be payable by the School Sponsor within 360 days of the date of the Change of Sponsor Agreement, and has been paid by the School Sponsor on 18 September 2020 and 9 October 2020 and duly received and confirmed (with no penalty or adverse consequence) by Suzhou University of Science and Technology in accordance with the Formal Agreement (the delay was due to public holiday in China and the challenging circumstances brought about by COVID-19); and

(iii) the remaining balance of RMB160,022,220 (equivalent to approximately HK$181,843,432), representing 20% of the Consideration, shall be payable by the School Sponsor within 720 days of the date of the Change of Sponsor Agreement, and has been paid by the School Sponsor on 10 November 2021.

In addition to the Consideration, the Change of Sponsor Agreement provided that the School Sponsor shall pay by way of capital injection RMB30,000,000 (equivalent to approximately HK$34,090,909) into Tianping College within 10 business days of the date of the Change of Sponsor Agreement for the purpose of, among others, allowing Suzhou University of Science and Technology and the Foundation to withdraw their capital amount paid into Tianping College. However, given the withdrawal and change of such capital amount is dependent on the regulatory approval to convert Tianping College into a standalone private ordinary college, the School Sponsor will pay by way of capital injection RMB30,000,000 into Tianping College as and when appropriate and after the aforesaid regulatory approval has been obtained.

The Consideration was determined in a public tender process and after taking into account, among others, (i) the experience accumulated by Tianping College in school management and operation; (ii) the reputation and education quality of Tianping College; (iii) the number of students of and the tuition and boarding fees charged by Tianping College; and (iv) the value expected to be generated by the Group through operating Tianping College. The Directors at the material time also took into account comparable companies and their market multiples, further details of which are set out in the section headed "Valuation Report of the Sponsor Interest of Tianping College – Market Multiple" in Appendix IV to this circular, and similar acquisitions conducted by certain of those comparable companies. The Directors were also cognizant of the structure of the Acquisition, including (among others) the additional capital investments required to establish the new campus of the Target School and the facility usage fee during the Preparatory Period for Conversion (see below for further details). To the best knowledge of the Group, there were at least two other bids submitted to acquire the sponsor interest of Tianping College, and their bidding prices were RMB555 million and RMB628 million. Notwithstanding the higher bidding price submitted by the Company, with due consideration of each of the relevant factors and criteria set out above, the Directors are of the view that the Consideration (including the valuation of the sponsor interest of Tianping College) is fair and reasonable and in the interests of the Company and the Shareholders as a whole. Details of the successful tender were disclosed in the announcement of the Company dated 23 July 2019. While not pertinent to the Directors' decision to conduct the Acquisition at the time, the Company also notes favorably the net profits generated by Tianping College for the three years ended 31 August 2021.

In respect of the valuation of the sponsor interest of Tianping College which takes into account comparable companies and their market multiples, the full text of which is set out in Appendix IV to this circular, it should be noted that the draft valuation as at 31 August 2019 was RMB804.3 million, which was 0.52% higher than the Consideration. However, since then, market factors such as (i) COVID-19; and (ii) the uncertainty of government policy have impacted the valuation. The PRC government has implemented more stringent policies across different industries, for example, the gaming industry, the Internet-related industry as well as the education industry, in 2021. Specifically for the education industry, the PRC government implemented the Opinions on Further Alleviating the Burden of Homework and After-School Tutoring for Students in Compulsory Education (關於進一步減輕義務教育階段學生作業負擔

和校外培訓負擔的意見) (the "**Opinion**") in July 2021. The Opinion contains high-level policy directives about requirements and restrictions related to online and offline after-school tutoring services in compulsory academic subjects in the PRC. Although the Opinion targets education institutes providing services in relation to academic subjects compulsory in K-12 education in the PRC, the development of PRC private higher education is significantly driven by PRC government policies and initiatives. Accordingly, given the Group, as a leading provider of private higher education (i.e. universities and colleges) in the PRC, operates in the same industry, it remains uncertain as to how, and the extent to which, the market environment and competitiveness of non-K12 education institutes will be affected, for example, whether there will be similarly stringent policies introduced to non-K12 education institutes. Such uncertainty has thus far had a negative impact on the valuation, which has been reflected in (i) the general market change of the industry similar as the Target School, which the market value of comparable companies identified by the Valuer showed a median change of -11.67% between August 2019 and August 2021; and (ii) the general market change in the companies that operate in China, which the Hang Seng China Enterprises Index, a benchmark that reflects the overall performance of Mainland securities listed in Hong Kong, showed a change of -8.92% between August 2019 and August 2021. On the basis of the aforementioned factors, the valuation of the sponsor interest of Tianping College as at 31 August 2021 is 8.78% lower than the Consideration. Notwithstanding the aforementioned, the Board considers that the valuation of the sponsor interest of Tianping College as at 31 August 2021 supports the Consideration after having considered (i) the factors which negatively impacted the valuation were beyond the Company's control and impacted various industries across the PRC and the Hong Kong stock market as a whole; (ii) the potential benefits that Tianping College, an already reputable and well-located undergraduate college in Jiangsu Province, can bring to the Group (see the section headed "Reasons for and benefits of the Acquisition" below for details); and (iii) the industry practice and competitiveness of acquiring sponsor interests of colleges in the PRC to obtain the right to build and operate a college.

The Acquisition will be financed partly by proceeds from the Listing allocated for the acquisition of or cooperation with other universities in China (as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus), loans obtained from external financial institutions and internal resources of the Group. Subsequent capital investments relating to this transaction include, among others, establishing a new campus for operating Tianping College (which include acquiring relevant land rights and construction of campus facilities) and setting up teaching facilities and equipment. The Group has utilized RMB146.9 million of the net proceeds from its Listing for this Acquisition and expects the remaining capital investments relating to this transaction will come from loans obtained and/or to be obtained from external financial institutions and internal resources of the Group. This is consistent with the proposed use of net proceeds from the Listing as set out in the Prospectus, which provided that approximately 30% of the net proceeds from the Listing would be applied towards the acquisition of or cooperation with other universities in China. As set out in the Company's annual results announcement for the year ended 31 August 2021 published on the website of the Stock Exchange on 30 November 2021, RMB146.9 million (representing approximately 30% of the net proceeds from the Listing) has already been utilized for the acquisition of or cooperation with other universities in China. As of 31 October 2021, the Group had a line of credit of RMB2.8 billion, of which a line of credit of RMB0.9 billion had been drawn down and a credit balance of RMB1.9 billion had been available from various financial institutions in China; the interest rates of such lines of credit range from 6% to 9% per annum, the maturity dates of such lines of credit range from September 2022 to April 2023 and are secured by guarantees and pledges from subsidiaries and consolidated affiliated entities of the Company. The Group has prepared the relevant internal forecasts, and the Board is of the view that the Group has sufficient internal resources and/or the ability to obtain additional external financing (as appropriate) to settle the related costs of and capital expenditure arising from this Acquisition as and when they become due.

Although the assets held by Tianping College (including the existing campus of Tianping College) prior to the date of the Formal Agreement shall continue to vest with Suzhou University of Science and Technology, and the Company will, as a result, need to contribute additional capital investments to establish a new campus to operate Tianping College after the Preparatory Period for Conversion, the Directors are of the view that the Acquisition is fair and reasonable and in the interests of the Company and the Shareholders as a whole, in light of the factors set out above and that all additional assets held by Tianping College and liabilities incurred arising from and in relation to the operation of Tianping College after the date of the Formal Agreement shall vest with Tianping College and shall form part of the Acquisition, meaning that the total comprehensive income attributable to the sponsor of Tianping College after the date of the Formal Agreement shall be consolidated in the Group's results of operations after completion of the Acquisition.

Facility Usage Fee

Tianping College is entitled to all income of Tianping College (including the tuition and boarding fees) after the date of the Formal Agreement, but will need to pay a facility usage fee if Tianping College uses the existing campus of Suzhou University of Science and Technology during the Preparatory Period for Conversion. As noted under the section headed "– Board composition of Tianping College" below, the majority of the board of directors of Tianping College (which is the decision-making body of Tianping College) during the Preparatory Period for Conversion shall consist of members appointed by the School Sponsor.

During the Preparatory Period for Conversion, if Tianping College uses the campus of Suzhou University of Science and Technology, the School Sponsor shall pay to Suzhou University of Science and Technology 30% of the total tuition and boarding fees per annum for each grade of students using the campus of Suzhou University of Science and Technology, being the agreed fee for using the facilities of Suzhou University of Science and Technology, including but not limited to classrooms, laboratories, library, office buildings, internet services and school facilities. To the best knowledge of the Board, the facility usage fee represents an industry norm, and the level of facility usage fee was a normal commercial term and hence the Board considers such fee to be fair and reasonable. Such facility usage fee shall be paid by the School Sponsor to Suzhou University of Science and Technology before 30 September of each school year until Tianping College no longer uses the campus of Suzhou University of Science and Technology. Given that the new campus planned for Tianping College has not yet been established, the Group expects that Tianping College will continue to use the existing campus of Suzhou University of Science and Technology during the Preparatory Period for Conversion. Pursuant to the Formal Agreement, Tianping College has collected revenues from its operations of Tianping College, and has paid the facility usage fee of RMB39,305,122 in two instalments in November 2019 and December 2020 for the 2019-2020 school year and the facility usage fee of RMB41,223,679.43 in December 2020 for the 2020-2021 school year. Please see the section headed "Financial Information of Tianping College" in Appendix II to this circular for the revenue and profit and total comprehensive income attributable to the sponsor of Tianping College for the five years ended 31 August 2021.

If Tianping College is unable to be fully converted into a standalone private ordinary college on a different campus by 1 September 2023 and therefore continues to use the existing facilities of Suzhou University of Science and Technology, the School Sponsor will have to pay to Suzhou University of Science and Technology an additional 15% of the total tuition and boarding fees and RMB5 million for each grade of students using the campus of Suzhou University of Science and Technology.

The Directors are of the view that the facility usage fee payable by Tianping College to use the existing campus of Suzhou University of Science and Technology and the arrangements during the Preparatory Period for Conversion were part of the terms set forth in the tender documents prepared by a government-affiliated vendor of the public auction for the sponsor interest of Tianping College and is consistent with a market comparable of an acquisition of sponsor interest of a similar college in the PRC and therefore are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Arrangement during the Preparatory Period for Conversion

Expenses and risk in relation to the joint operation

During the Preparatory Period for Conversion, the School Sponsor shall be responsible for all the expenses and risk in relation to the joint operation of Tianping College. The School Sponsor shall also be responsible for, among others, establishing a new campus for operating Tianping College, setting up teaching facilities, building management team, and shall no longer include in its name "Suzhou University of Science and Technology" or other university names registered by Suzhou University of Science and Technology by the end of the Preparatory Period for Conversion.

Board composition of Tianping College

The board of directors of Tianping College shall be the decision-making body, responsible for amending the articles of Tianping College, formulating development plan, recruitment plan, budgeting and human resources, etc.. During the Preparatory Period for Conversion, the board of directors of Tianping College shall be jointly formed by Suzhou University of Science and Technology and the School Sponsor. The chairman and majority of the board of directors of Tianping College shall be appointed by the School Sponsor. The dean of Tianping College shall be recommended by Suzhou University of Science and Technology to the board of directors of Tianping College.

As of the Latest Practicable Date, the board of directors of Tianping College consisted of nine directors, four of which were appointed by Suzhou University of Science and Technology and five of which were appointed by the Group (through the School Sponsor). The four directors of Tianping College appointed by Suzhou University of Science and Technology are Chen Huandi (陳煥娣), Shen Yaoliang (沈耀良), Sun Hongjun (孫紅軍), Zheng Qun (鄭群). The five directors of Tianping College appointed by the Group are Mr. Hou, an executive Director of the Company, Zhang Jie (張潔), an executive Director and chief executive officer of the Company, Ma Jibin (馬計斌), formerly the dean of Handan University (邯鄲學院) and currently employed by the Group, Jiang Yongqi (蔣永旗), the former head of the human resources department of the Company and Sheng Yiming (盛一名), the chief financial officer of the Company. The chairman and vice-chairman of the board of directors of Tianping College are Mr. Hou and Chen Huandi (陳煥娣), respectively.

To the knowledge of the Company, there is no relationship and/or arrangement between the directors appointed by Suzhou University of Science and Technology and the directors appointed by the Group and its connected persons.

Assets and liabilities of Tianping College

All assets held by Tianping College (including the existing campus of Tianping College) and all liabilities incurred arising from and in relation to the operation of Tianping College prior to the date of the Formal Agreement shall continue to vest with and shall be dealt with by Suzhou University of Science and Technology and the Foundation and shall not form part of the Acquisition.

Employment of existing staff

During the Preparatory Period for Conversion, Tianping College shall continue to employ all the employees (other than those who have reached the retirement age or decided not to take up such employment) with whom Tianping College has entered into employment contracts as at the date of the Formal Agreement on same or more favourable terms.

Deposit

During the Preparatory Period for Conversion and until the completion of the conversion of Tianping College, the School Sponsor will pay a deposit and a financial institution guarantee of a total amount of RMB200,000,000 (equivalent to approximately HK$227,272,726) to Suzhou University of Science and Technology to protect its interests and reputation, ensure normal operations of campus operations and facilities, prevent illegal or arbitrary fees that would affect students' rights and interests, and to prevent mismanagement leading to major accidents. Upon expiry of the Transition Period, the deposit will be returned to the School Sponsor within 10 business days and the financial institution guarantee will be terminated.

Conversion of Tianping College into a standalone private ordinary college

Timeline and status

The Formal Agreement provides that the Preparatory Period for Conversion is from the date of the Change of Sponsor Agreement (i.e. 19 August 2019) and until 1 September 2023, and such period shall be extended to a date when the required regulatory approval in the PRC for changing the school sponsor and related conversion is obtained if such approval could not be obtained before 1 September 2023 due to force majeure events. Notwithstanding the impact of the challenging circumstances brought about by COVID-19, the conversion of Tianping College into a standalone private ordinary college is currently scheduled, pursuant to the timeline set out in the Formal Agreement, to be completed on or prior to 1 September 2023.

Tianping College entered into a cooperation framework agreement on 11 October 2020 with the People's Government of Gaochun District, Nanjing (南京市高淳區人民政府) ("**Gaochun Government**") with respect to the establishment of Tianping College's new campus at South of Chengxin East Road, Higher Vocational Education Innovation and Innovation Park, Gaobu District, Nanjing (南京市高淳區高等職業教育創新創業園澄心東路南側) (the "**Gaochun Framework Agreement**"). In addition, Tianping College also entered into an agreement with the Gaochun Government with respect to the purchase of the land-use right. The land use right is for 50 years and has been granted for educational purposes (please refer to the announcement of the Company dated 16 December 2021 for details). The first phase of construction of Tianping College's new campus has already commenced from December 2020 (which is permitted under the Gaochun Framework Agreement) and is due to be completed in or around the last quarter of 2022, with the second phase of construction to commence from January 2022 and due to be completed in or around September 2023. The Group estimates the costs to acquire property, plant and equipment and right-of-use assets will be approximately RMB936,265,000 and RMB800,000,000 (together, the "**Estimated Costs**"), respectively, and has prepared the relevant internal forecasts, and expects payment of the related construction costs to be made in accordance with their relevant agreements. Property, plant and equipment of approximately RMB936,000,000 is composed of construction costs of approximately RMB908,000,000 for the new campus of Tianping College with the remaining costs budgeted for, among others, the acquisition of furniture, fixtures and teaching and electronic equipment. The Company estimates that the gross floor area of the new campus will be approximately 377,000 square meters. Given that the construction cost for each square meter ranges from RMB2,200 to RMB2,700, the estimated construction costs of the new campus is approximately RMB908,000,000.

The Group currently expects the new campus of Tianping College (after construction) to be able to accommodate at least 16,000 students. The new campus of Tianping College is approximately 800,000 square meters, and the total gross floor area of the buildings (after construction) of the new campus of Tianping College is expected to be approximately 377,000 square meters. To the knowledge of the Company, the vendors and contractors engaged for the construction of the new campus of Tianping College are independent third parties of the Group and Suzhou University of Science and Technology, and were either already known to the Group or engaged by the Group through public tenders. The Company will duly comply with the requirements under Chapter 14 of the Listing Rules as and when they become applicable in the future.

The Group expects that the Formal Agreement will be submitted to the Education Bureau of Jiangsu Province as part of its formal application with respect to the conversion of Tiaping College in or around September 2022.

Requirements under the Regulations and relevant approval procedures for conversion of Tianping College into a standalone private ordinary college

In order to convert the Target School into a standalone private ordinary college, the Target School should fulfill the requirements as set out in the Regulations on Management of Private Higher Education Institutions (民辦高等學校辦學管理若干規定) and the Provisional Regulations on Setting Up General Undergraduate Schools (普通本科學校設置暫行規定) (together, the "**Regulations**").

The Regulations set out the required establishment and operation standards for a standalone private ordinary college. The Target School should conform to certain standards for running a general undergraduate school, such as the teacher-to-student ratio, site area, building area, and other related standards. For instance, the teacher-to-student ratio shall be no less than 1:18. In addition, should the Target School convert into a science and engineering college, there are certain standards and conditions the Target School should comply with, including but not limited to the Target School's campus should be at least 333,334 square meters with a total gross floor area (of the buildings) of approximately 150,000 square meters. The Company expects the Target School to comply with the applicable Regulations.

With regard to the approval procedures for the change of school sponsor of Tianping College, pursuant to the Law for Promotion of Private Education (《民辦教育促進法》), the change of school sponsor shall be proposed by the School Sponsor. Financial clearance is a prerequisite for the change of school sponsor under the Law for Promotion of Private Education and Notice on Accelerating the Implementing Proposals for Conversion of Independent College (《關於加快推進獨立學院轉設工作的實施方案的通知》) (the "**Conversion Notice**"). The assets, liabilities and equity of Tianping College will be audited by a qualified accounting firm engaged by Tianping College. The financial information prepared by the auditor, together with other application materials, shall be submitted for the approval of the Provincial Education Department. After the completion of financial clearance and the approval of the board, such proposal shall be submitted to the MOE for approval by the Provincial Education Department. Upon the approval of the MOE, the change of school sponsor will be completed.

With regard to the approval procedures for the conversion of Tianping College from an independent college into a standalone private ordinary college, pursuant to the Conversion Notice issued by the General Office of the MOE on 18 May 2020, the implementation proposals raised by the independent college sponsored by local universities, (e.g. Tianping College) shall be submitted to the Provincial Education Department for approval and filed with the MOE. The process of conversion of an independent college into a standalone private ordinary college includes the completion of financial clearance and the amendment of articles of association as required by the Law for Promotion of Private Education. After the approval of the board of Tianping College, such proposal shall be submitted to the Provincial Education Department and then to the MOE. Upon the approval of the MOE, the independent college will be converted into a standalone private ordinary college.

To the best knowledge of the Company, the relevant governmental authorities have not imposed any deadline for the conversion of Tianping College from an independent college into a standalone private ordinary college.

3. INFORMATION OF THE PARTIES

Suzhou University of Science and Technology

Suzhou University of Science and Technology is a state-operated university in Jiangsu Province, the PRC, and is a state-operated university sponsored by the Department of Finance of Jiangsu Province (江蘇省財政廳). It provides full-time undergraduate programmes and post-graduate programmes.

The Foundation

The Foundation was officially registered in 2007 with the Jiangsu Civil Affairs Department. It is a non-public fundraising foundation. To the best knowledge of the Company, the Foundation's governing entity is Jiangsu Education Department and is administered by Suzhou University of Science and Technology. Its business scope is to accept government funding and social donations, support financially disadvantaged students, reward outstanding teachers and students and support construction of schools. Suzhou University of Science and Technology and the Foundation jointly held 100% of the sponsor interests in the Target School prior to the execution of the Change of Sponsor Agreement.

The School Sponsor

The School Sponsor is a private non-enterprise entity (民辦非企業單位) established in the PRC on 18 October 2004 and a consolidated affiliated entity of the Company. The School Sponsor is the sole school sponsor of Shangqiu University, including Shangqiu University Kaifeng Campus and Anyang University.

The Group is a leading provider of private higher education in China. Since the Group's inception in 2004, it has grown to operate three colleges in Henan Province, namely Shangqiu University, Shangqiu University Kaifeng Campus and Anyang University, and two colleges in Hubei Province, namely Hubei Health Vocational College (湖北健康職業學院) and Jingzhou College (荊州學院) (formerly known as College of Engineering and Technology of Yangtze University (長江大學工程技術學院)). The Group also participates in the operation of an independent college of Suzhou University of Science and Technology in Jiangsu Province.

4. INFORMATION OF TIANPING COLLEGE

Background

Tianping College began accepting students in September 2000 and became an independent college in 2005. It is an independent college jointly sponsored, organized and funded by Suzhou University of Science and Technology and the Foundation to teach full-time undergraduate students. A standalone private ordinary college is not affiliated with any public universities that is operated by nongovernmental entity(ies) or individual(s) where government funding is not a major source of capital and has open admission and enrolment to the public.

Tianping College will no longer be sponsored by Suzhou University of Science and Technology and the Foundation subsequent to the completion of the Preparatory Period for Conversion of Tianping College. Tianping College is expected to be an undergraduate school solely sponsored by the School Sponsor as a social organisation using non-state funds.

As at 31 August 2021, Tianping College had approximately 9,153 students. During the 2020-2021 school year, the annual tuition fee of Tianping College ranged from RMB14,000 to RMB16,500, while the annual boarding fees of Tianping College ranged from RMB700 to RMB1,500 per student.

Financial information of Tianping College

The following is a summary of the financial information of Tianping College for the five financial years ended 31 August 2021. The financial information of the Tianping College was prepared and audited in accordance with IFRS.

	Year ended 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	(audited)	*(audited)*	*(audited)*	*(audited)*	*(audited)*
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	125,883	127,428	130,529	130,988	140,055
Gross profit	54,490	56,132	82,385	78,001	87,373
Net (loss)/profit before taxation and extraordinary items	(584)	(1,377)	53,419	27,877	36,173
Net (loss)/profit after taxation and extraordinary items	(584)	(1,377)	53,419	27,877	36,173

As at 31 August 2017 and 2018, the net liabilities of Tianping College amounted to approximately RMB14.3 million and RMB15.7 million; as at 31 August 2019, 2020 and 2021, the net assets of Tianping College amounted to approximately RMB37.7 million, RMB65.6 million and 101.8 million, respectively. As at 31 August 2017, 2018, 2019, 2020 and 2021, the total assets of Tianping College amounted to approximately RMB141.0 million, RMB191.9 million, RMB118.8 million, RMB135.0 million and 250.7 million, respectively.

All assets held by Tianping College (including the existing campus of Tianping College) and all liabilities incurred arising from and in relation to the operation of Tianping College prior to the date of the Formal Agreement shall continue to vest with and shall be dealt with by Suzhou University of Science and Technology and the Foundation and shall not form part of the Acquisition. As at 31 August 2021, the total assets and net asset arising from and in relation to the operation of Tianping College after the date of the Formal Agreement amounted to approximately RMB153.9 million and RMB82.9 million, respectively. The aforesaid total assets and net asset arising from the operation of Tianping College after the date of the Formal

Agreement of RMB153.9 million and RMB82.9 million are respectively equivalent to the amount of total assets and net assets after exclusion of the assets to be retained by Suzhou University of Science and Technology.

Major items of the assets and liabilities arising from the operation of Tianping College after the date of the Formal Agreement are as follows:

	31 August 2021
	RMB'000
Assets:	
Property, plant and equipment	23,231
Other non-current assets	26,438
Trade and other receivables	6,795
Cash and cash equivalents	97,400
Other current assets	5
Total assets	153,869
Liabilities:	
Contract liabilities	(53,802)
Accruals and other payables	(17,192)
	(70,994)
Net assets	82,875

The value of the aforesaid assets and liabilities arising from the operation of Tianping College after the date of the Formal Agreement are based on the accounting records of Tianping College. As at 31 August 2021, trade and other receivables of Tianping College of RMB6,795,000 included RMB5,150,000 receivable from the Group.

Further financial information of Tianping College for the five years ended 31 August 2021 and the accompanying management discussion and analysis are set out in Appendix II to this circular.

5. REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group considers that this opportunity is in line with its acquisition strategy. Tianping College is a well-known undergraduate college located in Jiangsu Province, China. Its excellent location, and professionalism can form a strong synergy with the Group's existing schools, given that acquiring the sponsor interest of Tianping College allows the Group to establish a standalone private ordinary college and expand in a prime location in eastern China. Further, the Directors are of the view that the Acquisition represents the best avenue for expansion, given that the sponsor interests of ordinary colleges in PRC are of limited supply, the Acquisition was conducted through a public tendering process by a vendor affiliated with the PRC government and the Acquisition is not inconsistent with the market norm of acquisitions of sponsor interests of similar colleges in the PRC. The Group also believes that this opportunity is consistent with its business strategy of acquiring or investing in undergraduate colleges to expand its school network and to capture market opportunities, which will further strengthen the Group's market position as a leading provider of private higher education in China.

The Group's management, led by Mr. Hou, first conducted a site visit to Tianping College in or around mid-December 2018, and from mid-April 2019 to mid-June 2019 conducted further site visits to and discussions regarding Tianping College. After the Group was informed in mid-June 2019 that the sponsor interest of Tianping College would be available for acquisition by a public auction, the Group, together with Tian Yuan Law Firm (the Group's legal adviser as to PRC laws), reviewed the relevant tender documents and conducted further analysis on the potential Acquisition. The Company's controlling shareholder, Chunlai Investment, granted approval with respect to the potential Acquisition on 15 July 2019. After the Group received the formal notice of the tender results confirming its bid with respect to the Acquisition was successful on 22 July 2019, the Group (together with Tian Yuan Law Firm) conducted several rounds of negotiations with Suzhou University of Science and Technology and the Foundation (as applicable) in relation to and leading towards the entering into of the Change of Sponsor Agreement dated 19 August 2019 and the Supplemental Agreement dated 20 August 2019.

6. FINANCIAL EFFECT OF THE ACQUISITION

Upon completion of the Acquisition, Tianping College's sponsor interest will be held by the School Sponsor, a consolidated affiliated entity of the Company, and its financial results will be consolidated into the Group. As of the Latest Practicable Date, there was no material change to Tianping College's financial information and/or operations after the date of the Formal Agreement.

Revenue and earnings

For the five years ended 31 August 2021, Tianping College recorded revenue of RMB125.9 million, RMB127.4 million, RMB130.5 million, RMB131.0 million and RMB140.1 million, respectively. For the years ended 31 August 2017 and 2018, Tianping College recorded a net loss of RMB0.6 million and RMB1.4 million, respectively. For the years ended 31 August 2019, 2020 and 2021 , Tianping College recorded a net profit of RMB53.4 million, RMB27.9 million and RMB36.2 million, respectively. In view of the track record of Tianping College and that all additional assets held by Tianping College and liabilities incurred arising from and in relation to the operation of Tianping College after the date of the Formal Agreement shall vest with Tianping College and shall form part of the Acquisition (meaning that the total comprehensive income attributable to the sponsor of Tianping College after the date of the Formal Agreement shall be consolidated in the Group's results of operations after completion of the Acquisition), the Directors expect that the earnings of the Group will be enhanced by the Acquisition. Further financial information of Tianping College for the five years ended 31 August 2021 is set out in Appendix II to this circular.

Assets and liabilities

Based on the unaudited pro forma financial information in Appendix III to this circular, on the basis of the statement of assets and liabilities of the Group as at 31 August 2021, the Group's total assets would increase from approximately RMB5,054,200,000 to approximately RMB5,120,044,000 and the Group's total liabilities would increase from approximately RMB2,994,756,000 to approximately RMB3,062,130,000. Further information on the effects of the Acquisition of the statement of assets and liabilities of the Group is set out in Appendix III to this circular. As noted above, all assets held by Tianping College (including the existing campus of Tianping College) and all liabilities incurred arising from and in relation to the operation of Tianping College prior to the date of the Formal Agreement shall continue to vest with and shall be dealt with by Suzhou University of Science and Technology and the Foundation and shall not form part of the Acquisition.

7. VALUATION OF THE SPONSOR INTEREST OF TIANPING COLLEGE

For the purposes of providing the Company's investors and the public with more context regarding the investment value of the sponsor interest of Tianping College, the Group has engaged an independent valuer to prepare a valuation report in connection with the investment value of the sponsor interest of Tianping College. Details of the valuation report have been disclosed in Appendix IV to this circular. The Group made reference to certain of the comparable companies set out in the section headed "Valuation Report of the Sponsor Interest of Tianping College – Market Multiple" in Appendix IV to this circular when determining the Consideration payable for the Acquisition. After the Group was informed its bid to conduct the Acquisition was successful (and when the Group had access to the full financial information of Tianping College), the Group engaged Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, to prepare the valuation report set forth in Appendix IV to this circular.

8. LISTING RULES IMPLICATIONS

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

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 Acquisition and the transaction contemplated under the Formal Agreement. As such, no Shareholder is required to abstain from voting on the resolution(s) if a general meeting is convened to approve the Acquisition and the transaction contemplated under the Formal Agreement. Pursuant to Rule 14.44 of the Listing Rules, in lieu of resolution(s) to be passed at a general meeting of the Company, a written approval has been obtained from Chunlai Investment on 15 July 2019 approving the Acquisition and the entering into the Formal Agreement. Chunlai Investment controlled 900,000,000 Shares, representing approximately 75.00% of the issued share capital of the Company as at the Latest Practical Date. As a result, no general meeting will be convened to consider the Acquisition and the transaction contemplated under the Formal Agreement.

As noted in the announcement of the Company dated 20 August 2019, a circular containing, among other things, further details relating to the Acquisition, the Formal Agreement and the transaction contemplated thereunder, and the financial information of Tianping College, was expected to be despatched within 15 business days after publication of the announcement of the Company dated 23 July 2019 pursuant to Rule 14.41(a) of the Listing Rules. However, as additional time was required to prepare, finalise and complete the information to be contained in the circular, including but not limited to the financial information of the Company and financial information of Tianping College, the Board at that time expected the date of despatch of the circular would be postponed to a date falling on or before 25 October 2019. However, as noted in the announcement of the Company dated 24 April 2020, the publication of this circular was further delayed due to, among others, the previous trading suspension of the Company's shares, the change of auditor of the Company and the challenging circumstances brought about by the COVID-19 pandemic – further details of which are set out in the announcement of the Company dated 9 November 2020.

9. RECOMMENDATIONS

The Directors, including the independent non-executive Directors, are of the view that the terms of the Acquisition and the transaction contemplated under the Formal Agreement are fair and reasonable and in the interest of the Group and the Shareholders as a whole. Accordingly, should a resolution be put at a general meeting of the Company for the Shareholders to consider the same, the Directors would recommend the Shareholders to vote in favor of such resolution. As disclosed above, the Company has obtained the written approval of Chunlai Investment for approving the Acquisition.

10. FURTHER INFORMATION

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

By order of the Board
China Chunlai Education Group Co., Ltd.
Zhang Jie
Executive Director

I. SUMMARY OF FINANCIAL RESULTS

Financial information of the Group for the three years ended 31 August 2021 are set out in the Company's annual reports for the years ended 31 August 2019, 2020 and 2021. Such annual reports are published on the websites of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.chunlaiedu.com. Quick links to the annual reports of the Company are set out below:

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

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0826/2020082600409.pdf

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

https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1224/2020122400679.pdf

Annual report of the Company for the year ended 31 August 2021:

https://www1.hkexnews.hk/listedco/listconews/sehk/2021/1229/2021122901125.pdf

II. INDEBTEDNESS STATEMENT

(a) Statement of indebtedness and contingent liabilities

As at 31 December 2021, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement, the enlarged Group had the following indebtedness:

	As at 31 December 2021 *RMB'000*
Bank loans and other borrowings	
Current	
Unsecured and guaranteed	354,500
Secured and guaranteed	1,040,441
Non-Current	
Secured and guaranteed	293,717
Secured and unguaranteed	291,794
	1,980,452

(b) Bank loans, securities and guarantees

As at 31 December 2021, the Group had bank loans amounting to RMB1,153 million.

(c) Contingent liabilities

As at 31 December 2021, the Group had no material contingent liabilities.

Save as disclosed above, as at 31 December 2021, the Group did not have any debt securities issued and outstanding, or authorized or otherwise created but unissued, or term loans, or other borrowings or indebtedness in the name of borrowing including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, or mortgages and charges, and there were no other contingent liabilities nor guarantees.

(d) Capital commitment

The Group's capital commitments at 31 December 2021 are as follows:

	RMB'000
Capital injection into Tianping College	
Contracted but not provided for	30,000
Acquisition of Tianping College	
Contracted but not provided for	160,056
Property, plant and equipment	
Contracted but not provided for	1,130
Right-of-use assets	
Contracted but not provided for	11,460
	202,646

Note:

Tianping College entered into a cooperation framework agreement on 11 October 2020 with Gaochun Government with respect to the establishment of Tianping College's new campus at South of Chengxin East Road, Higher Vocational Education Innovation and Innovation Park, Gaobu District, Nanjing (南京市高淳區高等職業教育創新創業園澄心東路南側), and expects to enter into a definitive agreement with Gaochun Government with respect to the purchase of the land-use right. The land use right is expected to be for 50 years and will be granted for educational purposes. The first phase of construction of Tianping College's new campus has already commenced from December 2020 and is due to be completed in or around September 2021, with the second phase of construction to commence from October 2021 and due to be completed in or around September 2023. Initial payment of RMB20 million has been paid to the Gaochun Government with the final amount and remaining balance payable for the land use right to be determined according to property valuation assessment to be conducted by the Gaochun Government; the Group expects the property valuation assessment to be conducted within 2021. The Group estimates the costs to acquire property, plant and equipment and right-of-use assets will be approximately RMB936,265,000 and RMB800,000,000 (together, the "Estimated Costs"), respectively, and has prepared the relevant internal forecasts, and expects payment of the related construction costs to be made in accordance with their relevant agreements. No contract has been signed for the Estimated Costs. Save for the Estimated Costs, the Group does not expect additional significant capital expenditure to be required with respect to the conversion of Tianping College into a standalone private ordinary college.

III. WORKING CAPITAL

After taking into account the Group's available resources, including internally generated funds, external borrowings and the presently available banking facilities, in the absence of unforeseen circumstances, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements, including the Acquisition and its related costs of converting Tianping College into a standalone private ordinary college, for at least the next 12 months from the date of this circular.

IV. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material change in the financial or trading position or outlook of the Group since 31 August 2021, the date to which the latest consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

V. FUTURE PROSPECTS

In order to continuously increase total enrolment of the Group's schools, the Board plans to acquire additional land use rights and construct new educational and living facilities. The Board considers that the increase in capacity under the expansion plan is essential to accommodate the Group's growth strategy of increasing student enrolment going forward. Each of the colleges of the Group generally requires its students to live on campus in dormitories. Therefore, a college's student enrolment is largely limited by the capacity of its student dormitories. Taking into account of the gender specificity of the Group's student dormitories and the gender mix of students, there is currently limited capacity for a significant growth in student enrolment. The Group expects to increase the capacity of its colleges progressively to strike a reasonable balance between student enrolment and utilisation. The Group believes the planned increase in capacity is appropriate and will enable its colleges to grow sustainably.

The Board considers that, given the Group's track record of delivering quality private higher education and industry reputation, the education authorities in the PRC will be receptive to its application for increasing admission quota provided that the Group is able to demonstrate that it has sufficient school capacity, appropriate facilities available and quality education programmes to offer, which are among the key objectives of the Group's expansion plans.

Financial information of Tianping College consists of two parts in this Appendix II : (1) Accountants' Report of Tianping College and (2) Management Discussion and Analysis of the Results of Tianping College.

1. ACCOUNTANTS' REPORT OF TIANPING COLLEGE

The following is the text of a report received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong, for the purpose of inclusion in this circular.

中汇 ZHONGHUI

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA CHUNLAI EDUCATION GROUP CO., LTD.

Introduction

We report on the historical financial information of Tianping College of Suzhou University of Science and Technology 蘇州科技大學天平學院 (the "Target School") set out on pages II-4 to II-30, which comprises the statements of financial position as at 31 August 2017, 2018, 2019 and 2020 and 2021, (the "Relevant Periods") and 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 five years ended 31 August 2017, 2018, 2019, 2020 and 2021 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information forms an integral part of this report, which has been prepared for inclusion in the circular of China Chunlai Education Group Co., Ltd. (the "Company") dated 18 January 2022 in connection with the proposed acquisition of the school sponsor interest of the Target School.

Directors' responsibility for the Historical Financial Information

The directors of the Target School are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "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 give a true and fair view in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, 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 School's financial position as at 31 August 2017, 2018, 2019 and 2020 and 2021 and of its financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

Material uncertainty related to going concern

We draw attention to note 2.2 to the financial statements which mentions that as at 31 August 2021 the Target School had net current liabilities approximately RMB3,046,000. This condition indicates a material uncertainty which may cast significant doubt on the School's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Report on matters under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited

Adjustments

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

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Li Shun Fai
Audit Engagement Director
Practising Certificate Number P05498
Hong Kong, 18 January 2022

HISTORICAL FINANCIAL INFORMATION OF THE TARGET SCHOOL

Preparation of Historical Financial Information

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

The directors of the Target School have prepared the financial statements of the Target School for the Relevant Periods in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). We have performed our independent audit on the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA.

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				
		2017	**2018**	**2019**	**2020**	**2021**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*7*	125,883	127,428	130,529	130,988	140,055
Cost of revenue		(71,393)	(71,296)	(48,144)	(52,987)	(52,682)
Gross profit		54,490	56,132	82,385	78,001	87,373
Other income	*8*	2,246	2,648	2,374	2,986	4,825
Administrative expenses		(57,320)	(60,157)	(30,809)	(52,165)	(56,025)
Finance costs	*9*	–	–	(531)	(945)	–
(Loss)/profit before taxation		(584)	(1,377)	53,419	27,877	36,173
Income tax expenses	*10*	–	–	–	–	–
(Loss)/profit and total comprehensive (loss)/income for the year attributable to the sponsor of the Target School		(584)	(1,377)	53,419	27,877	36,173

STATEMENTS OF FINANCIAL POSITION

		As at 31 August				
		2017	2018	2019	2020	2021
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS						
Property, plant and equipment	*13*	74,684	69,680	63,899	55,189	68,694
Right-of-use assets	*14*	11,004	10,677	10,350	10,023	9,696
Prepayments	*15*	–	–	–	–	26,438
		85,688	80,357	74,249	65,212	104,828
CURRENT ASSETS						
Trade and other receivables	*15*	5,788	5,321	3,610	54,157	9,528
Amount due from a related party	*16*	–	–	–	147	–
Bank balances and cash		49,544	106,177	40,945	15,438	136,293
Other current assets		20	21	21	13	11
		55,352	111,519	44,576	69,755	145,832
CURRENT LIABILITIES						
Contract liabilities	*17*	28,292	96,983	31,342	–	53,802
Other payables and accrued expenses	*18*	32,296	29,508	9,751	23,566	13,686
Amount due to a related party	*16*	94,762	81,072	–	45,792	81,390
Borrowings	*19*	–	–	40,000	–	–
		155,350	207,563	81,093	69,358	148,878
Net Current (Liabilities)/Assets		(99,998)	(96,044)	(36,517)	397	(3,046)
Total Assets Less Current Liabilities		(14,310)	(15,687)	37,732	65,609	101,782
NET (LIABILITIES)/ASSETS		(14,310)	(15,687)	37,732	65,609	101,782
CAPITAL AND RESERVES						
Paid-in capital	*20*	30,000	30,000	30,000	30,000	30,000
Reserves		(44,310)	(45,687)	7,732	35,609	71,782
TOTAL (DEFICIT)/EQUITY		(14,310)	(15,687)	37,732	65,609	101,782

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Reserves	Total
	RMB'000	*RMB'000*	*RMB'000*
Balance at 1 September 2016	30,000	(43,726)	(13,726)
Loss and total comprehensive loss for the year	–	(584)	(584)
Balance at 31 August 2017 and 1 September 2017	30,000	(44,310)	(14,310)
Loss and total comprehensive loss for the year	–	(1,377)	(1,377)
Balance at 31 August 2018 and 1 September 2018	30,000	(45,687)	(15,687)
Profit and total comprehensive income for the year	–	53,419	53,419
Balance at 31 August 2019 and 1 September 2019	30,000	7,732	37,732
Profit and total comprehensive income for the year	–	27,877	27,877
Balance at 31 August 2020 and 1 September 2020	30,000	35,609	65,609
Profit and total comprehensive income for the year	–	36,173	36,173
Balance at 31 August 2021	30,000	71,782	101,782

STATEMENTS OF CASH FLOWS

	Year ended 31 August				
	2017	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES					
(Loss)/profit before taxation	(584)	(1,377)	53,419	27,877	36,173
Adjustments for:					
Finance costs	–	–	531	945	–
Interest income	(541)	(498)	(483)	(306)	(732)
Depreciation of property, plant and equipment	10,611	10,842	10,932	10,405	9,902
Depreciation of right-of-use assets	327	327	327	327	327
Operating cash flows before movements in working capital	9,813	9,294	64,726	39,248	45,670
Decrease/(increase) in other current assets	82	(1)	–	8	2
Decrease/(increase) in trade and other receivables	262	467	1,711	(547)	(221)
Increase/(decrease) in contract liabilities	26,837	68,691	(65,641)	(31,342)	53,802
Increase/(decrease) in other payables and accruals	2,195	(2,788)	(19,757)	13,315	(12,091)
(Decrease)/increase in amount due to a related party	(8,919)	(13,690)	(81,072)	45,792	35,598
CASH GENERATED FROM/(USED IN) OPERATIONS	30,270	61,973	(100,033)	66,474	122,760

	Year ended 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES					
Advance to a related party	–	–	–	(50,000)	–
(Advance to)/repayment from a related party	–	–	–	(147)	147
Interest income received	541	498	483	306	732
Payment for land use rights	–	–	–	–	(20,000)
Purchase of property, plant and equipment	(11,963)	(5,838)	(5,151)	(1,695)	(27,134)
Repayment from a related party	–	–	–	–	44,350
NET CASH USED IN INVESTING ACTIVITIES	(11,422)	(5,340)	(4,668)	(51,536)	(1,905)
CASH FLOWS FROM FINANCING ACTIVITIES					
Advance from a related party	–	–	–	500	–
Interest paid	–	–	(531)	(945)	–
Proceeds from borrowings	–	–	40,000	–	–
Repayment of borrowings	–	–	–	(40,000)	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	–	–	39,469	(40,445)	–
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	18,848	56,633	(65,232)	(25,507)	120,855
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	30,696	49,544	106,177	40,945	15,438
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	49,544	106,177	40,945	15,438	136,293

NOTES TO FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target School was established as a higher education institution under the Law for Promotion of Private Education 民辦教育促進法 on 18 March 2004. The registered address and principal place of business of the Target School is 55 Chang Jiang Road, Suzhou, Jiangsu Province, the People's Republic of China (the "PRC"). During the Relevant Periods, Suzhou University of Science and Technology is the school sponsor of the Target School.

During the Relevant Periods, the Target School is principally engaged in the operation of a higher education institution in the PRC.

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

2.1 Basis of Preparation

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). In addition, the Historical Financial Information includes the 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.

2.2 Going Concern Basis

As at 31 August 2021 the Target School had net current liabilities approximately RMB3,046,000. The financial statements have been prepared on a going concern basis because China Chunlai Education Group Co., Ltd. has agreed to provide financial support at a level sufficient to finance the working capital requirements of the Target School.

The directors of the Target School are therefore of the opinion that it is appropriate to prepare the financial statements on a going concern basis. Should the Target School be unable to continue as a going concern, adjustments would have to be made to the financial statements to adjust the value of the Target School's assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Target School has adopted all the new and revised IFRSs that are relevant to its operations and effective for its accounting year beginning on 1 September 2020. IFRSs comprise International Financial Reporting Standards; International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in significant changes to The Target School's accounting policies, presentation of The Target School's Historical Financial Information and amounts reported for the Relevant Periods.

The Target School has not applied the new and revised IFRSs that have been issued but are not yet effective. The Target School has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared under the historical cost convention. The Historical Financial Information is presented in Renminbi ("RMB") which is the Target Group's functional and presentation currency and all figures are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The preparation of the Historical Financial Information in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgements in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these Historical Financial Information, are disclosed in note 5 to the Historical Financial Information.

The significant accounting policies applied in the preparation of the Historical Financial Information are set out below.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target School and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings	4.75%
Motor vehicles	20%
Furniture and fixtures	9.5%-19%
Teaching and electronic equipment	9.5%-19%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period.

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

Leases

The Target School as lessee

Leases are recognised as right-of-use assets when the leased assets are available for use by the Target School. Right-of-use assets are stated at cost less accumulated depreciation and impairment losses. Depreciation of right-of-use assets is calculated at rates to write off their cost over the shorter of the asset's useful life and the lease term on a straight-line basis. The principal annual rate is as follows:

Land use right	50 years

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease payments prepaid, initial direct costs and the restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised as expenses in profit or loss on a straight-line basis over the lease terms. Short-term leases are leases with an initial lease term of 12 months or less. Low-value assets are assets of value below US$5,000.

The Target School as lessor

Operating leases

Leases that do not substantially transfer to the lessees all the risks and rewards of ownership of assets are accounted for as operating leases. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the Target School becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Target School transfers substantially all the risks and rewards of ownership of the assets; or the Target School neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

Financial assets

Financial assets are recognised and derecognised on a trade date basis where the purchase or sale of an asset is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially recognised at fair value, plus directly attributable transaction costs except in the case of investments at fair value through profit or loss. Transaction costs directly attributable to the acquisition of investments at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets of the Target School are classified as financial assets at amortised cost.

Financial assets (including trade and other receivables) are classified under this category if they satisfy both of the following conditions:

– the assets are held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

They are subsequently measured at amortised cost using the effective interest method less loss allowance for expected credit losses.

Loss allowances for expected credit losses

The Target School recognises loss allowances for expected credit losses on financial assets at amortised cost. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

At the end of each reporting period, the Target School measures the loss allowance for a financial instrument at an amount equal to the expected credit losses that result from all possible default events over the expected life of that financial instrument ("lifetime expected credit losses") for trade receivables, contract assets and lease receivables, or if the credit risk on that financial instrument has increased significantly since initial recognition.

If, at the end of the reporting period, the credit risk on a financial instrument (other than trade receivables, contract assets and lease receivables) has not increased significantly since initial recognition, the Target School measures the loss allowance for that financial instrument at an amount equal to the portion of lifetime expected credit losses that represents the expected credit losses that result from default events on that financial instrument that are possible within 12 months after the reporting period.

The amount of expected credit losses or reversal to adjust the loss allowance at the end of the reporting period to the required amount is recognised in profit or loss as an impairment gain or loss.

Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value. Bank overdrafts which are repayable on demand and form an integral part of the Target School's cash management are also included as a component of cash and cash equivalents.

Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under IFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Target School after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Target School has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

Equity instruments

Equity instruments issued by the Target School are recorded at the proceeds received, net of direct issue costs.

Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer with reference to the customary business practices and excludes amounts collected on behalf of third parties. For a contract where the period between the payment by the customer and the transfer of the promised product or service exceeds one year, the consideration is adjusted for the effect of a significant financing component.

The Target School recognises revenue when it satisfies a performance obligation by transferring control over a product or service to a customer. Depending on the terms of a contract and the laws that apply to that contract, a performance obligation can be satisfied over time or at a point in time. A performance obligation is satisfied over time if:

– the customer simultaneously receives and consumes the benefits provided by the Target School's performance;

– the Target School's performance creates or enhances an asset that the customer controls as the asset is created or enhanced;

– the Target School's performance does not create an asset with an alternative use to the Target School and the Target School has an enforceable right to payment for performance completed to date.

If a performance obligation is satisfied over time, revenue is recognised by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the product or service.

Other revenue

Interest income is recognised using the effective interest method.

Rental income is recognised on a straight-line basis over the lease term.

Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Pension obligations

The Target School contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Target School and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Target School to the funds.

(iii) Termination benefits

Termination benefits are recognised at the earlier of the dates when the Target School can no longer withdraw the offer of those benefits and when the Target School recognises restructuring costs and involves the payment of termination benefits.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Target School that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

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

Government grants

A government grant is recognised when there is reasonable assurance that the Target School will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Taxation

Income tax represents the sum of the current tax and deferred tax.

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

Deferred tax is recognised on 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 recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Target School 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.

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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Target School expects, at the end of the 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 and the Target School intends to settle its current tax assets and liabilities on a net basis.

Related parties

A related party is a person or entity that is related to the Target School.

(A) A person or a close member of that person's family is related to the Target School if that person:

(i) has control or joint control over the Target School;

(ii) has significant influence over the Target School; or

(iii) is a member of the key management personnel of the Target School or of a parent of the Target School.

(B) An entity is related to the Target School if any of the following conditions applies:

(i) The entity and the Target School are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Target School or an entity related to the Target School. If the Target School is itself such a plan, the sponsoring employers are also related to the Target School.

(vi) The entity is controlled or jointly controlled by a person identified in (A).

(vii) A person identified in (A)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target School or to a parent of the Target School.

Impairment of assets

At the end of each reporting period, the Target School reviews the carrying amounts of its tangible and intangible assets, inventories and receivables 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 asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Target School estimates the recoverable amount of the cash generating unit to which the asset belongs.

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.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target School has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the reporting period

Events after the reporting period that provide additional information about the Target School's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the Historical Financial Information. Events after the reporting period that are not adjusting events are disclosed in the notes to the Historical Financial Information when material.

5. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

(a) Property, plant and equipment and depreciation

The Target School determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives and residual values of property, plant and equipment of similar nature and functions. The Target School will revise the depreciation charge where useful lives and residual values are different to those previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

(b) Impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets exceeds its recoverable amount. The recoverable amount is determined with reference to the present value of estimated future cash flows. Where the future cash flows are less than expected or there are unfavourable events and change in facts and circumstance which result in revision of future estimate cash flows, a material impairment loss may arise.

6. FINANCIAL RISK MANAGEMENT

The Target School's activities expose it to a variety of financial risks: credit risk, liquidity risk and interest rate risk. The Target School's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target School's financial performance.

(a) Credit risk

The carrying amount of the cash and bank balances, trade and other receivables and amounts due from related parties included in the statement of financial position represents the Target School's maximum exposure to credit risk in relation to the Target School's financial assets.

The Target School has no significant concentrations of credit risk.

It has policies in place to ensure that sales are made to customers with an appropriate credit history. Amounts due from related companies are closely monitored by the directors.

The credit risk on cash and bank balances is limited because the counterparties are banks with high credit-ratings.

The Target School considers whether there has been a significant increase in credit risk of financial assets on an ongoing basis throughout each reporting period by comparing the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following information is used:

– internal credit rating;

– external credit rating (if available);

– actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;

– actual or expected significant changes in the operating results of the borrower;

– significant increases in credit risk on other financial instruments of the same borrower;

– significant changes in the value of the collateral or in the quality of guarantees or credit enhancements; and

– significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 60 days of when they fall due.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Target School. The Target School normally categorises a loan or receivable for write off when a debtor fails to make contractual payments greater than 360 days past due. Where loans or receivables have been written off, the Target School, if practicable and economical, continues to engage in enforcement activity to attempt to recover the receivable due.

(b) Liquidity risk

The Target School's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The maturity analysis, based on undiscounted cash flows, of the Target School's financial liabilities is as follows:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 August 2017				
Other payables and accrued expenses	32,295	–	–	–
Amount due to a related party	94,762	–	–	–
	127,057	–	–	–
At 31 August 2018				
Other payables and accrued expenses	29,501	–	–	–
Amount due to a related party	81,072	–	–	–
	110,573	–	–	–
At 31 August 2019				
Other payables and accrued expenses	9,751	–	–	–
Borrowings	40,000	–	–	–
	49,751	–	–	–
At 31 August 2020				
Other payables and accrued expenses	23,564	–	–	–
Amount due to a related party	45,792	–	–	–
	69,356	–	–	–
At 31 August 2021				
Other payables and accrued expenses	13,670	–	–	–
Amount due to a related party	81,390	–	–	–
	95,060	–	–	–

(c) Interest rate risk

During the year ended 31 August 2017, 2018, 2020 and 2021, as the Target School had no significant interest-bearing assets and liabilities, the Target School's operating cash flows were substantially independent of changes in market interest rates.

During the year ended 31 August 2019, the Target School's exposure to interest-rate risk arose from its borrowings and bank deposits. These borrowings bear interests at variable rates varied with the then prevailing market condition.

Sensitivity analysis

At 31 August 2019, if interest rates at that date had been 100 basis points lower with all other variables held constant, profit after tax for the year would have been RMB257,000 higher, arising mainly as a result of lower interest expense on borrowings. If interest rates had been 100 basis points higher, with all other variables held constant, profit after tax for the year would have been RMB9,000 higher, arising mainly as a result of higher interest income on bank deposits.

(d) Categories of financial instruments

	As at 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets:					
Financial assets at amortised cost (including cash and cash equivalents)	52,471	108,940	42,286	67,644	143,831
Financial liabilities:					
Financial liabilities at amortised cost	127,057	110,573	49,751	69,356	95,060

(e) Fair values

The carrying amounts of the Target School's financial assets and financial liabilities as reflected in the statement of financial position approximate their respective fair values.

7. REVENUE AND SEGMENT INFORMATION

The Target School is mainly engaged in the operation of private higher education institutions in the PRC. Revenue represents tuition and boarding fee from education institutions less sales related tax.

The Target School's operating activities are attributable to a single operating segment focusing on the provision of higher education in the PRC. This operating segment has been identified on the basis of internal management reports, prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC which conform with IFRSs, that are regularly reviewed by the Target School's chief operating decision maker ("CODM"), being the chief executive officer of the Target School. for the purpose of allocating resources and assessing its performance. The CODM reviews the Target School's profit for the year as a whole for performance assessment.

	Year ended 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue from contracts with customers:					
– Tuition fees recognised over time	115,750	117,493	120,321	124,000	130,869
– Boarding fees recognised over time	10,133	9,935	10,208	6,988	9,186
Total revenue	125,883	127,428	130,529	130,988	140,055

The Target School primarily operates in the PRC. All of the Target School's revenue was generated in the PRC and all of the Target School's non-current assets are located in the PRC.

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

Tuition and boarding fees are generally received in advance prior to the beginning of each school year, and are initially recorded as contract liabilities. The fees are recognised proportionately over the relevant period of the applicable program. The portion of the fees received from students but not earned is recorded as contract liabilities under current liabilities as such amounts represent revenue that the Target School expected earn within one year.

8. OTHER INCOME

	Year ended 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Government grants	601	610	23	407	1,820
Interest income	541	498	483	306	732
Rental income	730	1,252	1,545	1,920	1,383
Others	374	288	323	353	890
	2,246	2,648	2,374	2,986	4,825

9. FINANCE COSTS

	Year ended 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest on bank loans	–	–	531	945	–

10. INCOME TAX EXPENSES

	Year ended 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Current tax – PRC enterprise income tax	–	–	–	–	–

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the Target School is 25% for the four years ended 31 August 2017, 2018, 2019, 2020 and 2021.

There is no EIT imposed on the profit from the provision of formal educational services of the Target School. As a result, no income tax expense was recognised and paid for the profit from the provision of formal educational services during the Relevant Periods.

The reconciliation between the income tax expenses and the product of profit before tax multiplied by the PRC enterprise income tax rate is as follows:

	Year ended 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Loss)/profit before tax	(584)	(1,377)	53,419	27,877	36,173
PRC Enterprise Income Tax at 25%	(146)	(344)	13,355	6,969	9,043
Tax effect of profit from non-profit making organisation exempted for tax purpose	146	344	(13,355)	(6,969)	(9,043)
Income tax expenses	–	–	–	–	–

No provision for deferred taxation has been made in the Historical Financial Information as the Target School is not expected to generate assessable profits.

11. (LOSS)/PROFIT FOR THE YEAR

The Target School's (loss)/profit for the year is stated after charging the following:

	Year ended 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Auditor's remuneration	–	–	–	–	–
Depreciation of property, plant and equipment	10,611	10,842	10,932	10,405	9,902
Depreciation of right-of-use assets	327	327	327	327	327
Staff costs including directors' emoluments					
– Salaries, bonus and allowances	49,413	50,696	28,149	33,204	31,082
– Retirement benefits scheme contributions	3,292	3,577	3,989	4,958	5,823
	52,705	54,273	32,138	38,162	36,905

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Target School during the Relevant Period, nor has any dividend been proposed after the Relevant Periods.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture and fixtures	Teaching and electronic equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost						
At 1 September 2016	120,591	528	8,702	60,692	–	190,513
Additions	1,636	3	283	10,041	–	11,963
Disposals	–	–	(4,853)	–	–	(4,853)
At 31 August 2017 and 1 September 2017	122,227	531	4,132	70,733	–	197,623
Additions	1,241	–	260	4,337	–	5,838
At 31 August 2018 and 1 September 2018	123,468	531	4,392	75,070	–	203,461
Additions	673	–	249	4,229	–	5,151
At 31 August 2019 and 1 September 2019	124,141	531	4,641	79,299	–	208,612
Additions	–	392	15	1,288	–	1,695
At 31 August 2020 and 1 September 2020	124,141	923	4,656	80,587	–	210,307
Additions	438	–	1,680	2,030	19,259	23,407
At 31 August 2021	124,579	923	6,336	82,617	19,259	233,714
Accumulated depreciation						
At 1 September 2016	69,550	499	8,314	38,818	–	117,181
Provided for the year	5,493	1	77	5,040	–	10,611
Disposals	–	–	(4,853)	–	–	(4,853)
At 31 August 2017 and 1 September 2017	75,043	500	3,538	43,858	–	122,939
Provided for the year	5,562	1	108	5,171	–	10,842
At 31 August 2018 and 1 September 2018	80,605	501	3,646	49,029	–	133,781
Provided for the year	5,592	1	143	5,196	–	10,932
At 31 August 2019 and 1 September 2019	86,197	502	3,789	54,225	–	144,713
Provided for the year	5,602	53	142	4,608	–	10,405
At 31 August 2020 and 1 September 2020	91,799	555	3,931	58,833	–	155,118
Provided for the year	5,616	75	295	3,916	–	9,902
At 31 August 2021	97,415	630	4,226	62,749	–	165,020

	Buildings	Motor vehicles	Furniture and fixtures	Teaching and electronic equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Carrying amount						
At 31 August 2017	47,184	31	594	26,875	–	74,684
At 31 August 2018	42,863	30	746	26,041	–	69,680
At 31 August 2019	37,944	29	852	25,074	–	63,899
At 31 August 2020	32,342	368	725	21,754	–	55,189
At 31 August 2021	27,164	293	2,110	19,868	19,259	68,694

	As at 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
The Group was in the process of obtaining the property certificate for the buildings located in the PRC	21,782	19,206	16,663	14,053	11,477

14. RIGHT-OF-USE ASSETS

	As at 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Right-of-use assets – Land use right	11,004	10,677	10,350	10,023	9,696
Depreciation charge of right-of-use assets – Land use right	327	327	327	327	327

The land use right is depreciated on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal term in the PRC.

15. TRADE AND OTHER RECEIVABLES

	As at 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Tuition and boarding fee receivables *(note i)*	883	490	88	483	182
Prepayment	2,861	2,558	2,269	2,098	1,990
Advance to China Chunlai Education Group Co., Ltd. *(note ii)*	–	–	–	50,000	5,150
Prepayment for acquisition of property, plant and equipment	–	–	–	–	6,438
Prepayment for acquisition of land use rights	–	–	–	–	20,000
Others	2,044	2,273	1,253	1,576	2,206
	5,788	5,321	3,610	54,157	35,966
Less: Current portion	(5,788)	(5,321)	(3,610)	(54,157)	(9,528)
Non-current portion	–	–	–	–	26,438

Notes:

(i) The students are required to pay tuition and boarding fees in advance for the upcoming school years, which normally commences in August and September. The outstanding receivables mainly represent amounts related to registered students who have applied for the delayed payment of tuition fees and boarding fees. These delay payments were primarily due to the application of students' loan which generally take a few months to be settled from governmental institutions. There is no fixed credit term for payment. The Target School's tuition receivables were due to a large number of individual students, there is no significant concentration of credit risk and no impairment is considered necessary based on the historical settlement pattern from students. The Target School does not hold any collateral or other credit enhancement over its tuition receivables balances.

(ii) During the Preparatory Period for Conversion and until the completion of the conversion of the Target School, China Chunlai Education Group Co., Ltd. ("Chunlai") will pay refundable security deposit (the "Security Deposit") and financial institution guarantee of total amount RMB200,000,000 (equivalent to approximately HK$227,272,726) to Suzhou University of Science and Technology to protect its interests and reputation, ensure normal operations of campus operations and facilities, prevent illegal or arbitrary fees that would affect students' rights and interests, and to prevent mismanagement leading to major accidents. Upon expiry of the Transition Period, the deposit will be returned to Chunlai within 10 business days and the financial institution guarantee will be terminated.

The Security Deposit of RMB50,000,000 was paid by the Target School to Suzhou University of Science and Technology on behalf of Chunlai during the year ended 31 August 2020.

On 31 August 2021, the Target School, Shanghai Chunjing Investment Management Co., Ltd. ("Chunjing"), an indirectly wholly-owned subsidiary of Chunlai, and Chunlai, entered into a settlement agreement, pursuant to which the amount due from Chunlai to the Target School of RMB50,000,000 are off-set with the amount due from the Target School to Chunlai and Chunjing of RMB500,000 and RMB44,350,000 respectively. After such off-set, the amount due from Chunlai to the Target School amounted to RMB5,150,000.

The amount advance to China Chunlai Education Group Co., Ltd ("Chunlai"). is non-trade in nature, unsecured, non-interest bearing and repayable on demand.

An ageing analysis of tuition and boarding fee receivables as at the end of the reporting period, based on the transaction date, is as follows:

	As at 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
181-365 days	341	119	47	395	50
Over 365 days	542	371	41	88	132
	883	490	88	483	182

The Target School applies the simplified approach under IFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all tuition and boarding fee receivables. To measure the expected credit losses, tuition and boarding fee receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

	Current
At 31 August 2017	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	883
Loss allowance (RMB'000)	–
At 31 August 2018	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	490
Loss allowance (RMB'000)	–
At 31 August 2019	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	88
Loss allowance (RMB'000)	–
At 31 August 2020	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	483
Loss allowance (RMB'000)	–
At 31 August 2021	
Weighted average expected loss rate	0%
Receivable amount (RMB'000)	182
Loss allowance (RMB'000)	–

16. AMOUNT DUE FROM/(TO) A RELATED PARTY

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

17. CONTRACT LIABILITIES

	As at 1 September 2016 *RMB'000*	As at 31 August 2017 *RMB'000*	As at 31 August 2018 *RMB'000*	As at 31 August 2019 *RMB'000*	As at 31 August 2020 *RMB'000*	As at 31 August 2021 *RMB'000*
Contract liabilities – tuition and boarding fee	1,455	28,237	96,496	31,342	–	53,802
Contract liabilities – rental income	–	55	487	–	–	–
	1,455	28,292	96,983	31,342	–	53,802

	Year ended 31 August				
	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*
Revenue recognised in the year that was included in contract liabilities at beginning of year	1,455	28,292	96,983	31,342	–

Transaction prices allocated to performance obligations unsatisfied at end of year and expected to be recognised as revenue in:

	Year ended 31 August				
	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*
2018	28,292	–	–	–	–
2019	–	96,983	–	–	–
2020	–	–	31,342	–	–
2022	–	–	–	–	53,802
	28,292	96,983	31,342	–	53,802

Significant changes in contract liabilities during the year:

	Year ended 31 August				
	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*
Increase due to operations in the year	152,775	196,606	64,888	99,646	193,857
Transfer of contract liabilities to revenue	(125,883)	(127,428)	(130,529)	(130,988)	(140,055)
Transfer of contract liabilities to other income	(55)	(487)	–	–	–

A contract liability represents the Target School's obligation to transfer services to a customer for which the Target School has received consideration (or an amount of consideration is due) from the customer.

18. OTHER PAYABLES AND ACCRUED EXPENSES

	As at 31 August				
	2017	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Accrued staff benefits and payroll *(note ii)*	25,394	25,478	2,976	13,857	3,930
Payables for construction	74	60	60	51	2,762
Receipt on behalf of ancillary services providers	1,833	60	73	4,578	3,111
Others payables, accruals and deposits received	4,994	3,903	6,642	4,578	3,867
Advance from Chunlai *(note i)*	–	–	–	500	–
Other taxes payables	1	7	–	2	16
	32,296	29,508	9,751	23,566	13,686

Notes:

(i) The advance from Chunlai for the purpose of working capital is unsecured and non-interest bearing and repayable on 31 August 2021. The repayment term is negotiated annually.

On 31 August 2021, the Target School, Chunjing and Chunlai, entered into a settlement agreement, pursuant to which the amount due from Chunlai to the Target School of RMB50,000,000 are off-set with the amount due from the Target School to Chunlai and Chunjing of RMB500,000 and RMB44,350,000 respectively. After such off-set, the amount due from Chunlai to the Target School amounted to RMB5,150,000.

(ii) As at 31 August 2020 and 2021, accrued staff benefits and payroll included accrued salary of approximately RMB5,994,000 and RMB2,495,000 payable to Suzhou University of Science and Technology respectively.

19. BORROWINGS

	As at 31 August				
	2017	2018	2019	2020	2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	–	–	40,000	–	–

The bank loans are unsecured and repayable within one year.

The interest rate as at 31 August 2019 is 4.35%.

20. PAID-IN CAPITAL

	As at 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid ordinary shares:					
At 1 September 2016, 31 August 2017, 1 September 2017, 31 August 2018, 1 September 2018, 31 August 2019, 1 September 2019 and 31 August 2020, 1 September 2020 and 31 August 2021	30,000	30,000	30,000	30,000	30,000

21. LEASE COMMITMENTS

The Target School as lessor

At the end of Relevant Periods, the Target School had contracted with tenants for the followings future minimum lease payments:

	As at 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	785	1,436	1,330	1,183	872
In the second to fifth years inclusive	2,796	3,423	2,096	913	41
After five years	40	2	–	–	–
	3,621	4,861	3,426	2,096	913

22. RELATED PARTY TRANSACTIONS

During the Relevant Periods, besides the disclosures elsewhere in the Historical Financial Information, the Target School entered into the following transactions with related parties:

	Year ended 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Service fee paid to Suzhou University of Science and Technology *(note ii)*	46,081	46,310	15,394	39,305	39,792
Staff cost paid to Suzhou University of Science and Technology *(note ii)*	–	–	–	12,480	9,917
Property management fee paid to fellow subsidiary	3,326	3,769	4,971	1,378	–
Management fee paid to Suzhou University of Science and Technology *note (ii)*	–	–	–	–	2,292

The balances with related parties at the end of the Relevant Periods are as follows:

	As at 31 August				
	2017	**2018**	**2019**	**2020**	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Advance to Chunlai *(note i)*	–	–	–	50,000	5,150
Advance from Chunlai *(note i)*	–	–	–	500	–

Notes:

(i) Mr. Hou Junyu is the director of the Target School and the director and ultimate controlling shareholder of Chunlai.

(ii) Suzhou University of Science and Technology is the school sponsor of the Target School.

23. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Major non-cash transaction

On 31 August 2021, the Target School, Chunjing and Chunlai, entered into a settlement agreement, pursuant to which the amount due from Chunlai to the Target School of RMB50,000,000 are off-set with the amount due from the Target School to Chunlai and Chunjing of RMB500,000 and RMB44,350,000 respectively. After such off-set, the amount due from Chunlai to the Target School amounted to RMB5,150,000.

(b) Changes in liabilities arising from financing activities

The following table shows the Target School's changes in liabilities arising from financing activities during the Relevant Periods:

	Advance from a related party (included in other payables)	**Borrowings**	**Total liabilities from financing activities**
	RMB'000	*RMB'000*	*RMB'000*
At 1 September 2016	–	–	–
Changes in cash flows	–	–	–
At 31 August 2017 and 1 September 2017	–	–	–
Changes in cash flows	–	–	–
At 31 August 2018 and 1 September 2018	–	–	–
Changes in cash flows	–	39,469	39,469
Interest charged	–	531	531

	Advance from a related party (included in other payables) *RMB'000*	Borrowings *RMB'000*	Total liabilities from financing activities *RMB'000*
At 31 August 2019 and 1 September 2019	–	40,000	40,000
Changes in cash flows	500	(40,945)	(40,445)
Interest charged	–	945	945
At 31 August 2020 and 1 September 2020	500	–	500
Non-cash changes			
– offset of balance with a related party *(note 23a)*	(500)	–	(500)
At 31 August 2021	–	–	–

24. CONTINGENT LIABILITIES

As at 31 August 2017, 2018, 2019, 2020 and 2021, the Target School did not have any significant contingent liabilities.

25. CAPITAL COMMITMENTS

	Year ended 31 August				
	2017 *RMB'000*	2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*	2021 *RMB'000*
Contracted but provided for:					
– Property, plant and equipment	–	–	–	–	209,755

26. EVENTS AFTER THE REPORTING PERIOD

On 15 October 2021, the Target School received an acceptance letter from Nanjing Higher Vocational Education Innovation and Entrepreneurship Park (南京高等職業教育創新創業園) confirming the acquisition of approximately 4,735 mu of land at a consideration of approximately RMB179,967,000.

27. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target School or any of its subsidiaries in respect of any period subsequent to 31 August 2021.

2. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF TIANPING COLLEGE

The following discussion and analysis should be read in conjunction with the financial information of Tianping College for the four years ended 31 August 2021, as set out in the section headed "Financial Information of Tianping College – 1. Accountants' Report of Tianping College" in Appendix II to this circular.

Business Overview

For information of Tianping College, please refer to the section headed "Financial Information of Tianping College – 1. Accountants' Report of Tianping College" in Appendix II to this circular.

Liquidity, financial position and capital structure

As at 31 August 2017, 2018, 2019, 2020 and 2021, the total assets of Tianping College amounted to RMB141.0 million, RMB191.9 million, RMB118.8 million, RMB134.0 million and RMB250.7 million, respectively.

As at 31 August 2017, 2018, 2019, 2020 and 2021, the total liabilities of Tianping College amounted to RMB155.4 million, RMB207.6 million, RMB81.1 million, RMB69.4 million and RMB148.9 million, respectively.

As at 31 August 2017, the current assets and current liabilities of Tianping College were approximately RMB55.4 million and RMB155.4 million, respectively. The current assets of Tianping College as at 31 August 2017 mainly comprised bank balance and cash. The current liabilities of Tianping College as at 31 August 2017 mainly comprised other payables and accrued expenses and amount due to a related party of approximately RMB32.3 million and RMB94.8 million, respectively. The current ratio, represented by the current assets as a percentage of the current liabilities, was approximately 35.6% as at 31 August 2017.

As at 31 August 2018, the current assets and current liabilities of Tianping College were approximately RMB111.5 million and RMB207.6 million, respectively. The current assets of Tianping College as at 31 August 2018 mainly comprised bank balance and cash. The current liabilities of Tianping College as at 31 August 2018 mainly comprised contract liabilities and amount due to a related party of approximately RMB97.0 million and RMB81.1 million, respectively. The current ratio, represented by the current assets as a percentage of the current liabilities, was approximately 53.7% as at 31 August 2018.

As at 31 August 2019, the current assets and current liabilities of Tianping College were approximately RMB44.6 million and RMB81.1 million, respectively. The current assets of Tianping College as at 31 August 2019 mainly comprised bank balance and cash. The current liabilities of Tianping College as at 31 August 2019 mainly comprised contract liabilities and borrowings of approximately RMB31.3 million and RMB40.0 million, respectively. The current ratio, represented by the current assets as a percentage of the current liabilities, was approximately 55.0% as at 31 August 2019.

As at 31 August 2020, the current assets and current liabilities of Tianping College were approximately RMB69.8 million and RMB69.4 million, respectively. The current assets of Tianping College as at 31 August 2020 mainly comprised bank balance and cash and advance to the Group. The current liabilities of Tianping College as at 31 August 2020 mainly comprised amount due to a related party of approximately RMB45.8 million. The current ratio, represented by the current assets as a percentage of the current liabilities, was approximately 100.6% as at 31 August 2020.

As at 31 August 2021, the current assets and current liabilities of Tianping College were approximately RMB145.8 million and RMB148.9 million, respectively. The current assets of Tianping College as at 31 August 2021 mainly comprised bank balance and cash and advance to the Group. The current liabilities of Tianping College as at 31 August 2021 mainly comprised amount due to a related party of approximately RMB81.4 million. The current ratio, represented by the current assets as a percentage of the current liabilities, was approximately 97.9% as at 31 August 2021.

Revenue

Tianping College achieved revenue of approximately RMB125.9 million, RMB127.4 million, RMB130.5 million, RMB131.0 million and 140.1 million for the years ended 31 August 2017, 2018, 2019, 2020 and 2021, respectively.

Revenue increased by approximately 1.2% from approximately RMB125.9 million for the year ended 31 August 2017 to approximately RMB127.4 million for the year ended 31 August 2018. The increase was mainly due to an increase in student enrolment.

Revenue increased by approximately 2.4% from approximately RMB127.4 million for the year ended 31 August 2018 to approximately RMB130.5 million for the year ended 31 August 2019. The increase was mainly due to an increase in student enrolment.

Revenue increased by approximately 0.4% from approximately RMB130.5 million for the year ended 31 August 2019 to approximately RMB131.0 million for the year ended 31 August 2020. The increase was mainly due to an increase in student enrollment.

Revenue increased by approximately 7.0% from approximately RMB131.0 million for the year ended 31 August 2020 to approximately RMB140.1 million for the year ended 31 August 2021. The increase was mainly due to an increase in student enrollment.

Direct Costs

Direct costs were approximately RMB71.4 million, RMB71.3 million, RMB48.1 million, RMB53.0 million and RMB52.7 million for the years ended 31 August 2017, 2018, 2019, 2020 and 2021, respectively.

Direct costs decreased by approximately 0.1% from approximately RMB71.4 million for the year ended 31 August 2017 to approximately RMB71.3 million for the year ended 31 August 2018. The decrease mainly due to decrease in staff cost caused by reduction of staff bonus.

Direct costs decreased by approximately 32.5% from approximately RMB71.3 million for the year ended 31 August 2018 to approximately RMB48.1 million for the year ended 31 August 2019. The decrease mainly due to decrease in staff cost caused by reduction of staff bonus.

Direct costs increased by approximately 12.3% from approximately RMB48.1 million for the year ended 31 August 2019 to approximately RMB52.7 million for the year ended 31 August 2020. The increase mainly due to increase in staff cost caused by increase of staff bonus.

Direct costs decreased by approximately 0.6% from approximately RMB53.0 million for the year ended 31 August 2020 to approximately RMB52.7 million for the year ended 31 August 2021. The decrease mainly due to decrease in staff cost caused by decrease of staff bonus.

Administrative expenses

Administrative expenses were approximately RMB57.3 million, RMB60.2 million, RMB30.8 million, RMB52.2 million and RMB56.0 million for the years ended 31 August 2017, 2018, 2019, 2020 and 2021, respectively.

Administrative expenses increased by approximately 5.1% from approximately RMB57.3 million for the year ended 31 August 2017 to approximately RMB60.2 million for the year ended 31 August 2018. The increase mainly due to increase in service fee paid to Suzhou University of Science and Technology.

Administrative expenses decreased by approximately 48.8% from approximately RMB60.2 million for the year ended 31 August 2018 to approximately RMB30.8 million for the year ended 31 August 2019. The decrease mainly due to decrease in service fee paid to Suzhou University of Science and Technology.

Administrative expenses increased by approximately 69.5% from approximately RMB30.8 million for the year ended 31 August 2019 to approximately RMB52.2 million for the year ended 31 August 2020. The increase mainly due to increase in service fee paid to Suzhou University of Science and Technology.

Administrative expenses increased by approximately 68.5% from approximately RMB52.2 million for the year ended 31 August 2020 to approximately RMB56.0 million for the year ended 31 August 2021. The increase mainly due to increase in management fee paid to Suzhou University of Science and Technology.

Net loss/profit

Tianping College achieved a net loss (before taxation and extraordinary items) of approximately RMB0.6 million and RMB1.4 million for the year ended 31 August 2017 and 2018, respectively.

Tianping College achieved a net profit (after taxation and extraordinary items) of approximately RMB53.4 million, RMB27.9 million and RMB36.2 million for the years ended 31 August 2019, 2020 and 2021, respectively.

Employment and remuneration policies

Tianping College had approximately 139, 156, 144, 174 and 210 employees as at 31 August 2017, 2018, 2019, 2020 and 2021, respectively. Tianping College remunerated its employees by reference to their qualifications, experiences, responsibilities and profitability of Tianping College.

Significant investments held and future plans for material investments

As at 31 August 2017, 2018, 2019, 2020 and 2021, Tianping College did not have any significant investments.

Capital commitment and contingent liabilities

As at 31 August 2017, 2018, 2019 and 2020, Tianping College had no material capital commitments for the acquisition of fixed assets or intangible assets.

As at 31 August 2021, Tianping College had capital commitment of approximately RMB210 million for acquisition of property, plant and equipment.

As at 31 August 2021, Tianping College had no material contingent liabilities.

Foreign exchange exposure

The principal assets and liabilities of Tianping College were denominated in RMB and did not bear the foreign exchange risk arising from foreign currency transaction. As such Tianping College did not take any hedging measures.

Treasury policy and hedging arrangement

During the four years ended 31 August 2021, Tianping College did not have any treasury policy or hedging arrangement.

Acquisitions and disposals

There were no material acquisitions and disposals of subsidiaries, jointly controlled entities and associated companies by Tianping College during the four years ended 31 August 2021.

Segment information

During the four years ended 31 August 2021, most of the revenue of Tianping College was derived from provision of education services.

Future plans

Tianping College focuses on the provision of education services and the Company does not intend to change this focus. During the Preparatory Period for Conversion, the School Sponsor shall also be responsible for, among others, establishing a new campus for operating Tianping College, setting up teaching facilities, building management team, and shall no longer include in its name "Suzhou University of Science and Technology" or other university names registered by Suzhou University of Science and Technology by the end of the Preparatory Period for Conversion. For further details, please refer to "1. Formal Agreement" in the Letter from the Board in this circular.

A. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The accompanying unaudited pro forma statement of assets and liabilities of the Group (the "Statement") has been prepared to illustrate the effect of the acquisition of Tianping college (the "Acquisition"), assuming the transaction had been completed as at 31 August 2021, might have affected the financial position of the Group.

The Statement is prepared based on the audited consolidated statement of financial position of the Group as at 31 August 2021 as extracted from the annual report of the Group for the year ended 31 August 2021 and the financial information of the Target School as set out in note 2 of the Statement after making certain proforma adjustments resulting from the Acquisition.

The Statement is prepared based on a number of assumptions, estimates, uncertainties and currently available information, and is provided for illustrative purposes only. Accordingly, as a result of the nature of the Statement, it may not give a true picture of the actual financial position of the Group that would have been attained had the Acquisition actually occurred on 31 August 2021. Furthermore, the Statement does not purport to predict the Group's future financial position.

The Statement should be read in conjunction with the financial information of the Group as set out in Appendix I of the Circular, the financial information of the Target School as set out in Appendix II of the Circular and other financial information included elsewhere in the Circular.

(ii) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group as at 31 August 2021

	Audited consolidated statement of assets and liabilities of the Group	Pro forma adjustments					Unaudited pro forma statement of assets and liabilities of the Enlarged Group
	RMB'000 *(Note 1)*	*RMB'000* *(Note 2)*	*RMB'000* *(Note 4)*	*RMB'000* *(Note 5)*	*RMB'000* *(Note 6)*	*RMB'000* *(Note 7)*	*RMB'000*
NON-CURRENT ASSETS							
Property, plant and equipment (note 3)	2,780,754	23,231	–	–	–	–	2,803,985
Right-of-use assets (note 3)	541,520	–	–	–	–	–	541,520
Intangible assets	188,000	–	–	602,500	–	–	790,500
Prepayment for cooperation agreements	640,056	–	30,000	(670,056)	–	–	–
Other non-current assets	342,625	26,438	–	–	–	–	369,063
Goodwill	–	–	–	144,737	–	–	144,737
TOTAL NON-CURRENT ASSETS	4,492,955	49,669	30,000	77,181	–	–	4,649,805
CURRENT ASSETS							
Trade and other receivables	161,635	6,795	–	–	(5,150)	–	163,280
Amount due from a shareholder	7	–	–	–	–	–	7
Cash and cash equivalents (note 8)	399,603	97,400	(30,000)	(160,056)	–	–	306,947
Other current assets	–	5	–	–	–	–	5
TOTAL CURRENT ASSETS	561,245	104,200	(30,000)	(160,056)	(5,150)	–	470,239
TOTAL ASSETS	5,054,200	153,869	–	(82,875)	(5,150)	–	5,120,044
CURRENT LIABILITIES							
Accruals and other payables	383,719	17,192	–	–	(5,150)	1,530	397,291
Deferred revenue	3,499	–	–	–	–	–	3,499
Contract liabilities	219,419	53,802	–	–	–	–	273,221
Borrowings (note 3)	1,593,517	–	–	–	–	–	1,593,517
Current tax liabilities	15,057	–	–	–	–	–	15,057
TOTAL CURRENT LIABILITIES	2,215,211	70,994	–	–	(5,150)	1,530	2,282,585

	Audited consolidated statement of assets and liabilities of the Group	**Pro forma adjustments**					**Unaudited pro forma statement of assets and liabilities of the Enlarged Group**
	RMB'000 (Note 1)	*RMB'000 (Note 2)*	*RMB'000 (Note 4)*	*RMB'000 (Note 5)*	*RMB'000 (Note 6)*	*RMB'000 (Note 7)*	*RMB'000*
NON-CURRENT LIABILITIES							
Deferred revenue	4,830	–	–	–	–	–	4,830
Borrowings	774,715	–	–	–	–	–	774,715
TOTAL NON-CURRENT LIABILITIES	779,545	–	–	–	–	–	779,545
TOTAL LIABILITIES	2,994,756	70,994	–	–	(5,150)	1,530	3,062,130
NET ASSETS	2,059,444	82,875	–	(82,875)	–	(1,530)	2,057,914

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1 The amounts are extracted from the consolidated statement of financial position of the Group as at 31 August 2021 as set out in the annual report of the Group for the year ended 31 August 2021.

2 On 19 August 2019, Henan Shangqiu Chunlai Education Corporation* (河南商丘春來教育集團), a consolidated affiliated entity of the Company, (the "School Sponsor") entered into an agreement (the "Change of Sponsor Agreement") with Suzhou University of Science and Technology and Suzhou University of Science and Technology Foundation. Pursuant to the Change of Sponsor Agreement, all assets held by the Target School (including the existing campus of Target School) and all liabilities incurred arising from and in relation to the operation of the Target School prior to the date of the Change of Sponsor Agreement shall continue to vest with and shall be dealt with by the Suzhou University of Science and Technology and the Foundation, which would not form part of the Acquisition. As at 31 August 2021, based on the accounting records of the Target School, the assets held by the Target School and liabilities incurred arising from and in relation to the operation of the Target School after the date of the Change of Sponsor Agreement are as follows:

	RMB'000
Property, plant and equipment *(note 3)*	23,231
Prepayment	26,438
Trade and other receivables	6,795
Cash and cash equivalents *(note 8)*	97,400
Other current assets	5
Contract liabilities	(53,802)
Accruals and other payables	(17,192)
	82,875

This adjustment is directly attributable to the Acquisition as the above assets and liabilities are assets held by the Target School and liabilities incurred arising from and in relation to the operation of the Target School after the date of the Formal Agreement and shall form part of the Acquisition.

3 From the date of enforcement of the Change of Sponsor Agreement to 1 September 2023 (the "Preparatory Period of Conversion") is a preparatory period for converting the Target School into a standalone private ordinary college. During the Preparatory Period of Conversion, in order to convert the Target School into a standalone private ordinary college, the Target School must fulfill the requirement as set out in the Regulations on Management of Private Higher Education Institutions (民辦高等學校辦學管理若干規定) and the Provisional Regulations on Setting Up General Undergraduate Schools (普通本科學校設置暫行規定) (collectively referred to as the "Regulations"). The Regulations set out the required facilities for a standalone private ordinary college.

The Target School entered into a Cooperation Framework Agreement on 11 October 2020 with the People's Government of Gaochun District, Nanjing (南京市高淳區人民政府) ("Gaochun Government") with respect to the establishment of the Target School's new campus at South of Chengxin East Road, Higher Vocational Education Innovation and Innovation Park, Gaobu District, Nanjing (南京市高淳區高等職業教育創新創業園澄心東路南側) (the "Gaochun Framework Agreement"). Pursuant to the Gaochun Framework Agreement, the first phase of construction of the Target School's new campus has already commenced from December 2020 and is due to be completed in or around the last quarter of 2022, with the second phase of construction to commence from January 2022 and due to be completed on or around September 2023. Initial payment of RMB20 million has been paid to the Gaochun Government with the final amount and remaining balance payable to be determined according to property valuation assessment to be conducted by the Gaochun Government. The Group estimates the costs to acquire property, plant and equipment and right-of-use assets will be approximately RMB936,265,000 and RMB800,000,000 respectively.

During the Preparatory Period of Conversion, the estimated costs (the "Estimated Costs") to acquire property, plant and equipment and right-of-use assets totalling approximately RMB936,265,000 and RMB800,000,000 respectively which will be fully financed by bank borrowings.

Property, plant and equipment, right-of-use assets and borrowings shown in the unaudited pro forma consolidated statement of financial position are based on the assets and liabilities of the Group and Target Group as at 31 August 2021. The unaudited pro forma consolidated statement of financial position has not taken into account of the aforesaid Estimated Costs.

4 In addition to the consideration, the School Sponsor will pay by way of capital injection of RMB30,000,000 into the Target School pursuant to Change of Sponsor Agreement. Suzhou University of Science and Technology and the Foundation will withdraw their capital amount paid into the Target College accordingly. The adjustment represents the capital injection of RMB30 million into the Target School.

This adjustment is directly attributable to the Acquisition as capital injection of RMB30,000,000 into the Target School is one of the terms set out in the Change of Sponsor Agreement.

5 Upon completion of the Acquisition, the Company will own 100% sponsor interest in the Target School. The identifiable assets and liabilities of the Target School will be accounted for in the consolidated financial statements of the Enlarged Group at their fair value under the acquisition method of accounting in accordance with International Financial Reporting Standard ("IFRS") 3 "Business Combination".

Goodwill arising from the Acquisition of 100% sponsor interest in the Target School is calculated as follows:

	Note	*RMB'000*
Consideration	a	800,112
The School Sponsor's capital injection to the Target School (note 4)		30,000
Identifiable assets acquired and liabilities assumed	b	(685,375)
Goodwill arising from the Acquisition	c	144,737

(a) The Consideration for the Acquisition is approximately RMB800,112,000, which is payable by the School Sponsor to Suzhou University of Science and Technology (for itself and on behalf of the Foundation) in the following manner:

(i) a sum of approximately RMB400,056,000, has been paid by the School Sponsor on 24 July 2019;

(ii) a sum of approximately RMB240,000,000, has been paid by the School Sponsor on 18 September 2020 and 9 October 2020; and

(iii) the remaining balance of approximately RMB160,056,000, shall be payable by the School Sponsor within 720 days from entering into the Change of Sponsor Agreement and has been paid by the School Sponsor on 10 November 2021.

For the purpose of compiling this unaudited pro forma, it is assumed that the remaining balance of consideration of approximately RMB160,056,000 will be paid by the Group upon completion of the acquisition.

(b) This adjustment represents the recognition of goodwill which is the excess of acquisition cost over the fair value of identifiable assets acquired, and the liabilities assumed. The fair value of identifiable assets acquired and liabilities assumed in the Target School is determined in accordance with IFRS 3, "Business Combination". For the purpose of the Unaudited Pro Forma Financial Information and for illustrative purpose only, the fair value of identifiable assets and liabilities of the Target School are assumed as follows:

	RMB'000
Recognised amounts of identifiable assets acquired and liabilities assumed	
Property, plant and equipment (note i)	23,231
Intangible assets (note ii)	602,500
Other identifiable assets (note iii)	130,638
Other liabilities assumed (note iii)	(70,994)
Total identifiable net assets	685,375

(i) Property, plant and equipment of RMB23,231,000 was based on accounting records of the Target School as at 31 August 2021.

(ii) The intangible assets mainly consist of operating right of the Target School in an amount of RMB602,500,000. It has an expected indefinite useful life, which is determined by taking reference to the valuation of the Target School as at 31 August 2021 carried out by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer.

(iii) The other identifiable assets acquired and liabilities assumed are estimated based on the accounting records of the Target School as at 31 August 2021.

(c) For the purpose of the Unaudited Pro Forma Financial Information, the Directors have assessed whether there is any impairment in respect of the goodwill and intangible assets expected to arise from the Acquisition following the principles set out in International Accounting Standard 36 "Impairment of Assets". Based on the Directors' assessment, the Directors consider that there is no impairment on the goodwill and intangible assets.

The Company will adopt consistent accounting policies, key assumptions and valuation methodology (as used in the Unaudited Pro Forma Financial Information) to assess the impairment of the Enlarged Group's goodwill and intangible assets in the future, and communicate such basis with its external auditor and audit committee.

This adjustment is directly attributable to the Acquisition as the above assets and liabilities are assets held by the Target School and liabilities incurred arising from and in relation to the operation of the Target School after the date of the Formal Agreement and shall form part of the Acquisition.

6 The Group and the Target School have the following balances as at 31 August 2021.

	Notes	*RMB'000*
Amount due from the Group to the Target School	*(i)*	50,000
Amount due from the Target School to Chunlai and Shanghai Chunjing Investment Management Co., Ltd. ("Chunjing"), an indirectly wholly-owned subsidiary of Chunlai, for the purpose of working capital	*(ii)*	(44,850)
Amount due from the Group to the Target School pursuant to a settlement agreement (the "Settlement Agreement")	*(iii)*	5,150

Notes

(i) During the Preparatory Period for Conversion and until the completion of the conversion of the Target School, China Chunlai Education Group Co., Ltd. ("Chunlai") will pay refundable security deposit (the "Security Deposit") and financial institution guarantee of total amount RMB200,000,000 (equivalent to approximately HK$227,272,726) to Suzhou University of Science and Technology to protect its interests and reputation, ensure normal operations of campus operations and facilities, prevent illegal or arbitrary fees that would affect students' rights and interests, and to prevent mismanagement leading to major accidents. Upon expiry of the Preparatory Period for Conversion, the deposit will be returned to Chunlai within 10 business days and the financial institution guarantee will be terminated.

The amount due from Chunlai to the Target School represented the Security Deposit of RMB50,000,000 paid by the Target School to Suzhou University of Science and Technology on behalf of Chunlai during the year ended 31 August 2021.

(ii) The amount due from Target School to Chunlai and Chunjing amounted to RMB44,850,000 was for the purpose of working capital which is unsecured and non-interest bearing and repayable on demand.

(iii) On 31 August 2021, the Target School, Chunjing and Chunlai, entered into a settlement agreement, pursuant to which the amount due from Chunlai to the Target School of RMB50,000,000 are off-set with the amount due from the Target School to Chunlai and Chunjing of RMB500,000 and RMB44,850,000 respectively. After such off-set, the amount due from Chunlai to the Target School amounted to RMB5,150,000.

The adjustment represents the elimination of intra-group current accounts of RMB5.15 million between the Group and the Target School.

This adjustment is directly attributable to the Acquisition as upon completion of the Acquisition, intra-group balances should be eliminated.

7 The adjustment represents the estimated legal and professionals fees and other expenses of approximately RMB1.5 million payable by the Company in connection with the Acquisition.

8 As at 31 August 2021, consideration of approximately RMB640,056,000 has been paid by the School Sponsor. The remaining balance of approximately RMB160,056,000 will be funded by internal funds of the Group.

The Group has entered into six loan facility agreements after 31 August 2021, under which loan facilities up to a maximum amount of approximately RMB1,900,000,000 are available to the Group for not less than twelve months from 31 August 2021.

9 Apart from the Transaction, no other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions entered into by the Group subsequent to 31 August 2021.

B. ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, from the independent reporting accountant, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

中汇
ZHONGHUI

18 January 2022

The Board of Directors
China Chunlai Education Group Co., Ltd.
40/F, Sunlight Tower,
248 Queen's Road East,
Wanchai, Hong Kong

Dear Sirs,

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Chunlai Education Group Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company for illustrative purposes only. The pro forma financial information consists of the pro forma statement of assets and liabilities as at 31 August 2021 (the "Statement") as set out on pages III-1 to III-6 of Appendix III of the circular issued by the Company. The applicable criteria on the basis of which the directors have compiled the Statement are described on page III-1 to III-6 of Appendix III in the circular.

The Statement has been compiled by the directors to illustrate the impact of the proposed acquisition of the 100% sponsor interest in Tianping College on the Group's financial position as at 31 August 2021 as if the transaction had been taken place at 31 August 2021. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's consolidated financial statements as included in the annual report for the year ended 31 August 2021, on which an auditors report has been published.

Directors' Responsibility for the Pro Forma Financial Information

The directors are responsible for compiling the Statement in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline ("AG") 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the Statement and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Statement beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Statement in accordance with paragraph 29 of Chapter 4 of the Listing Rules and with reference to AG 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Statement, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Statement.

The purpose of the Statement included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 31 August 2021 would have been as presented.

A reasonable assurance engagement to report on whether the Statement has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the Statement provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Statement reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Statement has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Statement.

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

Opinion

In our opinion:

(a) the Statement has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Statement as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Yours faithfully,

ZHONGHUI ANDA CPA Limited
Certified Public Accountants
Hong Kong

仲量聯行

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979 King's Road
Hong Kong
Tel +852 2846 5000
Fax +852 2169 6001
Company Licence No.: C-030171

18 January 2022

The Board of Directors
China Chunlai Education Group Co., Ltd
40/F, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

In accordance with the instructions from China Chunlai Education Group Co., Ltd (the "**Company**"), Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("**JLL**") has undertaken a valuation exercise which requires us to express an independent opinion on the market value of the sponsor interest (the "**Subject**") in Tianping College of Suzhou University of Science and Technology (the "**Tianping College**" **or** "**Target School**") as at 31 August 2021 (the "**Valuation Date**").

The purpose of this valuation is for internal reference by the Company and inclusion in its public disclosure.

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

BACKGROUND

The Target School began accepting students in September 2000 and became an independent college in 2005. It was an independent college jointly sponsored, organized and funded by Suzhou University of Science and Technology and the Foundation to teach full-time undergraduate students. The Subject of this valuation is being sponsor interest in Tianping College of Suzhou University of Science and Technology.

Henan Shangqiu Chunlai Education Corporation (the "**School Sponsor**"), a consolidated affiliated company of the Company, entered into a change of sponsor agreement on 19 August 2019 and a supplemental agreement on 20 August 2020 (collectively the "**Formal Agreement**"), with Suzhou University of Science and Technology ("**Suzhou University**") and the Suzhou University of Science and Technology Education Development Foundation, pursuant to which the School Sponsor agreed to be the new school sponsor of Tianping College. Pursuant to the Formal Agreement, the School Sponsor shall have the right and obligation to convert Tianping College into a standalone private ordinary college. The change of school sponsor of Tianping College and the conversion of Tianping College into a standalone private ordinary college is subject to the approval of and registration by the relevant authorities in the People's Republic of China (the "**PRC**").

The consideration for the acquisition of the school sponsor interest of Tianping College in addition to the right and obligation to convert Tianping College into a standalone private ordinary college owned and operated solely by the School Sponsor under the Formal Agreement was RMB800,111,100.

Below is an extract of key financial data of Tianping College from the Accountants' Report:

	Year ended 31 August			
	2018	**2019**	**2020**	**2021**
	RMB Thousand	*RMB Thousand*	*RMB Thousand*	*RMB Thousand*
Revenue	127,883	130,529	130,988	140,055
Gross Profits	56,132	82,385	78,001	87,373
Net Profits	(1,377)	53,419	27,877	36,173

The reported net profits of Tianping College increased in the year ended 31 August 2019 to RMB53.4 million because of the reduction in staff bonuses and service fees paid to Suzhou University. The reported net profits decreased in the year ended 31 August 2020 to RMB27.9 million due to the facility usage fee, amounting to 30% of the revenue of the year, for the use of the existing campus pursuant to the Formal Agreement. The increase in the reported net profits in the twelve month period ended 31 August 2021 was mainly due to an increase in the revenue of Tianping College.

SOURCES OF INFORMATION

In conducting our valuation of the Subject, we have reviewed information including, but not limited to:

- Background of the Target School and relevant corporate information;

- Historical financial information of the Target School for 12-month ended 31 August 2018, 31 August 2019, 31 August 2020 and 31 August 2021;

- Business licenses of Target School; and

- Other operation and market information in relation to the business of the Target School.

We have held discussions with management of the Company and conducted market research from public sources to assess the reasonableness and fairness of information provided. We assumed such information to be reliable and legitimate, and we have relied to a considerable extent on the information provided in arriving at our conclusion of value.

BASIS OF OPINION

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Council ("**IVSC**"). The valuation procedures employed include a review of legal status and economic condition of the Target School and an assessment of key assumptions, estimates and representations made by the proprietor or the operator of the Target School. All matters we consider essential to the proper understanding of the valuation are disclosed in this valuation report.

The following factors form an integral part of our basis of opinion:

- The economic outlook in general;

- The nature of business and history of the operation concerned;

- The financial condition of the Subject;

- Market-driven investment returns of companies engaged in similar lines of business;

- Financial and business risk of the business including continuity of income and the projected future results;

- Consideration and analysis on the micro and macro economy affecting the business of the Subject;

- Analysis on tactical planning, management standard and synergy of the Subject; and

- Assessment of the leverage of the Subject.

We planned and performed our valuation so as to obtain all the information and explanations that we considered necessary in order to provide us with sufficient evidence to express our opinion on the valuation of the Subject.

VALUATION METHODOLOGY

In arriving at our assessed value, we have considered three generally accepted approaches, namely market approach, cost approach and income approach.

Market Approach considers prices recently paid for similar assets, with adjustments made to market prices to reflect condition and utility of the appraised assets relative to the market comparative. Assets for which there is an established secondary market may be valued by this approach. Benefits of using this approach include its simplicity, clarity, speed and the need for few or no assumptions. It also introduces objectivity in application as publicly available inputs are used. However, one has to be wary of the hidden assumptions in those inputs as there are inherent assumptions on the value of those comparable assets. It is also difficult to find comparable assets. Furthermore, this approach relies exclusively on the efficient market hypothesis.

Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation or obsolescence present, whether arising from physical, functional or economic causes. The cost approach generally furnishes the most reliable indication of value for assets without a known secondary market. Despite the simplicity and transparency of this approach, it does not directly incorporate information about the economic benefits contributed by the subject assets.

Income Approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the project than an amount equal to the present worth of anticipated future benefits (income) from the same or a substantially similar project with a similar risk profile. This approach allows for the prospective valuation of future profits and there are numerous empirical and theoretical justifications for the present value of expected future cash flows. However, this approach relies on numerous assumptions over a long-time horizon and the result may be very sensitive to certain inputs. It also presents a single scenario only.

To select the most appropriate approach, we have considered the purpose of the valuation and the resulting basis of value as well as the availability and reliability of information provided to us to perform an analysis. We have also considered the relative advantages and disadvantages of each approach to the nature and circumstances of this Subject. In our opinion, the cost approach is inappropriate for valuing the Subject, as it does not directly incorporate information about the economic benefits contributed by the Subject. The income approach is inappropriate as this approach require detailed operational information and long-term financial projection with objective supporting evidence but such information is not available to us. Hence, the market approach is adopted in this valuation.

There are two common methods under market approach, namely, guideline public company method and guideline transaction method. Guideline public companies method requires identifying suitable guideline public companies and selection of appropriate trading multiples, while guideline transaction method takes reference to recent mergers and acquisitions transaction between unrelated parties and ratio of transaction price to Target School's financial parameters.

In this valuation exercise, the market value of the sponsor interest of the Target School was developed through the guideline public company method. The guideline transaction method is not adopted due to lack of recent market transactions with similar nature as the Target School. The guideline public company method requires the research of comparable companies' benchmark multiples and selection of an appropriate multiple.

In this valuation, we have considered the following commonly used benchmark multiples:

Price-to-Earnings Multiple

Price-to-earnings multiple (the "**P/E Multiple**"), which is computed as share price dividend by earning per share, is the most commonly used multiple since investors want to know how profitable a company is, hence earnings are important for valuing a company's stock. This multiple has the limitations that it cannot be used to value loss-making companies and fails to overcome the distortions caused by different accounting policies and capital structures.

Price-to-Book Multiple

Price-to-book multiple (the "**P/B Multiple**"), which is computed as the proportion of share price to book value per share, is common to value companies within asset intensive industries. However, since book value captures only the tangible assets of a company, a company's intangible assets as well as company-specific competencies and advantages are not captured in the P/B Multiple.

Price-to-Sales Multiple

Price-to-sales multiple (the "**P/S Multiple**"), which is estimated by dividing share price by sales per shares, is commonly used to value early-stage or loss-making companies. A shortcoming of this multiple is that it ignores the cost structure and hence the profitability of a company.

Enterprise Value-to-Earnings Before Interest, Tax, Depreciation and Amortization Multiple

A firm's enterprise value is equal to its equity value plus its debt less any cash. Enterprise value to earnings before interest, tax, depreciation and amortization multiple (the "**EV/EBITDA Multiple**"), which is estimated by dividing enterprise value by earnings before interest, tax, depreciation and amortization, allows direct comparison of firms regardless of their difference in capital structure. Compared to the P/E Multiple, the EV/EBITDA Multiple is considered to be less affected by difference in accounting treatment. Yet, since the EV/EBITDA Multiple excludes depreciation and amortization expenses, which measure how much the company needs to spend on capital expenditure to maintain its business growth, the multiple does not account for cost of debt capital or its tax effect.

By taking into consideration the business cycle and profitability of the Target School, it is considered that the P/E Multiple is the most appropriate multiple and hence it is being adopted in this valuation.

MAJOR ASSUMPTIONS

Assumptions considered to have significant sensitivity effects in this valuation have been evaluated in order to provide a more accurate and reasonable basis for arriving at our assessed value. The following key assumptions in determining the market value of the Subject have been made:

- We assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the assets valued;

- We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Subject;

- We have assumed that the operational and contractual terms stipulated in the relevant contracts and agreements will be honored;

- We have assumed that the facilities and systems proposed are sufficient for future expansion in order to realize the growth potential of the business and maintain a competitive edge;

- We have been provided with copies of the operating licenses and company incorporation documents. We have assumed such information to be reliable and legitimate. We have relied to a considerable extent on such information provided in arriving at our opinion of value;

- We have assumed the accuracy of the financial and operational information such as management accounts, contractual agreements and manufacturing capabilities, provided to us by the Company relied to a considerable extent on such information in arriving at our opinion of value; and

- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

MARKET MULTIPLE

In determining the market multiple, a list of comparable companies was identified. The selection criteria include the followings:

- The companies derive most, if not all, of their revenues from the same industry of the Target School, i.e. tertiary education school operator in the PRC;

- The market capitalization of the comparable companies are below US$2 billion;

- Over two-thirds of the total number of enrolled students of the comparable companies are registered with the respective undergraduate universities;

- The comparable companies are searchable in Bloomberg;

- The comparable companies are publicly listed; and

- Sufficient data including the P/E Multiple as at the Valuation Date of the comparable companies is available.

As sourced from Bloomberg, an exhaustive list of comparable companies satisfying the above criteria was obtained on a best effort basis. The details of the comparable companies are listed below:

Bloomberg Ticker	**Company Name**	**P/E Multiple**	**Market Capitalization** *(US$ Million)*	**Company Description**
382 HK Equity	Edvantage Group Holdings Ltd	15.19	762	Edvantage Group Holdings Ltd is a private higher education group. The Company operates private, higher education institutions located in China and Australia.

Bloomberg Ticker	Company Name	P/E Multiple	Market Capitalization *(US$ Million)*	Company Description
1851 HK Equity	China Gingko Education Group Co Ltd	26.71	87	China Gingko Education Group Ltd provides education services. It offers management, literature, engineering, education, economics, and arts education services in the PRC.
2779 HK Equity	China Xinhua Education Group Ltd	6.22	366	China Xinhua Education Group Limited offers educational services. It provides undergraduate and vocational educational programs in the PRC.
1569 HK Equity	Minsheng Education Group Company Limited	15.32	662	Minsheng Education Group Company Limited offers educational services. It provides higher and vocational education services in the PRC.
1890 HK Equity	China Kepei Education Group Limited	11.85	1,195	China Kepei Education Group Limited provides educational services. It offers high-quality profession-oriented education services and other services in the PRC.
1525 HK Equity	Shanghai Gench Education Group Ltd	9.02	281	Shanghai Gench Education Group Limited operates university. It operates private full-time university and other businesses in the PRC.
1449 HK Equity	Leader Education Ltd	5.90	44	Leader Education Limited offers educational services. The Company provides comprehensive education, applied science education, course offerings, practical training, and other services. Leader Education provides its services throughout China.
9616 HK Equity	Neusoft Education Technology Co Ltd	27.23	459	Neusoft Education Technology Co. Limited provides education services. The Company offers information technology higher education services and other services. Neusoft Education Technology provides services in China.

Bloomberg Ticker	Company Name	P/E Multiple	Market Capitalization *(US$ Million)*	Company Description
2175 HK Equity	China General Education Group Limited	132.67	296	China General Education Group Limited offers educational services. The Company provides social science educational services, engineering educational services, information science educational services, economic educational services, and human science educational services, and other related services. China General Education Group offers services in China.
Median		15.19	412	

As comparable companies engage in a similar business with similar characteristics as the Target School (as reflected in the selection criteria), we consider this form a fair and representative view of the industry. It is further noted that the multiples are ranged from 5.09x to 132.67x. To avoid distortion of the outliner, the median value (15.19x), instead of the average value (27.79x) is adopted in the valuation.

Discount for Lack of Marketability (the "DLOM")

The concept of marketability deals with the liquidity of an ownership interest, that is how quickly and easily it can be converted to cash if the owner chooses to sell. The lack of marketability discount reflects the fact that there is no ready market for shares in privately held companies which are typically not readily marketable compared to similar interest in public companies. Therefore, a share of stock in a privately held company is usually worth less than an otherwise comparable share in a publicly held company.

We have assessed the DLOM of this interest using a put option method to reflect that compares to public companies, privately held companies are not readily marketable. We have taken reference to the trailing 12-month time period of volatility of comparable companies' stock price as a proxy for the expected volatility of the Target School's share value. For risk free rate, we have taken reference to the China sovereign bond yield as the Target School is located in China.

We have adopted Black Scholes Option Pricing Model with the following parameters to estimate the DLOM.

Parameter	Input	Remark	Source
Option Type	European Put		
Spot Price	1.00	Assumed	
Exercise Price	1.00	Assumed	
Risk Free Rate	2.24%	Based on 1-year CNY China sovereign yield	Bloomberg L.P.
Maturity Period	1.00 year	Assumed	
Volatility	44.41%	Based on historical 1-year volatility of comparable companies	Bloomberg L.P.
DLOM	**16.29%**	**Calculated**	

Control Premium ("CP")

Control premium is an amount by which the pro rata value of a controlling interest exceeds the pro rata value of a non-controlling interest a business enterprise that reflects the power of a control. Both factors recognize that control owners have rights that minority owners do not and that the difference in those rights and, perhaps more importantly, how those rights are exercisable and to what economic benefits, cause a differential in the per-share value of a control ownership block versus a minority ownership block.

We have made reference to the control premium study published by FactSet Mergerstat, LLC. during 2020. The control premium is estimated based on the control premium as implied by the consideration paid for over 300 transactions whereby 50.01% or more of a company was acquired. In the valuation, we adopted the control premiums of 28.80%.

NORMALISED NET PROFITS

As advised by the Company, the calculation of normalized net profits should take into accounts of the following two adjustments which are considered to be non-recurring after the proposed acquisition: First, the Target School shall not be required to incur the property management fee to one fellow subsidiary. Second, the depreciation expense as recorded in the accounts included a portion in relation to the fixed assets which will not be transferred to the Company. Accordingly, we added back the property management fee and the depreciation expense in relation to the fixed assets which will not be transferred to be Company, in adjusting the net profits.

The adjusted net profits for the year ended 31 August 2018, 31 August 2019, 31 August 2020 and 31 August 2021, are as below.

	Year ended 31 August			
	2018	**2019**	**2020**	**2021**
Trailing 12-month	*RMB Thousand*	*RMB Thousand*	*RMB Thousand*	*RMB Thousand*
Reported net profits	(1,337)	53,419	27,877	36,174
Add: Property management fee	3,769	4,971	1,378	2,292
Add: Depreciation expense in relation to the fixed assets which will not be transferred to the Company	11,169	11,259	10,426	6,095
Normalised net profits	13,561	69,649	39,681	44,561

Note: Throughout the report, the total may not correspond with the sum of the separate figures due to rounding

CALCULATION OF VALUATION RESULT

Under the guideline public company method, the market value of the Subject is estimated based on the financial information of the Target School and the market multiples of the comparable companies derived from Bloomberg as at the Valuation Date. We have also taken into account the two factors, which is being the marketability discount and control premium.

The calculation of the market value of Subject as at the Valuation Date is as follows:

As at Valuation Date		**Amount**
Adopted P/E Multiple	A	15.19
Normalised trailing 12-month net profits (RMB Thousand)	B	44,561
Equity Value before DLOM and CP as at the Valuation Date	**C = A * B**	**67,006**
Adjusted for DLOM (%)	D	16.29
Adjusted for CP (%)	E	28.80
Equity Value of the Subject (RMB Thousand, Rounded)	**F = C *(1 – D) * (1 + E)**	**729,900**

VALUATION COMMENT

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target School, the Company and JLL.

We do not intend to express any opinion on matters which require legal or other specialized expertise or knowledge, beyond what is customarily employed by valuers. Our conclusions assume continuation of prudent management of the Target School over whatever period of time that is reasonable and necessary to maintain the character and integrity of the assets valued.

This report is issued subject to our Limiting Conditions as attached.

INDEPENDENCE DECLARATION

We confirm that to the best of our knowledge and belief, we are independent of the Company and the Target School, and have not contravened any independence requirements stipulated as per our professional memberships. Our fee is not contingent upon our conclusion of value.

OPINION OF VALUE

Based on the results of our investigations and analyses, we are of the opinion that the market value of sponsor interest in Tianping College of Suzhou University of Science and Technology as at the Valuation Date is reasonably stated at the amount of **RMB729.9 million**.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Simon M.K. Chan
Executive Director

Note: Mr. Simon M.K. Chan is a fellow (FCPA) of the Hong Kong Institute of Certified Public Accountants (HKICPA) and CPA Australia. He is also fellow of the Royal Institution of Chartered Surveyors (FRICS) where he now serves on their North Asia Valuation Practice Group. He is an International Certified Valuation Specialist (ICVS) and a Chartered Valuer and Appraiser (Singapore). He oversees the business valuation services of JLL and has over 20 years of accounting, auditing, corporate advisory and valuation experiences. He has provided a wide range of valuation services to numerous listed and listing companies of different industries in the PRC, Hong Kong, Singapore and the United States.

LIMITING CONDITIONS

1. In the preparation of this Report, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/Target School and/or its representatives. We did not carry out any work in the nature of an audit and neither are we required to express an audit or viability opinion. We take no responsibility for the accuracy of such information. Our Report was used as part of the analysis of the Company/Target School in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the Subject rests solely with the Company.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper books of accounts are maintained, and the financial information and forecast give a true and fair view and have been prepared in accordance with the relevant standards and companies ordinance.

3. Public information and industry and statistical information have been obtained from sources we deem to be reputable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without any verification.

4. The board of directors and the management of Company/Target School have reviewed this Report and agreed and confirmed that the basis, assumptions, calculations and results are appropriate and reasonable.

5. Jones Lang LaSalle Corporate Appraisal and Advisory Limited shall not be required to give testimony or attendance in court or to any government agency by reason of this exercise, with reference to the project described herein. Should there be any kind of subsequent services required, the corresponding expenses and time costs will be reimbursed from you. Such kind of additional work may incur without prior notification to you.

6. No opinion is intended to be expressed for matters which require legal or other specialised expertise, which is out of valuers' capacity.

7. The use of and/or the validity of the Report is subject to the terms of the Agreement and the full settlement of the fees and all the expenses.

8. Our conclusions assume continuation of prudent and effective management policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the Subject.

9. We assume that there are no hidden or unexpected conditions associated with the subject matter under review that might adversely affect the reported review result. Further, we assume no responsibility for changes in market conditions, government policy or other conditions after the Valuation Date. We cannot provide assurance on the achievability of the results forecasted by the Client/Target School because events and circumstances frequently do not occur as expected; difference between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans and assumptions of management.

10. This Report has been prepared solely for internal use purpose. The Report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any third party without our prior written consent. Even with our prior written consent for such, we are not be liable to any third party except for our client for this report. Our client should remind of any third party who will receive this report and the client will need to undertake any consequences resulted from the use of this report by the third party. We shall not under any circumstances whatsoever be liable to any third party.

11. This Report is confidential to the Company and the calculation of values expressed herein is valid only for the purpose stated in the Agreement as at the Valuation Date. In accordance with our standard practice, we must state that this Report and exercise is for the use only by the party to whom it is addressed to and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

12. Where a distinct and definite representation has been made to us by parties interested in the Subject, we are entitled to rely on that representation without further investigation into the veracity of the representation.

13. The Company/Target School agrees to indemnify and hold us and our personnel harmless against and from any and all losses, claims, actions, damages, expenses or liabilities, including reasonable attorney's fees, to which we may become subjects in connection with this engagement. Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the fee paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

14. We are not environmental, structural or engineering consultants or auditors, and we take no responsibility for any related actual or potential liabilities exist, and the effect on the value of the asset is encouraged to obtain a professional assessment. We do not conduct or provide such kind of assessments and have not considered the potential impact to the subject property.

15. This exercise is premised in part on the historical financial information and future forecast provided by the management of the Company/Target School and/or its representatives. We have assumed the accuracy and reasonableness of the information provided and relied to a considerable extent on such information in our calculation of value. Since projections relate to the future, there will usually be differences between projections and actual results and in some cases, those variances may be material. Accordingly, to the extent any of the above mentioned information requires adjustments, the resulting value may differ significantly.

16. This Report and the conclusion of values arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the Report and conclusion of values are not intended by the author, and should not be construed by any reader, to be investment advice or as financing or transaction reference in any manner whatsoever. The conclusion of values represents the consideration based on the information furnished by the Company/Target School and other sources. Actual transactions involving the Subject might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the knowledge and motivation of the buyers and sellers at that time.

17. The board of directors, management, staff, and representatives of the Company/Target School have confirmed to us that they are independent to JLL in this Valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independence in our work, the Company/Target School and/or its representatives should inform us immediately and we may need to discontinue our work and we may charge our fee to the extent of our work performed or our manpower withheld or engaged.

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

(A) Directors' and chief executive's interests in the Company and associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which 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 which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code are as follows:

(i) Interest in the Company

Name of Director	Capacity/Nature of Interest	Relevant Company	Number of Shares	Approximate Percentage of Shareholding in the Company[(1)]
Mr. Hou	Interest in a controlled corporation	Chunlai Investment[(2)]	900,000,000	75.00%
	Share options granted under the Pre-IPO Share Option Scheme	N/A	6,000,000	0.50%
Chairman Hou	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000	0.67%
	Interest of spouse[(3)]	N/A	8,000,000	0.67%
Ms. Jiang	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000	0.67%
	Interest of spouse[(3)]	N/A	8,000,000	0.67%

Notes:

(1) The calculation is based on the total number of 1,200,000,000 Shares in issue as at the Latest Practicable Date.

(2) Chunlai Investment is wholly-owned by Mr. Hou. Thus, Mr. Hou is deemed to be interested in the Shares in which Chunlai Investment is interested by virtue of the SFO.

(3) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.

(4) All the Shares are held in long position (as defined under Part XV of the SFO).

(ii) Interest in Associated Corporations

Name of Director	Capacity/Nature of Interest	Name of associated corporation	Amount of issued share capital/registered capital/sponsor capital in the associated corporation	Percentage of holding in the associated corporation
Mr. Hou	Beneficial owner	Chunlai Investment	US$1	100%
	Beneficial owner	The PRC Holdco	RMB30,000,000	100%
	Beneficial owner(1)	The School Sponsor	RMB113,740,000	100%
Chairman Hou	Beneficial owner(1) and interest of spouse(2)	The School Sponsor	RMB33,780,000	29.7%
Ms. Jiang	Beneficial owner(1) and interest of spouse(2)	The School Sponsor	RMB33,780,000	29.7%

Notes:

(1) The sponsor interest of the School Sponsor is held as to 69.3% by Mr. Hou (RMB78,821,820), as to 19.8% by Chairman Hou (RMB22,520,520) and as to 9.9% by Ms. Jiang (RMB11,260,260). Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang.

(2) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which 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 and short positions which they were taken or deemed to have under such provisions of the SFO), or which were required to be recorded in the register to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

(B) Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the Latest Practicable Date, within the knowledge of the Directors, the following persons (other than the Directors or chief executive of the Company) had an interest or a short position in the Shares or underlying Shares of the Company which would be required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares	Approximate Percentage of Shareholding
Mr. Hou[(1)]	Interest in a controlled corporation	900,000,000	75.00%
	Share options granted under the Pre-IPO Share Option Scheme	6,000,000	0.50%
Chunlai Investment	Beneficial owner	900,000,000	75.00%
Xiang Rong International Limited	Beneficial owner	66,037,000	5.5%

Notes:

(1) Chunlai Investment is wholly-owned by Mr. Hou. Thus, Mr. Hou is deemed to be interested in the same number of shares in which Chunlai Investment is interested by virtue of the SFO.

(2) All the Shares are held in long position (as defined under Part XV of the SFO).

Save as disclosed above, the Directors are not aware of any other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company as at the Latest Practicable Date as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

4. OTHER ARRANGEMENTS INVOLVING DIRECTORS

As at the Latest Practicable Date:

(a) none of the Directors had any direct or indirect interest in any assets which have since 31 August 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) none of the Directors were materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business, apart from the business of the Group, which competed or was likely to compete, either directly or indirectly, with that of the Group as required to be disclosed pursuant to the Listing Rules.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

As at the Latest Practicable Date, the following contracts, not a being contract entered into in ordinary course of business of the Group, have been entered into by the members of the Group within two years preceding the Latest Practicable Date and which are, or may be, material:

(a) Change of Sponsor Agreement;

(b) Supplemental Agreement;

(c) a cooperation framework agreement and a supplemental framework agreement each dated 28 June 2021 entered into between Henan Chunlai Education Technology Co., Ltd and the People's Government of Linzhou City in relation to the the acquisition of the land use right of a piece of land located in Linzhou City, details of which are set out in the announcement of the Company dated 28 June 2021; and

(d) a State-owned Construction Land Use Right Grant Contract (國有建設用地使用權出讓合同) dated 15 December 2021 entered into between Tianping College and Gaochun Bureau of the Nanjing Bureau of Planning and Natural Resources (南京市規劃和自然資源局高淳分局) in relation to the the acquisition of the land use right of a piece of land located in Nanjing, Jiangsu Province, details of which are set out in the announcement of the Company dated 16 December 2021.

8. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have been named in this circular or have given opinion or letter, which is contained in this circular:

Name	Qualifications
ZHONGHUI ANDA CPA Limited ("**Zhonghui Anda**")	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited("**JLL**")	Independent Valuer

Zhonghui Anda and JLL have given and have not withdrawn their written consent to the issue of this circular with the inclusion of their letters and all references to their names in the form and context in which they are included.

As at the Latest Practicable Date, Zhonghui Anda and JLL had no shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any direct or indirect interests in any assets which had been, since 31 August 2021 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. CORPORATE INFORMATION

(a) The registered office of the Company is at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands.

(b) The head office and principal place of business in China of the Company is at No. 66, Beihai East Road, Shangqiu, Henan Province, PRC.

(c) The principal place of business of the Company in Hong Kong is located at 40/F, Dah Sing Financial Centre, 248 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Mr. Wong Yu Kit. Mr. Wong is a vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services. Mr. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

(e) The principal share registrar and transfer office of the Company is 190 Elgin Avenue, George Town, Grand Cayman, KY1-9008 Cayman Islands.

(f) The Hong Kong share registrar of the Company is Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Company (www.chunlaiedu.com) and the Stock Exchange (www.hkexnews.hk) from the date of this circular up to and including 1 February 2022:

(a) the accountant's report on Tianping College, the text of which is set out in Appendix II to this circular;

(b) the report on the unaudited pro forma financial information of the Enlarged Group upon the completion of the Acquisition, the text of which is set out in Appendix III to this circular;

(c) the valuation report of the sponsor interest of Tianping College, the text of which is set out in Appendix IV to this circular;

(d) the material contracts as referred to in the section headed "Material Contracts" of this appendix; and

(e) the written consent of the experts as referred to in the section headed "Expert's Qualification and Consent" in this appendix.