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Bojun Education Company Limited

博駿教育有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1758)

**(1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO
THE ACQUISITION OF 51% EQUITY INTEREST OF
TWO TARGET COMPANIES AND PROPOSED ISSUE OF
NEW SHARES UNDER SPECIFIC MANDATE;
(2) PROPOSED ADOPTION OF THE AMENDED AND RESTATED
ARTICLES OF ASSOCIATION;
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 11 to 79 of this circular. A notice convening the EGM to be held at Meeting Room, 2/F., Bojun Education Company Limited, 209 Sanse Road, Jinjiang District, Chengdu, Sichuan Province, the People's Republic of China on Thursday, 20 July 2023 at 10:00 a.m. is set out on pages EGM-1 to EGM-3 of this circular.

Whether or not you propose to attend the meeting, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the office of the branch share registrar and transfer office of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of a proxy form will not preclude the Shareholders from attending and voting at the EGM if they so wish.

Hong Kong, 28 June 2023

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DEFINITIONS

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

“Acquisition”	the acquisition of 51% equity interest in the Target Companies contemplated under the Amended Agreements
“Amended Agreements”	the Amended Equity Transfer Agreement A and the Amendment Equity Transfer Agreement B, as amended and supplemented by the respective Supplemental Agreements
“Amended and Restated Articles of Association”	the second amended and restated articles of association proposed to be adopted by the Company at the EGM
“Amended Equity Transfer Agreement A”	the agreement entered to amend and restate the terms of the Equity Transfer Agreement A, and as amended and supplemented by the Supplemental Agreement A
“Amended Equity Transfer Agreement B”	the agreement entered to amend and restate the terms of the Equity Transfer Agreement B, and as amended and supplemented by the Supplemental Agreement B
“Announcements”	the announcements of the Company dated 11 September 2020, 16 October 2020, 11 January 2021, 19 August 2021, 31 August 2021, 25 November 2021, 8 December 2021, 10 April 2023 and 26 June 2023 relating to, amongst other things, the Capital Injection Agreement, arrangement in relation to the Prepayment, the Equity Transfer Agreements, the Amended Agreements, the Supplemental Agreements and the transactions contemplated thereunder
“Articles of Association”	the amended and restated articles of association of the Company currently in force
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which banks in the PRC are generally open for business
“BVI”	the British Virgin Islands
“Capital Injection”	the proposed subscription of the capital in Shenzhen Hongyuan by Chengdu Bojun under the Capital Injection Agreement

DEFINITIONS

“Capital Injection Agreement”	the capital contribution agreement dated 11 September 2020 (as amended and supplemented by supplemental agreements) entered into between Chengdu Bojun, the Vendor and Shenzhen Hongyuan in respect of the proposed subscription of the capital in Shenzhen Hongyuan by Chengdu Bojun
“Chengdu Bojun”	Chengdu Tianfu Bojun Education Management Company Limited* (成都天府博駿教育管理有限公司), a wholly-foreign owned enterprise established under the laws of PRC on 26 July 2016 and an indirect wholly-owned subsidiary of the Company
“Chengdu Bomao”	Chengdu Bomao Education Management Company Limited* (成都博懋教育管理有限公司), a limited liability company established under the laws of the PRC on 9 July 2020 and a wholly-owned subsidiary of the Company
“Chengdu Mingxian”	Chengdu Mingxian Education Investment Company Limited* (成都銘賢教育投資有限公司), a limited liability company established under the laws of the PRC on 10 March 2004 and a Consolidated Affiliated Entity
“Company”	Bojun Education Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares are listed on the Stock Exchange
“Completion”	the completion of the Amended Agreements
“Consideration A”	the consideration to be paid by Chengdu Bomao and Sichuan Yunmao to Shenzhen Hongyuan and Sichuan Zhengzhuo pursuant to the Amended Equity Transfer Agreement A
“Consideration B”	the consideration to be paid by Chengdu Bomao and Sichuan Yunmao to Shenzhen Hongyuan and Sichuan Zhengzhuo pursuant to the Amended Equity Transfer Agreement B
“Consideration Shares”	the Consideration Shares A and the Consideration Shares B
“Consideration Shares A”	74,441,857 new Shares to be issued to Sichuan Zhengzhuo (or its nominee) at an issue price of HK\$0.85, being approximately 38.1% of the Consideration A in relation to Sale Interest AII

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“Consideration Shares B”	6,840,603 new Shares to be issued to Sichuan Zhengzhuo (or its nominee) at an issue price of HK\$0.85, being 36.6% of the Consideration B in relation to Sale Interest BII
“Consolidated Affiliated Entity(ies)”	the entity(ies) that the Company controls through the contractual arrangement contemplated under the Existing Structured Contracts as detailed in the announcement of the Company dated 19 June 2020 and entity(ies) that the Company will control through the contractual arrangement contemplated under new structured contracts to be entered between Chengdu Bojun, Sichuan Yunmao and members of the Target Groups
“Daying Estate”	Daying Tianshi Real Estate Company Limited* (大英天世置業有限公司), a limited liability company incorporated in the PRC on 14 November 2022 and wholly-owned by the Target Company B as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“Directors’ (Council Members’) Powers of Attorney”	the amended and restated school director’s (council members’) power of attorney executed by each of the directors or council members of the PRC Operating Schools (namely, Mr. Wang Jinglei (王惊雷), Mr. Xiong Tao (熊濤), Mr. Ran Tao (冉濤), Ms. Liao Rong (廖蓉), Mr. Xie Gang (謝綱), Chen Qiuyan (陳秋燕), Tan Chunli (譚春莉), Liao Hong (廖紅), Tian Xiaogang (田曉崗), Liu Jing (劉靜), Ai Bingyu (艾冰玉), Fang Jia (方佳), Huang Xue (黃雪), Chen Ping (陳萍), Wang Chunguo (王淳國), Xie Li (謝利), Mou Tingting (牟婷婷), Yang Xi (楊曦) and Duan Bichong (段必聰)) in favour of Chengdu Bojun dated 19 June 2020
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Amended Agreements and the transactions contemplated thereunder (including the Specific Mandate)
“Enlarged Group”	the Group as enlarged by its acquisition of the Target Companies upon the Completion
“Equity Transfer A”	the transfer of Sale Interest AI by Shenzhen Hongyuan and Sale Interest AII by Sichuan Zhengzhuo to Sichuan Yunmao pursuant to the Amended Equity Transfer Agreement A

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“Equity Transfer B”	the transfer of Sale Interest BI by Shenzhen Hongyuan and Sale Interest BII by Sichuan Zhengzhuo to Sichuan Yunmao pursuant to the Amended Equity Transfer Agreement B
“Equity Transfer Agreement A”	the equity transfer agreement dated 8 December 2021 in relation to the transfer of Sale Interest AI by Shenzhen Hongyuan and Sale Interest AII by Sichuan Zhengzhuo to Sichuan Yunmao
“Equity Transfer Agreement B”	the equity transfer agreement dated 8 December 2021 in relation to the transfer of Sale Interest BI by Shenzhen Hongyuan and Sale Interest BII by Sichuan Zhengzhuo to Sichuan Yunmao
“Existing Structured Contracts”	structured contracts of the Company as detailed in the announcement of the Company dated 19 June 2020
“Group”	the Company and its subsidiaries and the Consolidated Affiliated Entities
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong Special Administrative Region of the PRC
“Hong Kong”	Hong Kong Special Administrative Region
“Independent Third Party(ies)”	independent third parties who are not connected person(s) of the Company and are independent of and not connected with the Company or the Directors, chief executive, or substantial Shareholders of the Company or any of its subsidiaries or their respective associates
“IPO Waiver”	the waiver granted by the Stock Exchange to the Company from strict compliance with the requirements under the Listing Rules, for so long as the Shares are listed on the Stock Exchange subject to certain conditions, details of which are further described in the section headed “Connected Transactions” in the prospectus of the Company dated 19 July 2018
“Issue Price”	the issue price of HK\$0.85 per Consideration Share
“Jinjiang School”	Chengdu Jinjiang District No. 1 Experimental Middle School Attached to Sichuan Normal University* (成都市錦江區四川師大附屬第一實驗中學), a private middle school established under the laws of the PRC on 27 April 2012
“Last Trading Day”	6 April 2023, being the last trading day immediately preceding the date of the Amended Agreements

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“Latest Practicable Date”	26 June 2023
“Lezhi Bojun School”	Lezhi Bojun School* (樂至博駿公學學校), a private kindergarten, primary, middle and high school to be established
“Lidu Kindergarten”	Chengdu Youshi Lidu Experimental Kindergarten* (成都幼師麗都實驗幼兒園), a private kindergarten established under the laws of the PRC on 12 May 2023 and a Consolidated Affiliated Entity
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Longquan Kindergarten”	Chengdu Youshi Longquan Dongshan Experimental Kindergarten* (成都幼師龍泉東山實驗幼兒園), a private kindergarten established under the laws of the PRC on 23 February 2009
“Longquan School”	Chengdu Longquanyi District No. 1 Experimental Middle School Attached to Sichuan Normal University* (成都市龍泉驛區四川師大附屬第一實驗中學), a private middle and high school established under the laws of the PRC on 29 September 2015
“Memorandum”	memorandum of association of the Company, as amended from time to time
“Nanjiang Bojun School”	Nanjiang Bojun School* (南江博駿學校), a private primary, middle and high school
“Negative List”	Provisions in the Special Administrative Measures for Admission of Foreign Investments (Negative List) (2020 Version) (《外商投資准入特別管理措施(負面清單) (2020年版)》)
“New Entities”	Sichuan Yunmao and members of the Target Groups (excluding Daying Estate)
“Pengzhou Bojun School”	Pengzhou Bojun School* (彭州市博駿學校), a private, middle and high school established jointly by Chengdu Mingxian and Chengdu Sichuan Hongde Guanghua Advisory Limited* (成都四川弘德光華教育諮詢有限公司)

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“Peninsula Kindergarten”	Chengdu High and New District Youshi Peninsula City Centre Kindergarten* (成都高新區幼獅半島城邦幼兒園), a private kindergarten established under the laws of the PRC on 27 September 2013
“PRC”	the People’s Republic of China and, for the purpose of this circular only, excludes the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Legal Adviser”	the PRC legal adviser of the Group, namely Beijing Deheng (Chengdu) Law Firm
“Prepayment”	RMB73.5 million, being 30% of the consideration to the Capital Injection Agreement, in cash paid by Chengdu Bojun to Shenzhen Hongyuan in September 2020 as prepayment which shall be applied as part of the Consideration pursuant to the Amended Agreements
“Prospectus”	prospectus of the Company dated 19 July 2018
“Qingyang Kindergarten”	Chengdu Qingyang Youshi Jingjie Experimental Kindergarten* (成都青羊幼師境界實驗幼兒園), a private kindergarten established under the laws of the PRC on 15 March 2010
“Riverside Kindergarten”	Chengdu Youshi Riverside Impression Experimental Kindergarten* (成都幼師河濱印象實驗幼兒園), a private kindergarten established under the laws of the PRC on 18 June 2003 and a Consolidated Affiliated Entity
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Interest AI”	26.5% of the equity interest in the Target Company A held by Shenzhen Hongyuan which represents 26.5% of the registered capital of the Target Company A as at the Latest Practicable Date
“Sale Interest AII”	24.5% of the equity interest in the Target Company A held by Sichuan Zhengzhuo which represents 24.5% of the registered capital of the Target Company A as at the Latest Practicable Date
“Sale Interest BI”	25.5% of the equity interest in the Target Company B held by Shenzhen Hongyuan which represents 25.5% of the registered capital of the Target Company B as at the Latest Practicable Date

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“Sale Interest BII”	25.5% the equity interest in the Target Company B held by Sichuan Zhengzhuo which represents 25.5% of the registered capital of the Target Company B as at the Latest Practicable Date
“SFO”	Securities and Future Ordinance (Cap. 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of Share(s)
“Shenzhen Hongyuan”	Shenzhen Hongyuan Education Investment Company Limited* (深圳弘遠教育投資有限公司) (formerly known as Shenzhen Wenxuan Education Investment Company Limited* (深圳文軒教育投資有限公司)), a limited liability company incorporated in the PRC on 17 November 2016
“Sichuan Yuanmao”	Sichuan Yuanmao Education Management Company Limited* (四川沅懋教育管理有限公司), a limited liability company established under the laws of the PRC on 1 December 2021 and owned as to 99% by Mr. Wang Jinglei, an executive Director and a substantial Shareholder, and as to 1% by Ms. Duan Ling, the spouse of Mr. Wang Jinglei as at the Latest Practicable Date
“Sichuan Yunmao”	Sichuan Yunmao Education Management Company Limited* (四川云懋教育管理有限公司), a limited liability company established under the laws of the PRC on 1 December 2021 and wholly-owned by Sichuan Yuanmao as at the Latest Practicable Date. It will become a Consolidated Affiliated Entity with the Structured Contracts becoming effective upon the Completion
“Sichuan Zhengzhuo”	Sichuan Zhengzhuo Industrial Company Limited* (四川正卓實業有限公司), a limited company established under the laws of the PRC on 17 June 2015 and owned by Independent Third Parties as at the Latest Practicable Date
“Specific Mandate”	a specific mandate to issue, allot or otherwise deal in additional Shares to be sought from the Shareholders who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM to satisfy the issue and allotment of the Consideration Shares
“sq.m.”	square metre

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“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Structured Contracts”	<p>the structured contracts entered into among Chengdu Bomao, Sichuan Yuanmao, Sichuan Yunmao and members of the Target Group, pursuant to which members of the Target Group and Sichuan Yunmao will become Consolidated Affiliated Entities, the Group will obtain control over and derive economic benefits from the same, and the financial results of which will be consolidated into the accounts of the Group, upon the Completion, collectively:</p> <ul style="list-style-type: none">(i) the exclusive business cooperation agreement dated 27 June 2023 entered into among Chengdu Bomao, Sichuan Yuanmao and the New Entities;(ii) the exclusive call option agreement dated 27 June 2023 entered into among Chengdu Bomao, Sichuan Yuanmao and the New Entities;(iii) the equity pledge agreement dated 27 June 2023 entered into among Chengdu Bomao, Sichuan Yuanmao, Sichuan Yunmao and the Target Companies;(iv) the school sponsors’ and directors’(council members’) rights entrustment agreement dated 27 June 2023 entered into among Chengdu Bomao, the Target Groups (excluding Daying Estate) and directors (or council members) appointed by the Target Company A to the Vocational College and the Vocational School, the school sponsors’ powers of attorney executed by the Target Company A dated 27 June 2023 and the directors’ (council members’) powers of attorney executed by directors (or council members) appointed by the Target Company A to the Vocational College and the Vocational School dated 27 June 2023;(v) the loan agreement dated 27 June 2023 entered into among Chengdu Bomao and the New Entities; and(vi) the shareholder’s rights entrustment agreement dated 27 June 2023 entered into among Chengdu Bomao, Sichuan Yuanmao and Sichuan Yunmao, and the shareholder’s powers of attorney executed by Sichuan Yuanmao dated 27 June 2023

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“Supplemental Agreement A”	the supplemental agreement to the Amended Equity Transfer Agreement A dated 26 June 2023
“Supplemental Agreement B”	the supplemental agreement to the Amended Equity Transfer Agreement B dated 26 June 2023
“Supplemental Agreements”	the Supplemental Agreement A and the Supplemental Agreement B
“Target Companies”	the Target Company A and the Target Company B
“Target Company A”	Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) (formerly known as Sichuan Wenxuan Zhuotai Investment Company Limited* (四川文軒卓泰投資有限公司) and Sichuan Taihe Zhengzhuo Education Investment Company Limited* (四川泰合正卓教育投資有限公司)), a limited liability company established under the laws of the PRC in July 2012 and directly owned by Shenzhen Hongyuan as to 51% and Sichuan Zhengzhuo as to 49% as at the Latest Practicable Date
“Target Company B”	Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司), a limited liability company incorporated in the PRC on 5 March 2020 and owned by Shenzhen Hongyuan as to 50% and Sichuan Zhengzhuo as to 50% as at the Latest Practicable Date
“Target Group A”	the Target Company A and its subsidiaries
“Target Group B”	the Target Company B and its subsidiary
“Target Groups”	Target Group A and Target Group B
“Tianfu High School”	Sichuan New Tianfu District No. 1 High School Attached to Sichuan Normal University* (四川天府新區師大一中高級中學), where the school sponsor’s interest is wholly-owned by Chengdu Mingxian, and a Consolidated Affiliated Entity
“Tianfu School”	Chengdu New Tianfu District No. 1 Experimental Middle School Attached to Sichuan Normal University* (成都市天府新區四川師大附屬第一實驗中學), a private middle school established under the laws of the PRC on 20 April 2016
“Transition Period”	from the date of the Amended Agreements to the date when all handover work is completed or being the 30th day upon the Completion

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“Vocational College”	Sichuan Winshare Vocational College (Dayi Campus) (四川文軒職業學院大邑校區), a formal higher vocational education institution (普通高等職業學校) established in February 2013 and is wholly-owned by Zhengzhuo Education as at the Latest Practicable Date
“Vocational School”	Chengdu Daiyi County Zhengzhuo Education Vocational School* (成都市大邑縣正卓教育職業學校) (formerly known as Sichuan Winshare Vocational School* (四川文軒職業學校)), a secondary vocational education institution (中等職業教育學校) established in December 2012, and is wholly-owned by Zhengzhuo Education as at the Latest Practicable Date
“Wangcang Bojun School”	Wangcang Bojun School* (旺蒼博駿公學), a private primary, middle and high school to be established
“Youshi Kindergarten”	Chengdu Youshi Experimental Kindergarten* (成都幼師實驗幼兒園), a private kindergarten established under the laws of the PRC on 12 August 2002
“%”	per cent

The English names of the entities marked with “” in this circular are translations from their Chinese names and are for identification purpose only. If there is any inconsistency, the Chinese names shall prevail.*

LETTER FROM THE BOARD



Bojun Education Company Limited

博駿教育有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1758)

Executive Director:

Mr. Wang Jinglei (*Chairman and
chief executive officer*)

Non-executive Director:

Mr. Wu Jiwei

Independent non-executive Directors:

Mr. Cheng Tai Kwan Sunny

Mr. Mao Daowei

Ms. Luo Yunping

Mr. Yang Yuan

Registered office:

Cricket Square

Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Principal place of business

in Hong Kong:

2206–19 Jardine House

1 Connaught Place

Central

Hong Kong

28 June 2023

To the Shareholders

Dear Sir or Madam,

- (1) VERY SUBSTANTIAL ACQUISITION IN RELATION TO
THE ACQUISITION OF 51% EQUITY INTEREST OF
TWO TARGET COMPANIES AND PROPOSED ISSUE OF
NEW SHARES UNDER SPECIFIC MANDATE;**
- (2) PROPOSED ADOPTION OF THE AMENDED AND RESTATED
ARTICLES OF ASSOCIATION;**
- AND**
- (3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

The purpose of this circular is to provide you with information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM for the approval of, among others:

- (a) the Acquisition; and

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- (b) the proposed adoption of the Amended and Restated Articles of Association.

Reference is made to the Announcements in relation to the Amended Agreements, the Supplemental Agreements, the Equity Transfer Agreements, the Capital Injection Agreement and the Prepayment.

As disclosed in the announcement of the Company dated 8 December 2021:

- (i) the Company, Sichuan Yunmao, Chengdu Bomao, Shenzhen Hongyuan, Sichuan Zhengzhuo, the Target Company A and Chengdu Bojun entered into the Equity Transfer Agreement A, pursuant to which Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell 26.5% and 24.5% of the equity interest in the Target Company A, respectively in the aggregate consideration of RMB283,050,000; and
- (ii) the Company, Sichuan Yunmao, Chengdu Bomao, Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B entered into the Equity Transfer Agreement B, pursuant to which Sichuan Yunmao and Chengdu Bomao each conditionally agreed to purchase and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell 25.5% of the equity interest in the Target Company B in the aggregate consideration of RMB26,010,000.

On 10 April 2023, the Amended Agreements (being the Amended Equity Transfer Agreement A and the Amended Equity Transfer Agreement B, and as amended and supplemented by the Supplemented Agreement A and the Supplemental Agreement B, respectively) were entered to amend and restate the terms of the Equity Transfer Agreements.

2. THE AMENDED AGREEMENTS

On 10 April 2023, the Amended Agreements (being the Amended Equity Transfer Agreement A and the Amended Equity Transfer Agreement B) were entered to amend and restate the terms of the Equity Transfer Agreements. On 26 June 2023, the Supplemental Agreements (being the Supplemental Agreement A and the Supplemental Agreement B) were entered to amend the terms of the Amended Agreements

According to the Amended Equity Transfer Agreement A, Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase the Sale Interest AI and the Sale Interest AII (being 26.5% and 24.5% of the equity interest in the Target Company A, respectively) and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest AI and the Sale Interest AII, respectively, in the aggregate consideration of RMB283,050,000 (being the Consideration A), with (i) the earnest money of RMB73,500,000 (being the Prepayment) used to set off part of the Consideration A to Shenzhen Hongyuan and (ii) partial consideration of RMB51,810,044.22 (being approximately HK\$63,275,579.16) being settled by allotment and issue of Consideration Shares A (being 74,441,857 Shares) at the Issue Price of HK\$0.85 per Share by the Company to Sichuan Zhengzhuo (or its nominee).

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According to the Amended Equity Transfer Agreement B, Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase the Sale Interest BI and the Sale Interest BII (both being 25.5% of the equity interest in the Target Company B) and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest BI and the Sale Interest BII, respectively, in the aggregate consideration of RMB26,010,000 (being the Consideration B), out of which partial consideration of RMB4,760,922.98 (being approximately HK\$5,814,512.68) shall be settled by allotment and issue of Consideration Shares B (being 6,840,603 Shares) at the Issue Price of HK\$0.85 per Share by the Company to Sichuan Zhengzhuo (or its nominee).

As at the Latest Practicable Date, (i) the Target Company A is owned as to 51% by Shenzhen Hongyuan and 49% by Sichuan Zhengzhuo and (ii) the Target Company B is owned as to 50% by Shenzhen Hongyuan and 50% by Sichuan Zhengzhuo. Upon the Completion, Sichuan Yunmao will hold 51% of the registered capital of each of the Target Companies. Prior to the Completion, Chengdu Bomao will enter into a new set of structured contracts with members of the Target Groups and Sichuan Yunmao, which will become effective upon the Completion, upon which Sichuan Yunmao and the Target Groups will become Consolidated Affiliated Entities, and the Group will obtain control over and derive economic benefits from the Target Groups and Sichuan Yunmao, and the financial results of which will be consolidated into the accounts of the Group.

The key amendments made under the Amended Agreements (as amended and supplemented by the respective Supplemental Agreements) are summarised as follows:

Matter	Original term	Amendment
1. Payment method of the partial consideration for the Sale Interest AII of RMB135,975,000	Such consideration shall be settled by allotment and issue of 195,371,993 Shares within 60 Business Days of the completion of the Amended Equity Transfer Agreement A.	Partial consideration of RMB84,164,955.78 shall be settled by cash. The remaining consideration of RMB51,810,044.22 shall be settled by allotment and issue of 74,441,857 Shares within 60 Business Days of either the completion of the Equity Transfer A or Sichuan Zhengzhuo (or its nominee) completing the necessary government procedures, whichever the later.

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Matter	Original term	Amendment
2. Payment method of the partial consideration for the Sale Interest BII of RMB13,005,000	Such consideration shall be settled by allotment and issue of 18,685,881 Shares within 60 Business Days of the completion of the Amended Equity Transfer Agreement A.	Partial consideration of RMB8,244,077.02 shall be settled by cash. The remaining consideration of RMB4,760,922.98 shall be settled by allotment and issue of 6,840,603 Shares within 60 Business Days of either the completion of the Equity Transfer A or Sichuan Zhengzhuo (or its nominee) completing the necessary government procedures, whichever the later.
3. Conditions precedent to the Amended Equity Transfer Agreement A in relation to government approval or filing procedures in the PRC	Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A need to complete relevant government approval or filing procedures	Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A need to complete relevant government approval or filing procedures, excluding those relating to the allotment and issue of the Consideration Shares A
4. Conditions precedent to the Amended Equity Transfer Agreement B in relation to government approval or filing procedures in the PRC	Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B need to complete relevant government approval or filing procedures	Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B need to complete relevant government approval or filing procedures, excluding those relating to the allotment and issue of the Consideration Shares B

LETTER FROM THE BOARD

The Amended Equity Transfer Agreement A

Summarised below are the principal terms of the Amended Equity Transfer Agreement A (as amended and supplemented by the Supplemental Agreement A dated 26 June 2023):

- Date:** 10 April 2023
- Parties:**
- (i) Shenzhen Hongyuan (as seller);
 - (ii) Sichuan Zhengzhuo (as seller);
 - (iii) Sichuan Yunmao (as buyer);
 - (iv) Chengdu Bomao (as buyer);
 - (v) the Target Company A;
 - (vi) the Company; and
 - (vii) Chengdu Bojun.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of each of the Target Company A, Shenzhen Hongyuan and Sichuan Zhengzhuo and their ultimate beneficial owners is an Independent Third Party as at the Latest Practicable Date.

Subject matter

Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase the Sale Interest AI and the Sale Interest AII (being 26.5% and 24.5% of the equity interest in the Target Company A, respectively) and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest AI and the Sale Interest AII, respectively, in the aggregate consideration of RMB283,050,000.

Consideration

The Consideration A of RMB283,050,000 for acquisition of the Sale Interest AI and the Sale Interest AII shall be settled by Sichuan Yunmao.

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Sale Interest AI

The consideration for the Sale Interest AI of RMB147,075,000 is payable to Shenzhen Hongyuan and shall be settled as follows:

- (a) RMB73,500,000 (being approximately 50.0% of the consideration for the Sale Interest AI), was deemed paid upon signing of the Amended Equity Transfer Agreement A as earnest money and set off by the Prepayment. Such earnest money shall be considered as part payment of the Consideration A upon completion of the Amended Equity Transfer Agreement A;
- (b) RMB36,750,000 (being approximately 25.0% of the consideration for the Sale Interest AI) shall be settled by cash before 31 December 2024; and
- (c) the remaining balance of RMB36,825,000 (being approximately 25.0% of the consideration for the Sale Interest AI) shall be settled by cash before 31 December 2025.

Sale Interest AII

The consideration for the Sale Interest AII of RMB135,975,000 payable to Sichuan Zhengzhuo shall be settled by cash and allotment of the Consideration Shares A as follows:

- (a) RMB20,000,000 (being approximately 14.7% of the consideration for the Sale Interest AII) shall be settled by cash before 31 December 2024;
- (b) RMB40,000,000 (being approximately 29.4% of the consideration for the Sale Interest AI) shall be settled by cash before 31 December 2025;
- (c) RMB24,164,955.78 (being approximately 17.8% of the consideration for the Sale Interest AI) shall be settled by cash before 31 December 2026; and
- (d) the remaining balance of RMB51,810,044.22 (being approximately 38.1% of the consideration for the Sale Interest AI and approximately HK\$63,275,579.16) shall be settled by allotment and issue of the Consideration Shares A (being 74,441,857 Shares) at the Issue Price of HK\$0.85 per Share by the Company to Sichuan Zhengzhuo (or its nominee) within 60 Business Days of either (i) the date of completion of the Equity Transfer A or (ii) the date when Sichuan Zhengzhuo completes the necessary government approval procedures (being the overseas investment or foreign exchange registration) in relation to the receipt of the Consideration Shares A, whichever the later.

The Consideration A was determined by the parties after arm's length negotiations with reference to and taking into account the track record and operation of the vocational schools (including, their number of students, course offerings and tuition fee levels of the Vocational College and the Vocational School), the past financial performance and future prospects of the Target Group A and the fair value of 100% equity interest of the Target

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Company A of approximately RMB694,360,000 as at 31 August 2021 as appraised by an independent valuation company applying the market approach. For details, please refer to the valuation report of the equity interest of the Target Company A set out in Appendix VII to this circular. The Board is of the view that, since there is no change in the amount of consideration payable to Shenzhen Hongyuan and Sichuan Zhengzhuo under the Amended Equity Transfer Agreement A, which only amended the payment arrangements and method of partial consideration payable to Sichuan Zhengzhuo. Thus, our Directors are of the view that it is reasonable to adopt such valuation of equity interest as at 31 August 2021 for the Amendment Equity Transfer Agreement A.

The Target Group A held property interest in the PRC. Such property is located at 9 Jinping Avenue, Jinyuan Town, Dayi County, Chengdu, Sichuan Province, the PRC and comprises a parcel of land with a site area of approximately 386,620.00 sq.m., 96 buildings with a total gross floor area of approximately 348,839.64 sq.m. and various structures erected thereon which mainly include sports grounds, landscaped facilities, boundary walls and roads. The preliminary market value of the property interest held by the Target Group A amounted to approximately RMB922 million as at 31 March 2023. For details, please refer to the property valuation report set out in Appendix VI to this circular.

Reconciliation of the valuation of the property interests attributable to the Target Group A as of 31 March 2023, and such property interests disclosed in the financial information of the Target Group A as of 31 December 2022 is set forth below:

	<i>RMB'000</i>
Net book value of the property interests of the Target Group A as of 31 December 2022:	
Buildings included in property and equipment	783,676
Right-of-use assets	<u>91,834</u>
	875,510
Movements during the period from 1 January 2023 to 31 March 2023 (<i>unaudited</i>):	
Add: Additions	—
Less: Disposal	—
Less: Depreciation and amortisation	<u>(11,013)</u>
Net book value of the property interests of our Group as of 31 March 2023 (<i>unaudited</i>):	<u><u>864,497</u></u>
Valuation surplus	214,503
Less: Buildings without commercial value due to lack of title certificate ^(Note)	<u>(157,000)</u>
Valuation as of 31 March 2023	<u><u>922,000</u></u>

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Note: The relevant buildings are ascribed no commercial value by Jones Lang LaSalle Corporate Appraisal and Advisory Limited due to the lack of title certificates. For further details, please refer to the property valuation report set out in Appendix VI to this circular.

As at the Latest Practicable Date, the building ownership certificates of 51 buildings with a total gross floor area of approximately 59,574.23 sq.m held by the Target Group A has not been obtained. Such 51 buildings have been completed and put into use. As advised by the PRC Legal Adviser, since the planning and construction of 22 out of the 51 buildings had not been reported to the relevant authorities according to the applicable PRC regulations, the building ownership certificates of the 22 buildings with a total gross floor area of approximately 24,469.25 sq.m. can no longer be obtained. For details, please refer to the paragraph headed “4. Information of the parties — Non-compliance incidents of the Target Groups “ in this section. It is further advised by the PRC Legal Adviser that the construction permits of the other 29 buildings with a total gross floor area of approximately 35,104.98 sq.m. have been obtained. Although the construction of which has been completed, the construction audit and completion acceptance of the 29 buildings have not yet been conducted, thus, the issuing of the building ownership certificates is still pending. As advised by the PRC Legal Adviser, having completing the construction audit and completion acceptance, there should not be any substantial legal impediment in obtaining the building ownership certificates of the 29 buildings. To the best of the knowledge, information and belief of the Directors, the construction audit and completion acceptance are in progress and it is expected that the building ownership certificates of the 29 buildings will be obtained by the end of 2024 and post-Completion, subject to the internal approval process and timing of the relevant authorities. Given that the Target Company A is in the process of completing the construction audit and completion acceptance and will apply for the building ownership certificates of the 29 buildings as soon as the construction audit and completion acceptance are completed and having considered the advice from the PRC Legal Adviser, the Directors are of the view that the risk of not being able to obtain the building ownership certificates of the 29 buildings is low and consider that it would be in the interests of the Company and its Shareholders to proceed with the Completion.

The consideration to be paid in cash (other than the Prepayment) will be funded by the Group’s internal resources and, if and when available, bank financing.

Conditions precedent

Completion shall be subject to the fulfilment of the following conditions precedent:

- (i) the Amended Equity Transfer Agreement A being legally executed and valid;
- (ii) all representations, warranties and guarantees of Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A remaining true, accurate and complete on the date of the Amended Equity Transfer Agreement A, and such parties do not violate such representations, warranties and guarantees up to the day of the completion of the Amended Equity Transfer Agreement A;

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- (iii) information, documents, materials and data provided by Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A to Sichuan Yunmao, Chengdu Bomao and the Company (including the employees of and third parties engaged by which) being true, accurate and complete in all aspects and does not contain false records, misleading statements, or material omissions;
- (iv) Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A having confirmed each of their disclosure regarding the Target Company A in relation to its equity, legal, financial, taxation, corporate, operating business and affairs, contracts, properties and business conditions and other incidental matters for the due diligence are clear and settled, and Sichuan Yunmao and Chengdu Bomao are satisfied with the results of such due diligence exercise completed;
- (v) during the Transition Period, the Target Company A operates legally and there being no material change to its registered capital, principal business and core assets, no material adverse change of its operation and no significant reduction in the value of the equity interest of which;
- (vi) completion of all internal proceedings, including but not limited to passing and signing valid directors and shareholders written resolutions, of Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A approving the Equity Transfer A;
- (vii) the approval of the Directors and the Shareholders of the transactions contemplated under the Amended Equity Transfer Agreement A (including allotment and issue of the Consideration Shares A) having been obtained;
- (viii) Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company A having completed approval or filing procedures requested by the relevant government authorities in the PRC, but not including the government approval procedures in relation to the issue and allotment of the Consideration Shares A to Sichuan Zhengzhuo (or its nominee) (if applicable);
- (ix) the approval of the Stock Exchange in relation to the listing and trading of the Consideration Shares A;
- (x) Shenzhen Hongyuan and Sichuan Zhengzhuo having coordinated with the relevant pledgee(s) (creditor) to release the pledge of the Sale Interest AI and the Sale Interest A II and complete procedures for releasing such equity pledge registration; and
- (xi) simultaneous completion of the Amended Equity Transfer Agreement B.

If the conditions have not been satisfied within six months from the date of the Amended Equity Transfer Agreement A, Sichuan Yunmao, Chengdu Bomao and the Company are entitled to terminate the Amended Equity Transfer Agreement A unilaterally, upon which Shenzhen Hongyuan shall refund the Prepayment to Sichuan Yunmao and Chengdu Bomao within 10 Business Days.

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As at the Latest Practicable Date, except for condition (i) above, none of the conditions precedent above has been fulfilled.

Completion

Completion of the Amended Equity Transfer Agreement A shall take place on the day when Sichuan Yunmao becomes the holder of 51% equity interest of the Target Company A registered by the relevant government authorities. Registration of the change in shareholding with the relevant government authorities shall be completed within 30 Business Days of satisfaction of all conditions precedent and the notice of approval of the change in particulars of the company issued (公司變更登記核准通知書) shall be provided to Sichuan Yunmao. Upon completion of the Amended Equity Transfer Agreement A, Sichuan Yunmao will hold 51% of the registered capital of the Target Company A.

The Amended Equity Transfer Agreement B

Summarised below are the principal terms of the Amended Equity Transfer Agreement B (as amended and supplemented by the Supplemental Agreement B dated 26 June 2023):

- Date:** 10 April 2023
- Parties:**
- (i) Shenzhen Hongyuan (as seller);
 - (ii) Sichuan Zhengzhuo (as seller);
 - (iii) Sichuan Yunmao (as buyer);
 - (iv) Chengdu Bomao (as buyer);
 - (v) the Target Company B; and
 - (vi) the Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, each of each of the Target Company B, Shenzhen Hongyuan and Sichuan Zhengzhuo and their ultimate beneficial owners is an Independent Third Party as at the Latest Practicable Date.

Subject matter

Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase the Sale Interest BI and the Sale Interest BII (both being 25.5% of the equity interest in the Target Company B) and Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest BI and the Sale Interest BII, respectively, in the aggregate consideration of RMB26,010,000.

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Consideration

The Consideration B of RMB26,010,000 for acquisition of the Sale Interest BI and the Sale Interest BII shall be settled by Sichuan Yunmao.

Sale Interest BI

The consideration for the Sale Interest BI of RMB13,005,000 is payable to Shenzhen Hongyuan and shall be settled as follows:

- (a) RMB5,000,000 (being approximately 38.4% of the consideration for the Sale Interest BI) shall be settled by cash before 31 December 2024; and
- (b) the remaining balance of RMB8,005,000 (being approximately 61.6% of the consideration for the Sale Interest BI) shall be settled by cash before 31 December 2025.

Sale Interest BII

The consideration for the Sale Interest BII of RMB13,005,000 is payable to Sichuan Zhengzhuo and shall be settled as follows:

- (a) RMB3,000,000 (being approximately 23.1% of the consideration for the Sale Interest BII) shall be settled by cash before 31 December 2025;
- (b) RMB5,244,077.02 (being approximately 40.3% of the consideration for the Sale Interest BII) shall be settled by cash before 31 December 2026; and
- (c) the remaining balance of RMB4,760,922.98 (being approximately 36.6% of the consideration for the Sale Interest BII and approximately HK\$5,814,512.68) shall be settled by allotment and issue of 6,840,603 Consideration Shares B at the Issue Price of HK\$0.85 per Share by the Company to Sichuan Zhengzhuo (or its nominee) within 60 Business Days of either (i) the date of completion of the Equity Transfer B or (ii) the date when Sichuan Zhengzhuo completes the necessary government approval procedures (being the overseas investment of foreign exchange registration) in relation to the receipt of the Consideration Shares B, whichever the later.

The Consideration B was determined by the parties after arm's length negotiations with reference to and taking into account the past financial performance and future prospects of the Target Company B and the fair value of 100% equity interest of the Target Company B of approximately RMB59,843,000 as at 31 August 2021 as appraised by an independent valuation company applying the asset-based approach. For details, please refer to the valuation report of the equity interest of the Target Company B set out in Appendix VIII to this circular. The Board is of the view that, since there is no change in the amount of consideration payable to Shenzhen Hongyuan and Sichuan Zhengzhuo under the Amended Equity Transfer Agreement B, which only amended the payment

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arrangements and method of partial consideration payable to Sichuan Zhengzhuo. Thus, our Directors are of the view that it is reasonable to adopt such valuation of equity interest as at 31 August 2021 for the Amendment Equity Transfer Agreement B.

The Target Group B held property interest in the PRC. Such property is located at 9 Xuefu Avenue, Penglai Town, Daying County, Suining, Sichuan Province, the PRC and comprises 9 parcels of land with a total site area of approximately 547,574.14 sq.m., 35 buildings with a total gross floor area of approximately 308,092.61 sq.m. and various structures erected thereon which mainly include sports grounds, landscaped facilities, boundary walls and roads. The preliminary market value of the property interest held by the Target Group B amounted to approximately RMB1,027 million as at 31 March 2023. For details, please refer to the property valuation report set out in Appendix VI to this circular.

Reconciliation of the valuation of the property interests attributable to the Target Group B as of 31 March 2023, and such property interests disclosed in the financial information of the Target Group B as of 31 December 2022 is set forth below:

	<i>RMB'000</i>
Net book value of the property interests of the Target Group B as of 31 December 2022:	
Buildings included in property and equipment	1,040,387
Right-of-use assets	<u>207,259</u>
	<u>1,247,646</u>
Movements during the period from 1 January 2023 to 31 March 2023 (<i>unaudited</i>):	
Add: Additions	—
Less: Disposal	—
Less: Depreciation and amortisation	<u>(7,772)</u>
Net book value of the property interests of our Group as of 31 March 2023 (<i>unaudited</i>):	<u><u>1,239,874</u></u>
Valuation surplus	72,126
Less: Buildings without commercial value due to lack of title certificate ^(Note)	<u>(285,000)</u>
Valuation as of 31 March 2023	<u><u>1,027,000</u></u>

Note: The relevant buildings are ascribed no commercial value by Jones Lang LaSalle Corporate Appraisal and Advisory Limited due to the lack of title certificates. For further details, please refer to the property valuation report set out in Appendix VI to this circular.

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As at the Latest Practicable Date, the building ownership certificates of 14 buildings with a total gross floor area of approximately 96,879.81 sq.m held by the Target Group B has not been obtained. Such 14 buildings have been completed and put into use. As advised by the PRC Legal Adviser, (a) since the planning and construction of 6 out of the 14 buildings had not been reported to the relevant authorities according to the applicable PRC regulations, the building ownership certificates of the 6 buildings with a total gross floor area of approximately 2,287.83 sq.m. can no longer be obtained. For details, please refer to the paragraph headed “4. Information of the Parties — Non-compliance incidents of the Target Groups” in this section. It is further advised by the PRC Legal Adviser that the application for the real estate title certificates of the other 8 buildings with a total gross floor area of approximately 94,591.98 sq.m. can only be carried out after passing the completion acceptance of fire engineering and having obtained the engineering fire safety certificates and planning acceptance certificates of the 8 buildings and the engineering quality acceptance (qualified) filing certificates of the whole construction. As advised by the PRC Legal Adviser, having passing the completion acceptance of fire engineering and having obtained the engineering fire safety certificates and planning acceptance certificates of the 8 buildings and the engineering quality acceptance (qualified) filing certificates of the whole construction, there should not be any substantial legal impediment in obtaining such real estate title certificates. To the best of the knowledge, information and belief of the Directors, it is expected that the real estate title certificates of the 8 buildings will be obtained before late-December 2023, subject to the internal approval process and timing of the relevant authorities. Given that the Target Company B is in the process of completing the required acceptance checks and will apply for the real estate title certificates of the 8 buildings as soon as the required acceptance checks are completed and having considered the advice from the PRC Legal Adviser, the Directors are of the view that the risk of not being able to obtain the building ownership certificates of the 8 buildings is low and consider that it would be in the interests of the Company and its Shareholders to proceed with the Completion.

The consideration to be settled in cash will be funded by the Group’s internal resources and, if and when available, bank financing.

Conditions precedent

Completion shall be subject to the fulfilment of the following conditions precedent:

- (i) the Amended Equity Transfer Agreement B being legally executed and valid;
- (ii) all representations, warranties and guarantees of Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B remaining true, accurate and complete on the date of the Amended Equity Transfer Agreement B, and such parties do not violate such representations, warranties and guarantees up to the day of the completion of the Amended Equity Transfer Agreement B;

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- (iii) information, documents, materials and data provided by Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B to Sichuan Yunmao, Chengdu Bomao and the Company (including the employees of and third parties engaged by which) being true, accurate and complete in all aspects and does not contain false records, misleading statements, or material omissions;
- (iv) Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B having confirmed each of their disclosure regarding the Target Company B in relation to its equity, legal, financial, taxation, corporate, operating business and affairs, contracts, properties and business conditions and other incidental matters for the due diligence are clear and settled, and Sichuan Yunmao and Chengdu Bomao are satisfied with the results of such due diligence exercise completed;
- (v) during the Transition Period, the Target Company B operates legally and there being no material change to its registered capital, principal business and core assets, no material adverse change of its operation and no significant reduction in the value of the equity interest of which;
- (vi) completion of all internal proceedings, including but not limited to passing and signing valid directors and shareholders written resolutions, of Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B approving the Equity Transfer B;
- (vii) the approval of the Directors and the Shareholders of the transactions contemplated under the Amended Equity Transfer Agreement B (including allotment and issue of the Consideration Shares B) having been obtained;
- (viii) Shenzhen Hongyuan, Sichuan Zhengzhuo and the Target Company B having completed approval or filing procedures requested by the relevant government authorities in the PRC, but not including the government approval procedures in relation to the issue and allotment of the Consideration Shares B to Sichuan Zhengzhuo (or its nominee) (if applicable);
- (ix) the approval of the Stock Exchange in relation to the listing and trading of the Consideration Shares B;
- (x) Shenzhen Hongyuan and Sichuan Zhengzhuo having coordinated with the relevant pledgee(s) (creditor) to release the pledge of the Sale Interest BI and the Sale Interest BII and complete procedures for releasing such equity pledge registration; and
- (xi) simultaneous completion of the Amended Equity Transfer Agreement A.

If the conditions have not been satisfied within six months from the date of the Amended Equity Transfer Agreement B, Sichuan Yunmao, Chengdu Bomao and the Company are entitled to terminate the Amended Equity Transfer Agreement B unilaterally.

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As at the Latest Practicable Date, except for condition (i) above, none of the conditions precedent above has been fulfilled.

Completion

Completion of the Amended Equity Transfer Agreement B shall take place on the day when Sichuan Yunmao becomes the holder of 51% equity interest of the Target Company B registered by the relevant government authorities. Registration of the change in shareholding with the relevant government authorities shall be completed within 30 Business Days of satisfaction of all conditions precedent and the notice of approval of the change in particulars of the company issued (公司變更登記核准通知書) shall be provided to Sichuan Yunmao. Upon completion of the Amended Equity Transfer Agreement B, Sichuan Yunmao will hold 51% of the registered capital of the Target Company B.

Each of Sichuan Yunmao and the Target Groups will undertake that, for so long as the Shares are listed on the Stock Exchange, each of Sichuan Yunmao and the Target Groups will provide the Group's management and the Company's auditors full access to its relevant records for the purpose of the Company's auditors' review of the continuing connected transactions.

3. CONSIDERATION SHARES

The Consideration Shares, being 81,282,460 new Shares of an aggregate nominal value of HK\$812,824.60 (with a par value of HK\$0.01 each), will be issued at the Issue Price of HK\$0.85 per Share. Based on the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on 6 April 2023, the Last Trading Day, the aggregate market value of the Consideration Shares is approximately HK\$21.1 million.

As at the Latest Practicable Date, the Company had 821,856,000 Shares in issue. The Consideration Shares represent:

- (i) approximately 9.9% of the existing issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 9.0% of the issued share capital of the Company as enlarged by the issue of the Consideration Shares.

The Issue Price represents:

- (i) a premium of approximately 226.9% over the closing price of HK\$0.260 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a premium of approximately 224.4% over the average closing price of approximately HK\$0.262 per Share as quoted on the Stock Exchange for the five consecutive trading days immediately prior to the Latest Practicable Date.

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The Issue Price of HK\$0.85 per Consideration Share was arrived at after arm's length negotiation between the Company and Sichuan Zhengzhuo. Having considered the prevailing market price of the Shares, the reasons for and benefits of the Amended Agreements' as described in the section headed "Reasons for and benefits of the Amended Agreements" in this circular and the future prospects and development of the Group's business, the Directors consider that the Issue Price is fair and reasonable and the allotment and issuance of the Consideration Shares at the Issue Price is in the interests of the Company and the Shareholders as a whole.

Immediately following the allotment and issue of the Consideration Shares, Sichuan Zhengzhuo (or its nominee) will own approximately 9.0% of the enlarged issued share capital of the Company. The Consideration Shares, when issued, will rank *pari passu* in all respects among themselves and with all the Shares in issue as at the date of the allotment and issuance of the Consideration Shares. Holders of such Consideration Shares shall be entitled to receive all future dividends and distributions that are declared after the date of the allotment and issue of the Consideration Shares.

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Consideration Shares. The allotment and issue of the Consideration Shares will not result in a change of control of the Company. The Consideration Shares will be allotted and issued pursuant to the Specific Mandate to be sought by the Company at the EGM. There are no restrictions which apply to the subsequent sale of the Consideration Shares.

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Changes in shareholding structure of the Company

The following table illustrates the changes in the shareholding structure of the Company as at the Latest Practicable Date and immediately after the allotment and issue of the Consideration Shares:

Name of Shareholder	As at the Latest Practicable Date		Immediately after allotment and issue of the Consideration Shares	
	<i>Number of Shares</i>	<i>Approximate percentage of issued Shares</i>	<i>Number of Shares</i>	<i>Approximate percentage of issued Shares</i>
Act Glory Global Limited ⁽¹⁾	233,920,000	28.46	233,920,000	25.90
Cosmic City Holdings Limited ⁽²⁾	82,853,550	10.08	82,853,550	9.17
Wuxi First Capital Corporate Management Partnership (Limited Partnership)* (無錫首控企業管理合夥企 業(有限合夥)) ⁽³⁾	140,000,000	17.03	140,000,000	15.50
Honesty Virtue International Limited ⁽⁴⁾	10,000,000	1.22	10,000,000	1.11
Sichuan Zhengzhuo (or its nominee)	—	—	81,282,460	9.00
Other public shareholders	355,082,450	43.21	355,082,450	39.32
Total	821,856,000	100.00	903,138,460	100.00

Notes:

- (1) Act Glory is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Act Best, which is solely and beneficially owned by Mr. Wang Jinglei. Therefore, Mr. Wang Jinglei and Act Best are deemed to be interested in the Shares held by Act Glory by virtue of SFO.
- (2) Cosmic City is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Mr. Xiong Tao who passed away on 18 August 2020. Therefore, Mr. Xiong Tao is deemed to be interested in shares held by Cosmic City by virtue of the SFO.
- (3) Wuxi First Capital Corporate Management Partnership (Limited Partnership) (“**Wuxi FC**”) is a limited partnership established in the PRC and its general partner is First Capital (Shenzhen) Equity Investment Fund Management Company Limited (“**FC Equity**”), a limited liability company established in the PRC. FC Equity is wholly-owned by China Sunrise Asset Management Limited (“**Sunrise Capital**”), a limited liability company established in Hong Kong. Sunrise Asset is wholly-owned by China Sunrise Capital Holdings Limited (“**Sunrise Capital**”), a limited liability company established in the British Virgin Islands. Sunrise Capital is wholly-owned by China First Capital Group Limited (“**CFC**”), a limited liability company incorporated in the Cayman Islands and the issued shares of which are listed on the Stock Exchange (stock code: 1269). Thus, FC Equity, Sunrise Asset, Sunrise Capital and CFC are deemed to be interested in the Shares held by Wuxi FC under the SFO.

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- (4) Honesty Virtue International Limited is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Shenzhen Jingxi Ruihe Investment Development Company Limited* (深圳經世瑞合投資發展有限公司), a limited company established in the PRC, which is in turn owned by Mr. Chen Junchao as to 80%. Therefore, Mr. Chen is deemed to be interested in shares held by Honesty Virtue International Limited by virtue of the SFO.

As at the Latest Practicable Date, the Company had an authorised share capital of HK\$50 million divided into 5,000,000,000 Shares of HK\$0.01 each and the Company had an issued share capital of HK\$8,218,560 divided into 821,856,000 Shares of HK\$0.01 each.

4. INFORMATION OF THE PARTIES

Chengdu Bojun

Chengdu Bojun is a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company. Chengdu Bojun is principally engaged in the provision of education consultancy.

Chengdu Bomao

Chengdu Bomao is a limited liability company established in the PRC and a wholly owned subsidiary of the Company. Chengdu Bomao is principally engaged in the business of education investment and management.

Sichuan Yunmao

Sichuan Yunmao is a limited liability company established in the PRC and will be a Consolidated Affiliated Entity upon the Completion pursuant to the Structured Contracts. As at the Latest Practicable Date, Sichuan Yunmao is solely owned by Sichuan Yuanmao, which is owned by Mr. Wang Jinglei, an executive Director and a substantial Shareholder, as to 99% and Ms. Duan Ling, his spouse, as to 1%. On 27 June 2023, Chengdu Bomao, Sichuan Yunmao and members of the Target Group entered into the Structured Contracts. Thus, Sichuan Yunmao, the Target Company A, the Target Company B, the Vocational College and the Vocational School will become Consolidated Affiliated Entities. Sichuan Yunmao is principally engaged in the business of education investment and management.

Shenzhen Hongyuan

Shenzhen Hongyuan is a limited liability company established in the PRC and is principally engaged in investment holding, mainly of education-related business. As at the Latest Practicable Date, Shenzhen Hongyuan holds 51% equity interest in the Target Company A and 50% equity interest in the Target Company B and is ultimately owned by Mr. Wang Honglun as to 60% and Mr. Wang Pengcheng as to 40%, each of them a PRC citizen of PRC nationality and an Independent Third Party.

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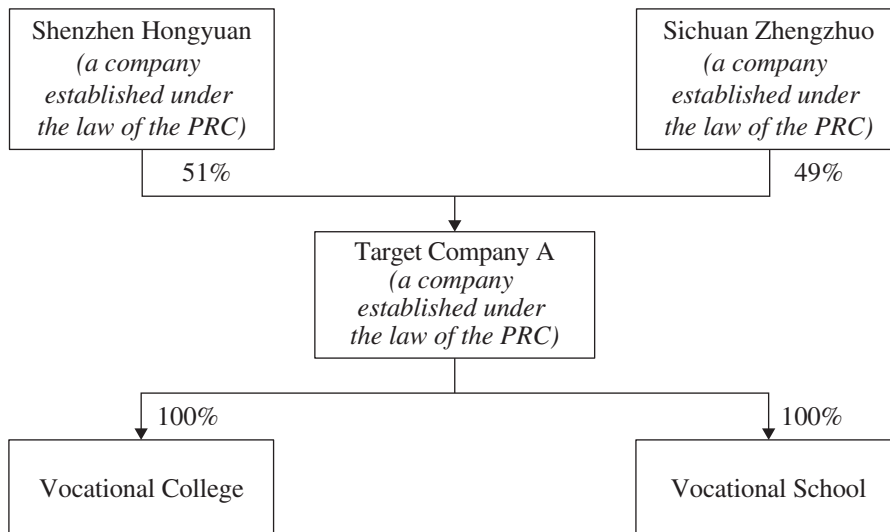
Sichuan Zhengzhuo

Sichuan Zhengzhuo is a limited liability company established under the laws of the PRC on 17 June 2015. It is principally engaged in the business of investment holding, mainly of education-related business. As at the Latest Practicable Date, Sichuan Zhengzhuo holds 49% equity interest in the Target Company A and 50% equity interest in the Target Company B and is ultimately owned by Mr. Li Yafei, Ms. Cao Youqin, Mr. Li Yuankai and Ms. Zhang Rong as to 75.5%, 18.2%, 3.5% and 2.8%, respectively, each of them a PRC citizen of PRC nationality and an Independent Third Party.

The Target Company A

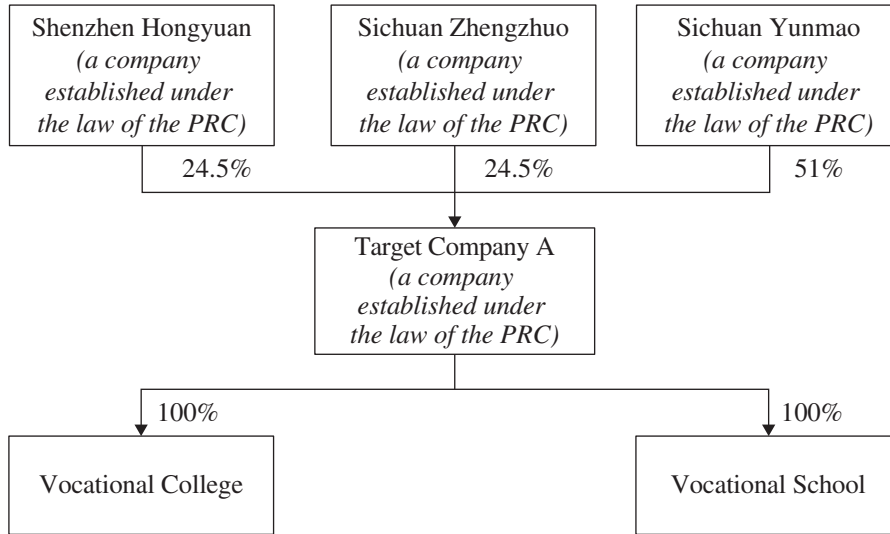
The Target Company A is a limited liability company established under the laws of the PRC on 6 July 2012. It is principally engaged in the management of vocational education institutions and is the school sponsor of the two operating vocational education institutions, being the Vocational College and the Vocational School. Prior to the Completion and as at the Latest Practicable Date, the Target Company A is owned by Sichuan Zhengzhuo as to 49% and Shenzhen Hongyuan as to 51%, each of which and their ultimate beneficial owners is an Independent Third Party.

Set out below is the shareholding structure of the Target Group A as at the Latest Practicable Date and prior to the Completion:



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Set out below is the shareholding structure of the Target Group A immediately after the Completion:



Vocational College

The Vocational College was established in February 2013 in Sichuan Province, the PRC, and is wholly-owned by the Target Company A as at the Latest Practicable Date. It and its ultimate beneficial owners are all Independent Third Parties. It is a formal higher vocational education institution (普通高等職業學校), which offers three-year and five-year vocational programmes. Students who enter the Vocational College have generally completed their high school education. The Vocational College offers students with vocational training programmes in different majors, such as accounting, marketing, financial management, business administration, e-commerce, early childhood education, construction design, nursing and elderly service management at annual tuition fee ranging from RMB13,500 to RMB14,000 per programme. For the school year commencing 1 September 2022, 23,343 students enrolled with the Vocational College. The Vocational College owns the land use right of a parcel of land of a site area of approximately 386,620 sq.m., with various academic buildings and facilities, used as school campus.

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Vocational School

The Vocational School was established in December 2012 in Sichuan Province, the PRC, and is wholly-owned by the Target Company A as at the Latest Practicable Date. It and its ultimate beneficial owners are all Independent Third Parties. It is a secondary vocational education institution (中等職業教育學校), which offers three-year vocational programmes. Students who enter the Vocational School have generally completed their middle school education at annual tuition fee ranging from RMB4,150 to RMB4,250 per programme. For the school year commencing 1 September 2022, 5,858 students enrolled with the Vocational School. The Vocational School offers students with vocation training programmes in different majors, such as accounting, computer application, railway transportation management, early childhood education, hospitality management and building construction. It runs the vocation training programmes at the school campus owned by the Vocational College.

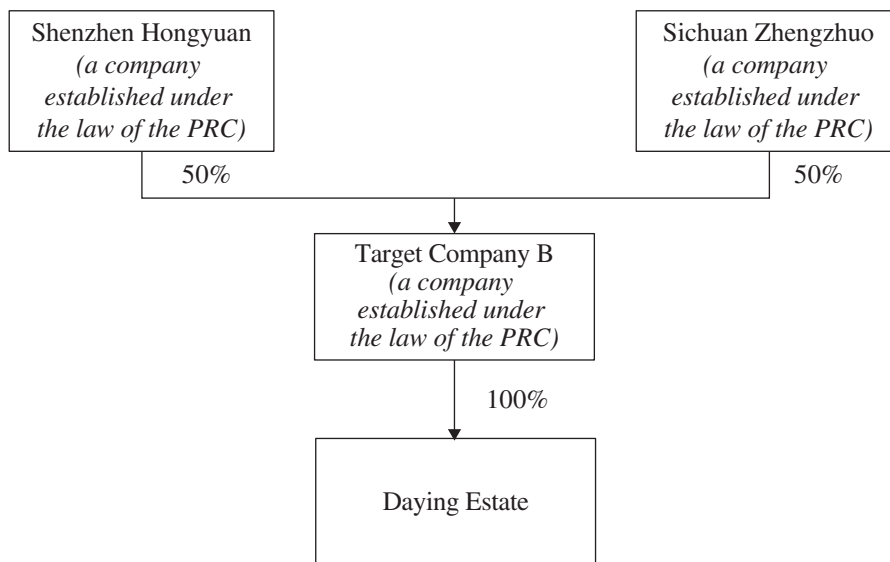
The Target Company B

The Target Company B is a limited liability company established under the laws of the PRC on 5 March 2020. It is principally engaged in the business of investment in vocational education institution. Prior to the Completion and as at the Latest Practicable Date, the Target Company B is owned by Sichuan Zhengzhuo as to 50% and Shenzhen Hongyuan as to 50%, each of which and their ultimate beneficial owners is an Independent Third Party. Upon the Completion, the Target Company B will be owned by Sichuan Yunmao as to 51%, Shenzhen Hongyuan as to 24.5% and Sichuan Zhengzhuo as to 24.5%. The Target Company B owns the land use right of parcels of land of site area of approximately 547,574 sq.m., with various academic buildings and facilities completed in various stages between 2018 and 2022, and used as school campus. The school campus would be used for provision of vocational education services. The Target Company B is cooperating with the Vocational College in the operation of a training base pursuant to the Cooperation Agreement. Under the Cooperation Agreement, the Vocational College would provide training services to its students at the premises and facilities which are owned by the Target Company B for a term of three years from 1 September 2021 to 31 August 2024 and the Target Company B shall provide management and maintenance services at the premises. Duties of the Vocational College include, among others, formulating and supervising the implementation of various regulations and systems in relation to student management, teaching and training management as required by the training base to ensure the quality of teaching and training, developing a list of students to be assigned to the training base, determining the types of courses to be opened and formulating training goals. The Target Company B, as the owner of the campus and relevant facilities, shall arrange for the use of venue and support to ensure teaching quality, provide venue and other facilities necessary for operation of the training base and assist the Vocational College in the organisation and implementation of relevant work. For further details, please refer to the announcement of the Company dated 8 December 2021.

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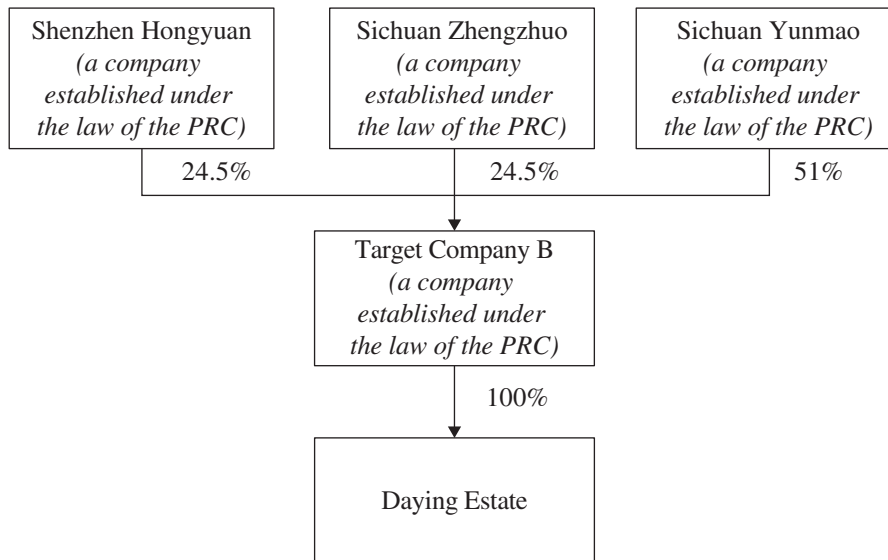
As at the Latest Practicable Date, Sichuan Provincial Department of Education* (四川省教育廳) has approved the Vocational College to offer vocational education programmes at the school campus of the Target Company B. The Vocational College will expand the scale of its operations and will offer vocational education programmes at the school campus of the Target Company B in September 2023. As advised by the PRC Legal Adviser, all necessary permits or licenses have been obtained on the provision of vocational education services by the Vocational College at the school campus of the Target Company B and the Vocational College can offer vocational education programmes at the school campus of the Target Company B in September 2023.

Set out below is the shareholding structure of the Target Group B as at the Latest Practicable Date and prior to the Completion:



LETTER FROM THE BOARD

Set out below is the shareholding structure of the Target Group B immediately after the Completion:



Daying Estate

Daying Estate is a limited liability company incorporated in the PRC on 14 November 2022. As at the Latest Practicable Date, Daying Estate is wholly-owned by the Target Company B, which and its ultimate beneficial owners are Independent Third Parties. Daying Estate is principally engaged in the business of property development and construction. In December 2022, Daying Estate and the local government of Daying County entered into a land acquisition agreement in relation to the purchase of a parcel of land of approximately 33,300 sq.m. in Daying County for commercial residential use at a consideration of RMB111,000,000. Completion of the land acquisition shall take place in January 2024 after full settlement of the consideration. As at the Latest Practicable Date, Daying Estate has paid a total amount of RMB55,500,000 to the local government as part payment and the remaining consideration shall be settled by the end of December 2023. Such land could be used for teachers quarters as ancillary facilities of the school campus of the Target Company B. However, after having considered, among others, the focus of business of the Target Group B on provision of vocational education services, the construction and development costs and various market conditions, the Target Company B plans not to invest in the development of residential property and will dispose of its equity interest in Daying Estate to other party as and when opportunities arise. To the best of the knowledge of the Directors, as at the Latest Practicable Date, the Target Company B is actively looking for potential buyers and has identified and entered into discussion with a potential buyer, which is a property development company established in the PRC and an Independent Third Party. The Target Company B is discussing and negotiating with the potential buyer on the terms and conditions of the disposal. As at the Latest Practicable Date, the Target Company B has not entered into any legally binding agreements in respect of the disposal of Daying Estate and it is estimated that the Target Company B will dispose of the equity interest in Daying Estate by December 2023. It is a tentative plan of the Target Company B to dispose its equity interest in Daying Estate

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before the Completion and, thus, Daying Estate will not be a Consolidated Affiliated Entity. However, in the event that such disposal does not take place before the Completion, 51% of the equity interest in Daying Estate will be transferred to a wholly-owned subsidiary of the Company at nil consideration and the remaining equity interest in Daying Estate will be transferred to Shenzhen Hongyuan and Sichuan Zhengzhuo as to 24.5% each at nil consideration. As the principal business of Daying Estate is property development and construction which is different from that of the Group and is not subject to foreign investment restriction under the relevant PRC laws and regulations, such transfer will preclude Daying Estate from being a party to the New Structured Contracts and becoming a Consolidated Affiliated Entity upon Completion. As at the Latest Practicable Date, the remaining consideration on acquisition of land of RMB55.5 million has not been settled. Shenzhen Hongyuan and Sichuan Zhengzhuo have undertaken to Daying Estate that they will settle the remaining consideration in the event that the disposal of equity interest in Daying Estate does not take place by December 2023 and, accordingly, the Group would not be responsible to settle any of the remaining consideration in the event that the disposal of equity interest in Daying Estate does not take place by December 2023.

Business plan of the schools of the Target Groups

The Target Groups will continue to provide vocational education services in the PRC. As at the Latest Practicable Date, the Target Company A operates its education business in Dayi County, Chengdu City, Sichuan Province, through the Vocational College and the Vocational School. The Vocational College offers formal higher vocational education services (普通高等職業教育服務) while the Vocational School offers secondary vocational education services (中等職業教育服務). In the forthcoming academic year (2023/2024), the Vocational College will expand its school network to broaden its geographic coverage and will provide formal higher vocational education services to students in Daying County, Suining City, Sichuan Province. The Vocational College will offer vocational programmes at the school campus of the Target Company B in Daying County. As at 31 December 2022, the Target Groups had an aggregate student enrolment of approximately 29,201 students. It is expected that with the expansion of school network, the aggregate student enrolment of the Target Groups will be increased to approximately 37,000 in 2023/2024 and 42,000 in 2024/2025.

Business plan of the existing schools of the Group

Immediately before the implementation of the Implementation Rules of the PRC on the Law Regarding the Promotion of Private Education (《中華人民共和國民辦教育促進法實施條例》) (the “**Implementation Rules**”) on 1 September 2021, the Group was operating 13 schools, comprising (i) six kindergartens (namely Youshi Kindergarten, Lidu Kindergarten, Longquan Kindergarten, Peninsula Kindergarten, Riverside Kindergarten and Qingyang Kindergarten), (ii) three primary and middle school (namely Wangcang Bojun School, Nanjiang Bojun School and Pengzhou Bojun School (the equity interest of Pengzhou Bojun School had been disposed of by the Group pursuant to a termination agreement dated 27 August 2021 as detailed in the announcements of the Company dated 27 August 2021, 6 September 2021, 20 May 2022 and 10 June 2022, and a circular of the

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Company dated 30 September 2021)), (iii) two middle schools (namely Jinjiang School and Tianfu School), (iv) one middle and high school (namely Longquan School) and (v) one primary, middle and high school (namely Lezhi Bojun School) in the PRC. As a result of the restrictions on the provision of compulsory education under the Implementation Rules, the Group lost control over those operating entities providing compulsory education services (i.e. primary and middle schools) and non-profit preschool education services with effect from 31 August 2021.

As at the Latest Practicable Date, the Group operated one high school (namely Tianfu High School) and two kindergartens (namely Lidu Kindergarten and Riverside Kindergarten). The Group successfully converted Lidu Kindergarten and Riverside Kindergarten from non-profit kindergartens to for-profit kindergartens in May 2022 and June 2022, respectively, and regained control over these two kindergartens. In May 2022, the Group and its kindergartens (including Peninsula Kindergarten, Longquan Kindergarten, Qingyang Kindergarten and Youshi Kindergarten) entered into a management agreement, pursuant to which the Group shall provide management services to the kindergartens at an aggregated service fee capped at RMB8,350,000. The Group will continue to provide management services to the kindergartens under the management agreement. For further details, please refer to the announcements of the Company dated 27 May 2022, 26 August 2022 and 25 November 2022.

As at the Latest Practicable Date, the Group was in the process of transforming Longquan School, Wangcang Bojun School and Lezhi School into for-profit high schools, subject to the approval of change of education license by the relevant government authorities in the PRC. Longquan School, Wangcang Bojun School and Lezhi Bojun School, are currently operated under the same education licence. The prerequisite of transforming non-profit high schools to for-profit high school is that the non-profit high schools shall have an individual education licence. The Group has been actively procuring the transformation and is in the process of communicating, and will maintain regular communication, with the relevant competent authorities and consult its legal advisers as to PRC laws from time to time to keep itself abreast of the latest regulatory development in this regard. The Group intends to formulate an action plan with steps to be implemented for the separation of non-profit high school from the existing education licence and the transformation of the non-profit high schools to for-profit high school as and when further details of which is available with a view to completing the transformation in the future. It is expected that the transformation will not be able to be completed in the forthcoming academic year (2023/2024). Periodic updates will also be provided in the Company's annual and interim reports after the Completion to inform Shareholders and potential investors of the Company of regulatory updates in relation to such transformation, and, where applicable, the action plan together with steps undertaken for such purposes. Following the transformation, the Group will regain control over such entities and the financial results of which will be consolidated in the Company's financial statements. Following the Completion, the Group plans to launch vocational education at some of its school and adopt the teaching model of Dual-System “普職融通” for integrated pattern of general and vocational education, which is a new education pattern integrating secondary vocational education and general high school education, sharing the curriculum under common design and teaching resources, implementing alternative credentials and status

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basis. The Group also plans to develop an international high school programme through the introduction of a sophisticated management and teaching team. As the international overseas education market gradually recovers, the international high school market is also gaining traction. The Group plans to offer Advanced Placement (AP) courses of universities in the United States, which are college-level courses offered by the College Board of U.S. universities for high school students, allowing high school students an early exposure to college courses, avoiding duplication of courses between high school and junior college, and giving students an advantage in further education. It is primarily for high school students who plan to enroll in undergraduate programmes in the United States. In addition, the Group plans to offer the A-Level (General Certificate of Education Advanced Level) (the A-Level Program), which is used as an admissions standard by almost all universities in English-speaking countries. It is mainly suitable for high school students who plan to apply to undergraduate courses in the UK. As both programmes are available worldwide, passing the AP and A-Level exams gives students more opportunities in choosing a school and it is becoming a trend for students with the goal of studying abroad to take either the AP or A-Level exams, with good prospects offered by these international programmes.

Due to the restrictions on the provision of compulsory education (i.e. primary and middle school education) under the Implementation Rules, the Group lost control over Nanjiang School, Jinjiang School and Tianfu School. However, the Group will continue to explore business opportunities in the education industry. The Group has launched its overseas education consultancy business in 2021 and will continue to expand its services.

Financial information

The Target Group A

The audited consolidated financial statements of the Target Group A for the two years ended 31 December 2022 are summarised and set out below:

	For the year ended 31 December	
	2021	2022
	(audited)	(audited)
	RMB'000	RMB'000
Revenue	202,743	269,294
Loss before tax	(56,607)	(15,057)
Loss after tax	(56,607)	(15,559)

As at 31 December 2022, the audited consolidated net assets of the Target Group A amounted to approximately RMB461.2 million.

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The Target Group B

The audited consolidated financial statements of the Target Group B for the two years ended 31 December 2022 are summarised and set out below:

	For the year ended 31 December	
	2021	2022
	(audited)	(audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6,311	22,631
Loss before tax	(319)	(10,411)
Loss after tax	(319)	(10,411)

As at 31 December 2022, the audited consolidated net liabilities of the Target Group B amounted to approximately RMB11.6 million.

Upon the Completion, Sichuan Yunmao will hold 51% of the registered capital of each of the Target Companies. On 27 June 2023, Chengdu Bomao entered into new sets of structured contracts with members of the Target Groups and Sichuan Yunmao, which will become effective upon the Completion, and members of the Target Groups and Sichuan Yunmao will become Consolidated Affiliated Entities. Thus, the Group will obtain control over and derive economic benefits from the Target Group and Sichuan Yunmao and the financial results of the Target Group and Sichuan Yunmao will be consolidated into the accounts of the Company upon the Completion.

Non-compliance incidents of the Target Groups

Particulars of the non-compliance

As at the Latest Practicable Date,

- (a) the Target Group A failed to obtain the requisite construction planning permits (建設工程規劃許可證) and the construction permits (建設工程施工許可證) from the Planning Administration Bureau of Dayi County* (大邑縣規劃管理局) and Housing and Urban-Rural Development of Dayi County* (大邑縣住房及城鄉建設局), respectively, for 22 buildings with a total gross floor area of approximately 24,469.25 sq.m., representing approximately 7.0% of the total gross floor area of all the buildings held by the Target Group A. Such buildings include a network centre, 1-storey dormitories, a food hall, training rooms, piano rooms, tuck shops, securities rooms, storage rooms and other ancillary items (such as electrical rooms and garbage rooms). As at the Latest Practicable Date, all such buildings had been put into use as ancillary facilities; and

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- (b) the Target Group B failed to obtain the requisite construction planning permits and the construction permits from the Administrative Administration and Approval Bureau of Daying County* (大英縣行政審批局) for 6 buildings with a total gross floor area of approximately 2,287.83 sq.m., representing approximately 0.7% of the total gross floor area the buildings held by the Target Group B. Such buildings include a basketball court and other ancillary items (such as electrical rooms, garbage room and water pump room). As at the Latest Practicable Date, all such buildings had been put into use as ancillary facilities.

Reasons for the non-compliance

The Target Groups planned to use the buildings for temporary use as ancillary facilities and may demolish these buildings in the future and, thus, the requisite permits were not applied for. As the buildings concerned were for temporary use only and may be demolished in the future, the requisite permits were not applied for when the Target Groups commenced the construction of such buildings. As a result of such non-compliance, the Target Groups can no longer obtain the building ownership certificates for such buildings from the Housing Management Bureau of Dayi County*(大邑縣房產管理局) and Natural Resources and Planning Bureau of Daying County * (大英縣自然資源和規劃局) in accordance with the Interim Regulations on Real Estate Registration* (不動產登記暫行條例) and Urban and Rural Planning Regulation of Sichuan Province* (四川省城鄉規劃條例).

Legal consequences and potential maximum penalties

As advised by the PRC Legal Adviser, (a) pursuant to article 64 of the Urban and Rural Planning Law of the PRC* (中華人民共和國城鄉規劃法) and article 82 of the Urban and Rural Planning Regulation of Sichuan Province, for construction work that is carried out without a construction planning permit, the competent licence issuing government authority shall order the construction to be ceased; and if such impact can be rectified, the entity may be subject to a fine ranging from 5% to 10% of the construction cost and be ordered to rectify the impact on the planning caused by such construction; or if such impact cannot be rectified, the entity may be ordered to demolish the building within a prescribed period of time, and if the building cannot be demolished, the entity may be subject to a fine of not more than 10% of the construction cost and the confiscation of the building and/or any income illegally earned from such construction; and (b) pursuant to article 12 of Measures for Construction Permission Management of Construction Projects* (建築工程施工許可管理辦法), for construction work that is carried out without a construction permit, the competent licence issuing government authority shall order the construction to be ceased; order rectification within a prescribed time limit; and impose a fine of not less than 1% and not more than 2% of the contract price of the construction.

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As at the Latest Practicable Date, each of the Target Groups did not receive any notice or penalty in relation to such non-compliance. Accordingly, the Directors are of the view that the risk that the relevant authorities will impose penalties on the relevant Target Groups or order the relevant Target Groups to demolish the buildings is low, and it is estimated that the maximum penalty that could be imposed on the Group arising from such non-compliance would be approximately RMB3.8 million. Shenzhen Hongyuan and Sichuan Zhengzhuo have undertaken that they will fully and unconditionally indemnify the Group for any penalties, expenses or economic losses suffered or incurred by the Target Groups as a result of the non-compliance in relation to the failure to obtain construction planning permits and the construction permits for the 22 buildings and 6 buildings of the Target Group A and Target Group B, respectively.

During the years ended 31 December 2020, 2021 and 2022, the Target Group A and Target Group B accounted for the 22 buildings and 6 buildings, respectively, as their property and equipment despite that the fact that the Target Groups failed to obtain the building ownership certificates for these buildings. The 22 buildings of the Target Group A amounted to approximately RMB26.7 million of the total assets of approximately RMB1,435.6 million of the Target Group A as at 31 December 2022 and the 6 buildings of the Target Group B amounted to approximately RMB3.1 million of the total assets of approximately RMB1,313.1 million of the Target Group B as at 31 December 2022. Unless the relevant authorities prohibit the Target Groups from using these buildings, the Target Groups will continue to apply the same accounting treatment according to the current book value. In the unlikely event that the relevant authorities prohibit the Target Groups from using these buildings, the Target Groups will assess the impairment loss on these buildings.

Remedies and rectification measures taken to prevent future breach and ensure ongoing compliance

The Target Groups have enhanced internal control measures in relation to construction projects: (i) enhancing the planning procedures and approval requirement of the business department prior to commencement of construction projects; (ii) enhancing the communication with relevant regulatory authorities and keep abreast of updates in laws and policies; (iii) standardising the process of construction projects which include the preparation of construction work plan and checklist, obtaining approval of each construction project and ongoing compliance during construction; (iv) enhancing the Target Groups' internal supervision of construction projects by appointing the relevant departments of the Target Groups to supervise and monitor the administrative staff of the Target Groups with respect to such matters and; and (v) timely report on the progress of the construction projects and submit the relevant construction work plan, checklist and permits obtained to the board of the relevant member of the Target Groups.

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Directors' recommendations

Having considered the followings, the Directors are of the view that it would be in the interests of the Company and its Shareholders to proceed with the Completion:

- (a) out of the 22 buildings held by the Target Group A,
 - (i) 13 of which with a total gross floor area of approximately 2,699.1 sq.m. are for ancillary purpose such as garage, duty room, garbage room and switch board room;
 - (ii) 8 of which with a total gross floor area of approximately 2,699.1 sq.m were previously used by the Target Groups for temporary purpose and are currently not in use for teaching purpose, but for ancillary use only. 3 of these buildings with a total gross floor area of approximately 4,352.5 sq.m are now used as utility rooms and storage rooms. 1 of these building with a gross floor area of approximately 7,682.4 sq.m. which was originally intended to be used as a network centre is now used as computer room. The remaining 4 buildings with a total gross floor area of approximately 5,563.9 sq.m are now used as staff dormitories for short term use; and
 - (iii) 1 of which with a gross floor area of approximately 4,171.1 sq.m. is a food hall operated by an Independent Third Party.

Having considered that the actual usage of the buildings (which are used as ancillary facilities) and there being other properties with building ownership certificates in the same campus for relocation, our Directors are of the view that these buildings are not material to the Target Group A's operation and, in the unlikely event that the Target Group A is ordered to demolish such buildings, it is expected that the reconstruction cost of such buildings will be low and the reconstruction can be completed within a short period of time. Accordingly, it will not affect the business operation and financial position of the Group upon Completion;

- (b) out of the 6 buildings held by the Target Group B, 1 of which with a gross floor area of approximately 800 sq.m is a basketball court and the other 5 buildings with a total gross floor area of approximately 1,487.6 sq.m are for ancillary purpose such as garbage room and water pump room. Having considered that there is another basketball court in the same campus and most buildings are for ancillary use purpose only, our Directors are of the view that these buildings are not material to the Target Group B's operation and, in the unlikely event that the Target Group B is ordered to demolish such buildings, it is expected that the reconstruction cost of such buildings will be low and the reconstruction can be completed within a short period of time. Accordingly, it will not affect the business operation and financial position of the Group upon Completion;

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- (c) having obtaining an undertaking from Shenzhen Hongyuan and Sichuan Zhengzhuo that they will fully and unconditionally indemnify the Group for any penalties, expenses or economic losses suffered or incurred by the Target Groups as a result of the non-compliance in relation to the failure to obtain construction planning permits and construction permits for the 22 buildings and 6 buildings of the Target Group A and Target Group B, respectively; and
- (d) after discussing with the management of the Target Groups and considering the remedies and rectification measures implemented by the Target Groups to prevent future breach and ensure ongoing compliance, the Directors considered that nothing has come to the attention of the Board that such measures are materially inadequate or ineffective for the purpose of complying with applicable laws and regulations in all material respects.

Save for the abovementioned non-compliance, the Directors were not aware of other relevant non-compliance of the Target Groups as at the Latest Practicable Date.

5. NEW STRUCTURED CONTRACTS

Foreign investment in education industry in the PRC

As advised by the PRC Legal Adviser, the business of provision of vocational training is subject to foreign investment restrictions under the Negative List. According to the Negative List, foreign investment in vocational training institutions are permitted and the shareholding percentage of foreign investment in the business shall not exceed 50%. According to the Implementation Opinions of the Ministry of Education of the PRC on Encouraging and Guiding the Entry of Private Capital into the Field of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資本進入教育領域促進民辦教育健康發展的實施意見》), which aims at encouraging private investment and foreign investment in the field of education, the proportion of foreign capital contribution in a Sino-foreign cooperative school shall be less than 50%. Moreover, according to the Notice of Certain Measures on Supporting Private Education issued by the People's Government of Chengdu (《成都市人民政府關於印發促進民辦教育健康規範發展若干措施的通知》) issued in January 2020, foreign investment in vocational education institutions is encouraged. Given that Sichuan Yunmao will hold 51% equity interest in each of the Target Companies, of which the Target Company A is the sponsor of operating vocational education institutions, and after having consulted the Education Department of Chengdu on the qualification of school sponsor of vocational education institutions, the PRC Legal Adviser is of the view that the Acquisition would not affect the school qualification of the Vocational College and the Vocational School and would not be in breach of the Negative List. As advised by the PRC Legal Adviser, the Acquisition is in compliance with applicable laws and regulations of the PRC.

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The Structured Contracts comprises of:

- (i) the exclusive business cooperation agreement dated 27 June 2023 entered into among Chengdu Bomao, Sichuan Yuanmao and the New Entities (the “**Exclusive Business Cooperation Agreement**”);
- (ii) the exclusive call option agreement dated 27 June 2023 entered into among Chengdu Bomao, Sichuan Yuanmao and the New Entities (the “**Exclusive Call Option Agreement**”);
- (iii) the equity pledge agreement dated 27 June 2023 entered into among Chengdu Bomao, Sichuan Yuanmao, Sichuan Yunmao and the Target Companies (the “**Equity Pledge Agreement**”);
- (iv) the school sponsors’ and directors’ (council members’) rights entrustment agreement dated 27 June 2023 entered into among Chengdu Bomao, the Target Groups (excluding Daying Estate) and directors (or council members) appointed by the Target Company A to the Vocational College and the Vocational School, the school sponsors’ powers of attorney executed by the Target Company A dated 27 June 2023 and the directors’ (council members’) powers of attorney executed by directors (or council members) appointed by the Target Company A to the Vocational College and the Vocational School dated 27 June (the “**School Sponsors’ and Directors’ (Council Members’) Rights Entrustment Agreement, the School Sponsors’ Powers of Attorney and the Directors’ (Council Members’) Power of Attorney**”);
- (v) the loan agreement dated 27 June 2023 entered into among Chengdu Bomao and the New Entities (the “**Loan Agreement**”); and
- (vi) the shareholder’s rights entrustment agreement dated 27 June 2023 entered into among Chengdu Bomao, Sichuan Yuanmao and Sichuan Yunmao and the shareholder’s powers of attorney executed by Sichuan Yuanmao dated 27 June 2023 (the “**Shareholder’s Rights Entrustment Agreement**”).

The Directors (including the independent non-executive Directors) are of the view that the Structured Contracts have terms and conditions substantially the same as those of the Existing Structured Contracts, save for the identity of the signing parties.

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The summary of principal terms of the Structured Contracts are as follows:

I. EXCLUSIVE BUSINESS COOPERATION AGREEMENT

Date: 27 June 2023

Parties: (a) Chengdu Bomao
(b) Sichuan Yuanmao
(c) the New Entities

Pursuant to the Exclusive Business Cooperation Agreement, Chengdu Bomao agreed to provide exclusive technical service, management support and consulting service necessary for the education business to the New Entities which, shall in return make payments to Chengdu Bomao in accordance with the Structured Contracts.

The exclusive technical services to be provided by Chengdu Bomao to the New Entities include: (a) design, development, update and maintenance of educational software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of the New Entities; (c) design, development, update and maintenance of management information systems necessary for the education consultation and education activities of the New Entities; (d) provision of other technical support necessary for the education activities of the New Entities; (e) provision of technical consulting services; (f) assist the New Entities to formulate employee training and development programmes; (g) engaging technical staff to provide on-site technical support (if necessary); (h) provision of service for applying relevant permit for software, domain, trademark and professional technique of the New Entities and (i) providing other services agreed by Chengdu Bomao and the New Entities based on the actual need of the business and service capacity from time to time.

The exclusive management support and consulting services to be provided by Chengdu Bomao to the New Entities include: (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment services and support; (e) provision of public relation services; (f) formulation of long term strategic development plans and annual working plans; (g) formulation of management mode, business plans and market development plans; (h) development of financial management systems and recommendation and optimisation on annual budget; (i) advising on design of internal structures and internal management system of the New Entities; (j) provision of management and consultancy training for executive staff; (k) conduct of market survey and research, and advising on market information and business development; (l) formulation of regional and national market development plan; (m) assisting the New Entities in building of education management network and improving management of business operation; (n) assisting in building online and offline marketing network; (o) providing management and consultancy services in respect of daily operations, finance, investment, assets, liabilities and debt, human resources, internal information and other management and consultancy services; (p) assisting the New Entities and their subsidiaries to find suitable financing channels where fund is required in the operation of the New Entities;

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(q) assisting the New Entities to formulate programmes to maintain relationships with their suppliers, customers, cooperation partners and students, and assisting to maintain such relationships; (r) advising and providing recommendations on asset and business operating of the New Entities; (s) advising and providing recommendations to negotiate, sign and perform the material contracts of the New Entities and (t) providing other technical services reasonably requested by the New Entities.

Pursuant to the Exclusive Business Cooperation Agreement, in consideration of the technical and management consultancy services provided by Chengdu Bomao, each of the New Entities agreed to pay Chengdu Bomao a service fee equal to all of their respective amount of net profit (after deduction of all costs, expenses, taxes, losses from the previous year (if required by the law) and the statutory development fund of the respective school (if required by the law)). The statutory development fund is included as statutory surplus reserve at our Group's level and retained at schools' level. Chengdu Bomao has the right (but not the obligation) to adjust the amount of such service fee by reference to the actual services provided and the actual business operations and needs of the New Entities, provided that any adjusted amount shall not exceed the amount mentioned above. The New Entities do not have any right to make any such adjustment.

To ensure the due performance of the Structured Contracts, each of the New Entities agreed to comply with, and procure its subordinate enterprises, units and legal entities established from time to time (including its subsidiaries, branches and other entities) to comply with, and Sichuan Yuanmao agreed to procure the New Entities to comply with the following obligations as prescribed under the Exclusive Business Cooperation Agreement:

- (a) to carry out its private education operations in a prudent and efficient manner in accordance with good financial and business standards and maintain the asset value of schools that Sichuan Yunmao and the Target Companies are school sponsors to (the “**Schools**”) as well as the quality and standard of private education;
- (b) to prepare school development plans and annual working plans according to the instructions of Chengdu Bomao;
- (c) to carry out its private education activities and other relevant business under the assistance of Chengdu Bomao;
- (d) to carry out and manage its daily operations and financial management according to the recommendations, advice, principles and other business instructions of Chengdu Bomao;
- (e) to execute and act upon recommendations of Chengdu Bomao in relation to employment and removal of senior management and staff;
- (f) to adopt the advice, guidance and plans provided by Chengdu Bomao in relation to strategic development; and
- (g) to continuously carry out its business operations and maintain and renew its respective necessary licenses for the purpose of business development.

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In addition, pursuant to the Exclusive Business Cooperation Agreement:

- (a) Sichuan Yuanmao undertakes to Chengdu Bomao that, in the event of winding up or liquidation of Sichuan Yuanmao, (i) it shall have all necessary arrangement relating to the winding up or liquidation and sign all necessary document as requested by Chengdu Bomao, the Company or its designated person, including making the decision to dissolve and liquidate Sichuan Yuanmao, the appointment of members to a liquidation committee and approving the liquidation plan and the liquidation report, (ii) it shall transfer the equity interest in Sichuan Yunmao to Chengdu Bomao or any party designated by the Company and (iii) it shall dispose all of its remaining assets as requested by Chengdu Bomao and the proceeds of such disposals shall be payable to Chengdu Bomao as compensation;
- (b) Sichuan Yuanmao and the New Entities undertake to Chengdu Bomao that, in the event of (i) merger and subdivision of Sichuan Yunmao and the Target Companies, (ii) presentation by Sichuan Yunmao and the Target Companies or (iii) Sichuan Yunmao and the Target Companies being presented any application for winding up, liquidation, winding up restructuring or reconciliation, dissolution and liquidation of them pursuant to an order, (iv) application for involuntary dissolution of Sichuan Yunmao and the Target Companies, (v) the winding up or liquidation of Sichuan Yunmao and the Target Companies for any other reasons, or (vi) other circumstances which may affect Sichuan Yunmao and the Target Companies in their school sponsor interest in the Schools, they shall have made all necessary arrangement and signed all necessary document such that the successor, administrator, liquidation committee and any other person which may as a result of the above events obtain the school sponsor's interest or relevant rights in the New Entities shall not prejudice or hinder the performance of the Structured Contracts;
- (c) Sichuan Yuanmao and the New Entities undertake that, in the event of dissolution or liquidation of Sichuan Yunmao and the Target Companies, (i) Chengdu Bomao and/or its authorised person shall have the right to exercise all shareholder's and school sponsor's right on behalf of Sichuan Yuanmao and/or Sichuan Yunmao and the Target Companies; (ii) Sichuan Yuanmao, Sichuan Yunmao and the Target Companies shall transfer all assets received or receivable in their capacity as shareholders of Sichuan Yunmao and the Target Companies and/or school sponsors of the Schools as a result of the dissolution or liquidation of Sichuan Yunmao and the Target Companies and/or the Schools to Chengdu Bomao or other persons designated by the Company at nil consideration, and instruct the liquidation team of all of the New Entities to transfer such assets directly to Chengdu Bomao and/or other persons designated by us; (iii) if consideration is required for such transfer under the then applicable PRC laws, Sichuan Yuanmao, Sichuan Yunmao and the Target Companies shall compensate Chengdu Bomao or other persons designated by the Company an equivalent amount in a reasonable manner and guarantee that Chengdu Bomao or other persons designated by the Company shall not pay any fee or suffer any loss as a result of such transfer; and

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- (d) (i) no distribution of bonus, dividend, interests, benefits or other payments shall be made by Sichuan Yunmao and the Target Companies to Sichuan Yuanmao by any means without the prior written consent of Chengdu Bomao. In the event that Sichuan Yuanmao as shareholder of Sichuan Yunmao and the Target Companies receive any bonus, dividend or other interests or benefits (regardless of the actual form of the benefits) or amount from Sichuan Yunmao and the Target Companies, Sichuan Yuanmao shall unconditionally and without compensation transfer such amount to a specific account designated by Chengdu Bomao once such amount is received according to the instructions of Chengdu Bomao as security for performance of obligation under the Structured Contracts and repayment of debt; and (ii) no distribution of bonus, dividend, interests, benefits or other payments shall be made by the Vocational College and the Vocational School to Sichuan Yunmao and the Target Companies directly or indirectly by any means. In the event that Sichuan Yunmao and the Target Companies as school sponsors of the Vocational College and the Vocational School receive any return, interests, benefits (regardless of the actual form of the benefits) or amount from the Vocational College and the Vocational School, Sichuan Yunmao and the Target Companies shall unconditionally and without compensation transfer such amount to a specific account designated by Chengdu Bomao once such amount is received according to the instructions of Chengdu Bomao as security for performance of obligation under the Structured Contracts and repayment of debt.

In order to prevent the leakage of assets and values of the New Entities, Sichuan Yuanmao and each of the New Entities have undertaken that, without prior written consent of Chengdu Bomao or its designated party, they shall not conduct or cause to conduct any activity or transaction which may have actual impact (i) on the assets, business, staff, rights, obligations or operations of the New Entities or (ii) on the ability of Sichuan Yuanmao and each of the New Entities to perform their obligations under the Structured Contracts. Such activities and transactions include:

- (a) establishment or acquisition of any subordinate enterprise, unit or legal entity by the New Entities, including but not limited to subsidiaries, branches and private non-enterprise entities;
- (b) carry out any activity by any of the New Entities or their subordinate enterprises, units or legal entities which are outside their ordinary scope of business (i.e. the business of providing preschool education, full-time ordinary middle school education and full-time ordinary high school education (as the case may be)) or change the mode of operations of the New Entities subordinate enterprises, units or legal entities;
- (c) consolidation, subdivision, change of form of corporate organisation, dissolution or liquidation of the New Entities or their subordinate enterprises, units or legal entities;
- (d) providing any loan or guarantee in respect of any debt of, or succeeding or obtaining any debt from, or borrowing any money from the New Entities by Sichuan Yuanmao;

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- (e) providing any loan or guarantee in respect of any debt of, or succeeding or obtaining any debt from, or borrowing any money from any third party by the New Entities or their subordinate enterprises, units or legal entities, except such transaction relates to the usual business of the New Entities or their subordinate enterprises, units or legal entities and the amount of debt involved in each transaction is less than RMB100,000 and the aggregate amount of debt involved in all transactions is less than RMB300,000 within a financial year;
- (f) change or removal of any director, supervisor or senior management of any of the New Entities or their subordinate enterprises, units or legal entities, increase or reduce their salaries and benefits, or change of their employment terms and conditions by the New Entities;
- (g) sale, transfer, lending or authorising the use or disposal of any assets or rights of any of the New Entities or their subordinate enterprises, units or legal entities to any third party other than Chengdu Bomao or its designated party, or purchase from any third party any assets or rights, except the disposal or purchase of asset relates to the usual business of the New Entities and the amount of each transaction is less than RMB100,000 and the aggregate amount of all transactions is less than RMB300,000 within a financial year;
- (h) sale of any equity or school sponsor interests in the New Entities or their subordinate enterprises, units or legal entities to any third party other than Chengdu Bomao or its designated party, or increase or decrease of the registered capital or change of the structure of the equity or school sponsor's interest of the New Entities or their subordinate enterprises, units or legal entities;
- (i) providing security over equity interest and/or school sponsor's interest in or assets or rights of the New Entities or their subordinate enterprises, units or legal entities or cause the New Entities or their subordinate enterprises, units or legal entities to provide any other forms of guarantee to any third parties other than to Chengdu Bomao or its designated party or creating encumbrance over equity interest and/or school sponsor's interest in or assets of the New Entities or their subordinate enterprises, units or legal entities;
- (j) altering, amending or revoking any permits of the New Entities or their subordinate enterprises, units or legal entities;
- (k) amending any articles of association or scope of business or mode of operation of the New Entities or their subordinate enterprises, units or legal entities;
- (l) changing any normal business procedures or amending any internal procedures and system of the New Entities or their subordinate enterprises, units or legal entities, including but not limited to finance management system and job duties of directors, supervisors, managers or other executives;

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- (m) conducting any transaction or entering into any business contracts with a third party by the New Entities or their subordinate enterprises, units or legal entities which are not relevant to the existing business of which except according to the plan or suggestion given by Chengdu Bomao or the Company;
- (n) (i) distribution of bonus, dividend, interests, benefits or other payments by Sichuan Yunmao and the Target Companies to Sichuan Yuanmao by any means without the prior written consent of Chengdu Bomao. In the event that Sichuan Yuanmao as shareholders of Sichuan Yunmao and the Target Companies receive any bonus, dividend or other interests or benefits (regardless of the actual form of the benefits) or amount from Sichuan Yunmao and the Target Companies, Sichuan Yuanmao shall unconditionally and without compensation transfer such amount to a specific account designated by Chengdu Bomao once such amount is received according to the instructions of Chengdu Bomao as security for performance of obligation under the Structured Contracts and repayment of debt; and (ii) distribution of bonus, dividend, interests, benefits or other payments by the Vocational College and the Vocational School to Sichuan Yunmao and the Target Companies directly or indirectly by any means. In the event that Sichuan Yunmao and the Target Companies as school sponsors of the Vocational College and the Vocational School receive any return, interests, benefits (regardless of the actual form of the benefits) or amount from the Vocational College and the Vocational School, Sichuan Yunmao and the Target Companies shall unconditionally and without compensation transfer such amount to a specific account designated by Chengdu Bomao once such amount is received according to the instructions of Chengdu Bomao as security for performance of obligation under the Structured Contracts and repayment of debt;
- (o) carrying out any activity which has or may have an adverse effect on the daily operations, financial position, business or assets of any of the New Entities or their subordinate enterprises, units or legal entities or their ability to make any payment;
- (p) entering into any transaction which has or may have an adverse effect on the transactions or cooperation carried out by Sichuan Yuanmao and the New Entities or their subordinate enterprises, units or legal entities according to the Structured Contracts by the New Entities and Sichuan Yuanmao; and
- (q) transfer of its rights and obligations under the Structured Contracts to any third party other than Chengdu Bomao or its designated party, or establishment and commencement of any cooperation or business relationship which is same as or similar to that under the Structured Contracts with any third party by Sichuan Yuanmao and any of the New Entities or their subordinate enterprises, units or legal entities.

Pursuant to the Exclusive Business Cooperation Agreement, unless otherwise prescribed under the PRC laws, Chengdu Bomao shall have exclusive proprietary rights to any technology, intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Chengdu Bomao to the New Entities, and any intellectual property in the products developed, including any other

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rights derived thereunder, in the course of the performance of obligations under the Exclusive Business Cooperation Agreement and/or any other agreements entered into between Chengdu Bomao and other parties.

In addition, Sichuan Yuanmao irrevocably undertakes to Chengdu Bomao that, unless with its written waiver, Sichuan Yuanmao shall not (i) directly or indirectly invest, operate, engage, participate in, conduct, acquire or hold any business or activities, which compete or may potentially compete with the business of Chengdu Bomao, the Company, the New Entities or their respective subordinate enterprises, units or legal entities, within or outside of the PRC, whether independently or with other party or as a representative of other party (the “**Competing Business**”) or have any interest in the Competing Business, (ii) use information obtained from any of the New Entities or their respective subordinate enterprises, units or legal entities for the Competing Business, (iii) obtain any benefit from any Competing Business, and (iv) procure the New Entities to engage in any other businesses. Sichuan Yuanmao further consents and agrees that, in the event that Sichuan Yuanmao directly or indirectly engages, participates in or conducts any Competing Business, Chengdu Bomao and/or other entities as designated by the Company shall be granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts; or (ii) require the entity engaging in the Competing Business to cease operation of the Competing Business within a reasonable time.

II. EXCLUSIVE CALL OPTION AGREEMENT

Date: 27 June 2023

Parties: (a) Chengdu Bomao
(b) Sichuan Yuanmao
(c) the New Entities

Pursuant to the Exclusive Call Option Agreement, Sichuan Yuanmao, Sichuan Yunmao and the Target Companies have irrevocably granted Chengdu Bomao or its designated purchaser an exclusive option to purchase all or part of the equity interest in Sichuan Yunmao and the Target Companies and their school sponsor’s interest in the Schools (where applicable) (the “**Interest**”) (the “**Equity Call Option**”). In relation to the transfer of the Interest upon exercise of the Equity Call Option, the purchase price payable by Chengdu Bomao shall be the lowest price permitted under the PRC laws and regulations. Chengdu Bomao or its designated purchaser shall have the right to purchase such proportion of the equity interest of Sichuan Yunmao and the Target Companies and/or school sponsor’s interest in the Schools as it decides at any time.

If Chengdu Bomao is allowed to directly hold all or part of the equity interest of Sichuan Yunmao and the Target Companies and/or school sponsor’s interest in the Schools and operate private education business in the PRC under the PRC laws and regulations, Chengdu Bomao shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the

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percentage of equity interest and/or sponsor's interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Chengdu Bomao or us under the PRC laws and regulations (as the case may be).

Sichuan Yunmao and the Target Companies have further undertaken to Chengdu Bomao that they:

- (a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over their Interest in Sichuan Yunmao and the Target Companies/the Vocational College and the Vocational School without prior written consent of Chengdu Bomao;
- (b) shall not increase or reduce or agree to the increase or reduction of capital investment in Sichuan Yunmao and the Target Companies/the Vocational College and the Vocational School without prior written consent of Chengdu Bomao;
- (c) shall not agree to or procure Sichuan Yunmao and the Target Companies/the Vocational College and the Vocational School to divide into or merge with other entities without prior written consent of Chengdu Bomao;
- (d) shall not sell, transfer, lend or authorise a third party to use or dispose by any means the assets or rights of any of the New Entities or their subordinate enterprises, units or legal entities, including but not limited to domain names, trademarks, intellectual property, know-how, or purchase any assets or rights from a third party, except such purchase relates to the usual business of Sichuan Yunmao and the Target Companies and the amount of each transaction is less than RMB100,000 and the aggregate amount of all transactions is less than RMB300,000 within a financial year;
- (e) shall not terminate or procure the management of any of the New Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB100,000, the Structured Contracts and any agreement of similar nature or content to the Structured Contracts) or enter into any other contracts which may be in conflict with such material contracts without prior written consent of Chengdu Bomao and, if any contract to be terminated or entered into by the New Entities, when aggregated with all other contracts terminated or entered into (as the case may be) by the New Entities within the same financial year, involves a total consideration or value of RMB300,000 or above, then prior written consent of Chengdu Bomao shall be obtained prior to the termination of or entering into such contract;
- (f) shall not procure any of the New Entities to enter into any transactions which may have an adverse impact on the assets, liabilities, operations, equity structures or other legal rights of the New Entities without prior written consent of Chengdu Bomao, if any transaction to be entered into by the New Entities, where aggregated with all other transactions entered into by the New Entities within the same financial year, involves a total consideration or value of RMB300,000 or above, then prior written consent of Chengdu Bomao shall be obtained prior the entering into of such transaction;

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- (g) shall not agree to or procure any of the New Entities to declare or in substance distribute any distributable bonus or dividend or agree to such distribution without prior written consent of Chengdu Bomao;
- (h) shall not agree to or procure any of the New Entities to amend its articles of association, scope of business or mode of operation without prior written consent of Chengdu Bomao;
- (i) shall ensure that, except for the loans and guarantees that existed as of the date of the Structured Contracts (and the renewal of such loans and guarantees shall be subject to the prior written consent of Chengdu Bomao), any of the New Entities does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, except such loans or guarantees relates to the usual business of the New Entities and the amount of each transaction is less than RMB100,000 and the aggregate amount of all transactions is less than RMB300,000 within a financial year, or undertake any material obligations (including obligations under which the amount payable by the New Entities for each transaction exceeds RMB100,000, obligations which restrict or hinder the due performance of obligations under the Structured Contracts by the New Entities, obligations which restrict or prohibit the financial or business operations of the New Entities, or any obligations which may result in change of the structure of the Interest) outside the usual business of the New Entities without prior written consent of Chengdu Bomao and, if the undertaking of any obligation, when aggregated with all other obligations undertaken within the same financial year, gives rise to a total amount of RMB300,000 or above payable by the New Entities, then prior written consent of Chengdu Bomao shall be obtained prior to the undertaking of such obligation;
- (j) shall use their best endeavours to develop the business of the New Entities and ensure the New Entities are in compliance with the PRC laws and regulations, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licenses of the New Entities;
- (k) shall, prior to the transfer of the Interest to Chengdu Bomao or its designated purchaser and without prejudice to the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement and the Shareholders' Rights Entrustment Agreement, execute all documents necessary for holding and maintaining the ownership of its Interest;
- (l) shall sign all documents and take all necessary actions to facilitate transfer of the Interest to Chengdu Bomao or its designated purchaser;
- (m) shall take all such actions to facilitate the performance of the obligations of the New Entities under the Exclusive Call Option Agreement if such performance requires any action to be taken by Sichuan Yunmao and the Target Companies;

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- (n) shall in their capacity as school sponsor of the Schools and without prejudice to the Structured Contracts, procure directors nominated by them to exercise all rights to enable any of the New Entities to perform its rights and obligations under the Exclusive Call Option Agreement, and shall replace any director who fails to do so; and
- (o) in the event that the consideration paid by Chengdu Bomao or its designated purchaser for the transfer of all or part of the interest in the New Entities exceeds RMB0, shall pay such excess amount to Chengdu Bomao or its designated entity.

III. EQUITY PLEDGE AGREEMENT

- Date:** 27 June 2023
- Parties:**
- (a) Chengdu Bomao
 - (b) Sichuan Yuanmao
 - (c) Sichuan Yunmao
 - (d) the Target Companies

Pursuant to the Equity Pledge Agreement, Sichuan Yuanmao unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of its equity interest in Sichuan Yunmao, and Sichuan Yunmao unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of its equity interests in the Target Companies and together with all related rights thereto to Chengdu Bomao as security for performance of the Structured Contracts and all direct, indirect, consequential damages and foreseeable loss of interest incurred by Chengdu Bomao as a result of any event of default on the part of Sichuan Yuanmao or each of the New Entities and all expenses incurred by Chengdu Bomao as a result of enforcement of the obligations of Sichuan Yuanmao and/or each of the New Entities under the Structured Contracts (the “**Secured Indebtedness**”).

According to the Equity Pledge Agreement, Sichuan Yuanmao and Sichuan Yunmao shall not transfer the pledged equity interests or create further pledge or encumbrance over the pledged equity interest without the prior written consent of Chengdu Bomao. Any unauthorised transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Chengdu Bomao. Sichuan Yuanmao and Sichuan Yunmao also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the Equity Pledge Agreement.

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Any of the following events shall constitute an event of default under the Equity Pledge Agreement:

- (a) any of Sichuan Yuanmao or the New Entities commits any breach of any obligations under the Structured Contracts;
- (b) any representations or warranties or information provided by any of Sichuan Yuanmao or the New Entities under the Structured Contracts is proved incorrect or misleading; or
- (c) any provision in the Structured Contracts becomes invalid or incapable of performance due to change in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Further, Sichuan Yuanmao, Sichuan Yunmao and the Target Companies agreed that upon the occurrence of an event of default as described above, Chengdu Bomao is entitled to enforce the Equity Pledge Agreement by written notice to Sichuan Yuanmao in one or more of the following ways:

- (a) to the extent permitted under the PRC laws and regulations, Chengdu Bomao may request Sichuan Yuanmao to transfer all or part of its equity interest in Sichuan Yunmao and the Target Companies to Chengdu Bomao and/or any entity or individual designated by Chengdu Bomao at the lowest consideration permissible under the PRC laws and regulations;
- (b) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds provided that the Structured Contracts would not be affected; and
- (c) dispose of the pledged equity interest in other manner according to the PRC laws and regulations.

Under the Structured Contracts, there is no equity pledge arrangement between the Company and Sichuan Yunmao and the Target Companies over the school sponsor's interest in the Schools (where applicable). As advised by the PRC Legal Adviser, if the Company was to make an equity pledge arrangement with Sichuan Yunmao and the Target Companies by which their school sponsor's interests in each of the Schools (where applicable) are pledged in favour of the Company, such arrangement would be unenforceable under the PRC laws and regulations since school sponsor's interests in schools are not pledgeable under the PRC laws and any equity pledge arrangements relating to school sponsor's interests in schools cannot be registered with the relevant PRC regulatory authorities.

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IV. SCHOOL SPONSORS' AND DIRECTORS' (COUNCIL MEMBERS') RIGHTS ENTRUSTMENT AGREEMENT, THE SCHOOL SPONSORS' POWERS OF ATTORNEY AND THE DIRECTORS' (COUNCIL MEMBERS') POWER OF ATTORNEY

Date: 27 June 2023

Parties:

- (a) Chengdu Bomao
- (b) the Target Groups (excluding Daying Estate)
- (c) Directors (or council members) appointed by the Target Company A to the Vocational College and the Vocational School

According to the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement, each of the Target Companies (excluding Daying Estate) has irrevocably authorised and entrusted Chengdu Bomao or its designated party to exercise all its rights as school sponsor of the Schools to the extent permitted by the PRC laws. These rights include, but are not limited to:

- (a) the right to appoint and/or elect directors or council members of the Schools;
- (b) the right to appoint and/or elect supervisors of the Schools;
- (c) the right to understand the operation and financial status of the Schools;
- (d) the right to review the resolutions and records of the board of directors and financial statements and reports of the Schools;
- (e) the right to obtain reasonable return as school sponsor of the Schools in accordance with the laws;
- (f) the right to acquire residue assets upon liquidation of the Schools in accordance with the laws;
- (g) the right to transfer school sponsors' interest in accordance with the laws; and
- (h) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of the Schools as amended from time to time.

Pursuant to the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement, each of the directors or council members of the Schools (the "**Appointees**") has irrevocably authorised and entrusted Chengdu Bomao to exercise all his/her rights as directors and/or council members of the relevant School as appointed by the Target Companies and to the extent permitted by the PRC laws. These rights include, but are not limited to:

- (a) the right to attend meetings of the board of directors as representative of the directors or meetings of council as representative of the council members appointed by the Target Companies;

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- (b) the right to exercise voting rights in respect of all matters discussed and resolved at the board or council meeting of the relevant School;
- (c) the right to propose to convene interim board or council meetings of the relevant School;
- (d) the right to sign all board minutes, board resolutions and other legal documents which the directors and/or council members appointed by the Target Companies have authority to sign in his/her capacity as directors or council members of the relevant School;
- (e) the right to instruct the legal representative and financial and business responsible persons of the relevant School, to act in accordance with the instruction of Chengdu Bomao;
- (f) the right to exercise all other rights and voting rights of directors or council members as prescribed under the articles of association of the relevant School;
- (g) the right to handle the legal procedures of registration, approval and licensing of the relevant School at the education department, the department of civil affairs or other government regulatory departments; and
- (h) other directors' or council members' rights pursuant to applicable PRC laws and regulations and the articles of association of the relevant School as amended from time to time.

Chengdu Bomao confirms that it will not delegate any of its rights to anyone whose interest would potentially conflict with those of the Company. In addition, each of the Target Companies and the Appointees has irrevocably agreed that (i) Chengdu Bomao may, without prior notice to or approval by the Target Companies and the Appointees, delegate its rights under the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement to the directors of Chengdu Bomao or its designated party; and (ii) any person as successor of civil rights of Chengdu Bomao or liquidator as a result of subdivision, merger, liquidation of Chengdu Bomao or other circumstances shall have authority to replace Chengdu Bomao to exercise all rights under the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement.

School Sponsors' Powers of Attorney

Pursuant to the School Sponsors' Powers of Attorney executed by each of the Target Companies in favour of Chengdu Bomao, each of the Target Companies authorised and appointed Chengdu Bomao, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of the relevant School.

Chengdu Bomao shall have the right to further delegate the rights so delegated to directors of Chengdu Bomao or other designated party. According to the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement, Chengdu Bomao confirms that it will not delegate any of these rights to anyone whose interest would

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potentially conflict with those of the Company. The Target Companies irrevocably agreed that the authorisation and appointment in the School Sponsor's Powers of Attorney shall not be invalid, revoked, prejudiced or otherwise adversely affected by reason of the subdivision, merger, winding up, consolidation, liquidation or other similar events of the Target Companies. The School Sponsors' Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement.

Directors' (Council Members') Power of Attorney

Pursuant to the Directors' (Council Members') Powers of Attorney executed by each of the Appointees in favour of Chengdu Bomao, each of the Appointees authorised and appointed Chengdu Bomao, as his/her agent to act on his/her behalf to exercise or delegate the exercise of all his/her rights as directors or council members of the relevant School.

Chengdu Bomao shall have the right to further delegate the rights so delegated to directors of Chengdu Bomao or other designated party. According to the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement, Chengdu Bomao confirms that it will not delegate any of these rights to anyone whose interest would potentially conflict with those of the Company. Each of the Appointees irrevocably agreed that the authorisation and appointment in the Directors' (Council Members') Powers of Attorney shall not be invalid, revoked prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' (Council Members') Power of Attorney shall constitute a part and incorporate terms of the School Sponsors' and Directors' (Council Members') Rights Entrustment Agreement.

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V. LOAN AGREEMENT

Date: 27 June 2023

Parties: (a) Chengdu Bomao
(b) the New Entities

Pursuant to the Loan Agreement, Chengdu Bomao agreed to provide interest-free loans to the New Entities for their operations. Sichuan Yunmao and the Target Companies also agreed to utilise the proceeds of such loans to contribute as capital of the Vocational College and the Vocational School in their capacity as school sponsors of the same in accordance with Chengdu Bomao's instructions as permitted by the PRC laws and regulations. The parties agreed that all such capital contribution can be directly settled by Chengdu Bomao on behalf of the Sichuan Yunmao and the Target Companies.

The term of the Loan Agreement shall continue until all school sponsor's interest of the Schools are transferred to Chengdu Bomao or its designee and the required registration process has been completed with the relevant local authorities thereafter.

Each loan to be granted under the Loan Agreement will be for an infinite term until termination at the sole discretion of Chengdu Bomao. The loan will become due and payable upon demand of Chengdu Bomao under any of the following circumstances:

- (a) the winding-up or liquidation of any of the New Entities;
- (b) any of the New Entities becoming insolvent or incurring any other significant personal debt which may affect its ability to repay the loan under the Loan Agreement, or
- (c) Chengdu Bomao exercising in full its option to purchase all school sponsor's interests to the extent permitted by PRC laws and regulations.

The PRC Legal Adviser advised the Company that the interest-free loans granted by Chengdu Bomao to the New Entities are not in violation of the applicable PRC laws and regulations.

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VI. SHAREHOLDER'S RIGHTS ENTRUSTMENT AGREEMENT AND THE SHAREHOLDER'S POWERS OF ATTORNEY

Date: 27 June 2023

Parties: (a) Chengdu Bomao
(b) Sichuan Yuanmao
(c) Sichuan Yunmao

Pursuant to the Shareholder's Rights Entrustment Agreement and the Shareholder's Powers of Attorney, Sichuan Yuanmao authorised and entrusted Chengdu Bomao as its sole agent and authorised person to exercise, including but not limited to, the following shareholders' rights to which Sichuan Yuanmao is entitled to in its capacity as the shareholders of Sichuan Yunmao pursuant to the articles of association of Sichuan Yunmao and the PRC Company Law:

- (a) as agent of Sichuan Yuanmao, to convene and attend shareholders' meeting of Sichuan Yunmao pursuant to their articles of association;
- (b) to exercise, on behalf of Sichuan Yuanmao, its shareholder rights in Sichuan Yunmao pursuant their articles of association and the PRC laws, including but not limited to appointing or removing legal representatives, directors, supervisors, general managers and other senior management, deciding on matters relating to increase or decrease of share capital, merger, subdivision, share transfer, amendment of articles of association, business strategy, business plan, financial budget, distribution plan, dissolution or liquidation, designating members of liquidation team and approving liquidation plans and reports;
- (c) to exercise shareholder voting rights in accordance with the articles of association of Sichuan Yunmao (including any other voting rights provided in any amended articles of association);
- (d) to sell, transfer, pledge or otherwise dispose of all or part of the equity interest of Sichuan Yunmao;
- (e) to sign notice of shareholder meetings on behalf of Sichuan Yuanmao, to keep signed documents (including but not limited to meeting minutes and resolutions), and to submit to the relevant government departments documents relating the approval, registration or filing which is required for the operation of Sichuan Yunmao;
- (f) to receive the residual assets and to exercise voting rights on behalf of Sichuan Yuanmao of Sichuan Yunmao upon its dissolution or liquidation; and
- (g) to exercise any other shareholders' rights as provided by the other applicable PRC laws and the articles of association of Sichuan Yunmao (as amended from time to time).

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Moreover, according to the Shareholder's Rights Entrustment Agreement and the Shareholder's Powers of Attorney, Sichuan Yuanmao and Sichuan Yunmao agreed that Chengdu Bomao is authorised, as the sole agent and authorised person of Sichuan Yunmao, to exercise all of its shareholder's rights (which shall include the shareholders' rights as mentioned above) in its subsidiaries.

Chengdu Bomao shall have the right to further delegate the rights to its designated party. Chengdu Bomao confirms that it will not delegate any of these rights to anyone whose interest would potentially conflict with those of the Company. Sichuan Yuanmao irrevocably agreed that the authorisation and appointment in the Shareholder's Rights Entrustment Agreement and the Shareholder's Powers of Attorney shall not be invalid, revoked prejudiced or otherwise adversely affected by reason of the subdivision, merger, winding up, consolidation, liquidation or other similar events of Sichuan Yunmao.

Based on the above arrangements under the Shareholder's Rights Entrustment Agreement and the Shareholder's Powers of Attorney, the Directors believe the Company can effectively manage Sichuan Yunmao and the Target Companies so as to prevent them from carrying out any activities which may have an adverse impact on the fair value of the equity interests in them, their financial conditions and the operation of the Structured Contracts.

Notwithstanding that Chengdu Bomao or its designated party is not authorised to exercise certain shareholders' rights to which Sichuan Yuanmao and Sichuan Yunmao are entitled in their capacity as the shareholders of the Target Companies under the PRC Company Law, we are still vested with the above mentioned shareholders' rights including but not limited to the right to propose, convene and attend shareholders' meeting of the Target Companies, sign the minutes of the shareholders' meeting, submit filings with the relevant government authorities and appoint director to each of the board of directors of the Target Companies.

Dispute resolution

Each of the Structured Contracts provides that:

- (a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Structured Contracts shall be resolved through negotiation upon the delivery of a written negotiation request setting out the specific statements of the disputes or claims by one party to the other parties;
- (b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to submit such dispute to and have the dispute finally resolved by arbitration administered by the China International Economic and Trade Arbitration Commission in Beijing, the PRC under the prevailing effective arbitration rules thereof. The arbitration ruling shall be final and binding on all relevant parties;
- (c) the arbitration commission shall have the right to award remedies over the equity interest and property interest and other assets of each of the New Entities;

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- (d) injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of the New Entities; and
- (e) upon request by any party, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of the PRC, Hong Kong, the Cayman Islands and the place where the principal assets of the Company and the New Entities are located shall be considered as having jurisdiction for the above purposes.

Regarding the dispute resolution methods as set out in the Structured Contracts and the practical consequences, we are advised by the PRC Legal Adviser that:

- (a) under the PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or equity interest in the New Entities in case of disputes. As such, these remedies may not be available to the Group under the PRC laws;
- (b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the assets of the New Entities, injunctive relief or winding-up of each of the New Entities as interim remedies, before there is any final outcome of arbitration;
- (c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in each of the New Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;
- (d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; therefore, in the event we are unable to enforce the Structured Contracts, we may not be able to exert effective control over each of the New Entities, and our ability to conduct our business may be negatively affected; and
- (e) even if the above-mentioned provisions may not be enforceable under the PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Structured Contracts.

Protection in the event of winding up or liquidation

The Company confirms that appropriate arrangements will be in place to protect the Company's interest in the event of winding up or liquidation of Sichuan Yuanmao to avoid any practical difficulties in enforcing the contractual arrangements.

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Protection in the event of winding up or liquidation of the School Sponsors

Pursuant to the Exclusive Business Cooperation Agreement, Sichuan Yuanmao and the New Entities undertake to Chengdu Bomao that, in the event of (i) merger and subdivision of the Sichuan Yunmao and the Target Companies, (ii) presentation by Sichuan Yunmao and the Target Companies or being presented with any application for winding up liquidation, restructuring or reconciliation, (iii) dissolution and liquidation of Sichuan Yunmao and the Target Companies pursuant to an order, (iv) application for involuntary dissolution of Sichuan Yunmao and the Target Companies, or (v) the winding up or liquidation of Sichuan Yunmao and the Target Companies for any other reasons, or (vi) other circumstances which may affect Sichuan Yunmao and the Target Companies in exercising their school sponsor's interest in the Schools (where applicable), they shall have made all necessary arrangement and sign all necessary document such that the successor, administrator, liquidation committee and any other person which may as a result of the above events obtain the school sponsor's interest or relevant rights in the New Entities shall not prejudice or hinder the enforcement of the Structured Contracts.

Protection in the event of dissolution or liquidation of the New Entities

Pursuant to the Exclusive Business Cooperation Agreement, in the event of the dissolution or liquidation of the New Entities, Sichuan Yuanmao and the New Entities shall undertake that, among others, (i) Chengdu Bomao and/or its authorised person shall have the right to exercise all shareholder's and school sponsor's right on behalf of Sichuan Yuanmao and/or Sichuan Yunmao and the Target Companies; (ii) Sichuan Yuanmao and/or Sichuan Yunmao and the Target Companies shall transfer all assets received or receivable in its capacity as shareholders of Sichuan Yunmao and the Target Companies and/or school sponsor of each of the Schools as a result of the dissolution or liquidation of Sichuan Yunmao and the Target Companies and/or the Schools to Chengdu Bomao or other persons designated by us at nil consideration, and instruct the liquidation team of the relevant New Entities to transfer such assets directly to Chengdu Bomao and/or the person as designated by the Company; and (iii) if consideration is required for such transfer under the then applicable PRC laws, Sichuan Yuanmao and Sichuan Yunmao and the Target Companies shall compensate Chengdu Bomao or other persons as designated by the Company an equivalent amount in a reasonable manner and guarantee that Chengdu Bomao or other persons as designated by the Company shall not pay any fee or suffer any loss as a result of such transfer.

Loss sharing

Chengdu Bomao may, but is not obliged to, provide financial support to the New Entities if the New Entities incur any loss or encounters any operational crisis.

None of the agreements constituting the Structured Contracts will provide that the Company or its wholly-owned PRC subsidiary, Chengdu Bomao, is obligated to share the losses of the New Entities or provide financial support to the New Entities. Each of the New Entities shall be solely liable for its own debts and losses with assets and properties owned by it.

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Under the relevant PRC laws and regulations, neither the Company nor Chengdu Bomao, is expressly required to share the losses of the New Entities or provide financial support to the New Entities. However, given that the New Entities' financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if the New Entities suffer losses. Nevertheless, due to the restrictive provisions contained in the Structured Contracts, the potential adverse effect on Chengdu Bomao and the Company in the event of any loss suffered from the New Entities can be limited to a certain extent.

Termination of the Structure Contracts

Each of the Structured Contracts shall provide that:

- (a) each of the Structured Contracts shall be terminated upon the completion of the purchase of all of the equity interest in Sichuan Yunmao and the Target Companies and their school sponsor's interest in the Schools (where applicable) by Chengdu Bomao or the other party designated by Chengdu Bomao pursuant to the terms of the Exclusive Call Option Agreement, save for the Equity Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full;
- (b) Chengdu Bomao shall have the right to terminate the Structured Contracts by serving prior 30-day notice; and
- (c) Sichuan Yuanmao and the New Entities shall not have the right to unilaterally terminate the Structured Contracts in any situation other than prescribed by the laws.

If PRC laws and regulations allow Chengdu Bomao or us to directly hold all or part of the equity interest in the New Entities and operate private education business in the PRC, Chengdu Bomao shall exercise the Equity Call Option as soon as practicable and Chengdu Bomao or its designated party shall purchase such amount of interest to the extent permissible under the PRC laws and regulations. Upon exercise in full of the Equity Call Option and the acquisition of all of the equity interest in Sichuan Yunmao and the Target Companies and their school sponsor's interest in the Schools (where applicable) by Chengdu Bomao or the other party designated by Chengdu Bomao pursuant to the terms of the Exclusive Call Option Agreement, each of the Structured Contracts shall be automatically terminated.

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Measures to enhance the control over the Schools

In order to further enhance our control over the Schools, various measures which shall be implemented and remain in place before the Structured Contracts being unwound, in particular:

- (a) as disclosed above, pursuant to the Exclusive Business Cooperation Agreement, Sichuan Yuanmao and each of the New Entities have undertaken that, without prior written consent of Chengdu Bomao or its designated party, he/she/it shall not conduct or cause to conduct any activity or transaction which may have an actual impact (i) on the assets, business, staff, obligations, rights or operations of the New Entities or (ii) on the ability of Sichuan Yuanmao and each of the New Entities to perform the obligations under the Structured Contracts.
- (b) as disclosed above, pursuant to the Exclusive Call Option Agreement, Sichuan Yunmao and the Target Companies have further undertaken to Chengdu Bomao that, among others, they shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over their school sponsors' interests in any of the Schools without prior written consent of Chengdu Bomao.
- (c) pursuant to the Exclusive Business Cooperation Agreement, the company seals (including the common seals, contract seals, financial chops and legal representative chops) of the New Entities shall be kept in the safe custody of the finance department of Chengdu Bomao and cannot be used by Sichuan Yuanmao or any of the New Entities without our permission. We have also set up lines of authority for using the company seals of the New Entities and the business registration certificates of Sichuan Yunmao and the Target Companies such that these company seals and business registration certificates can only be used under direct authorisation of the Company or Chengdu Bomao. The PRC Legal Adviser is of the view that such arrangement between Sichuan Yuanmao, the New Entities and Chengdu Bomao was made on a voluntary basis, and such arrangement does not violate any applicable PRC laws or regulations and is binding upon relevant parties.

Arrangement to address potential conflict of interests

Arrangements will be made to address the potential conflicts of interest between Sichuan Yunmao and the Target Companies and Sichuan Yuanmao on the one hand, and the Company on the other hand. Pursuant to the Exclusive Business Cooperation Agreement, Sichuan Yuanmao and Sichuan Yunmao and the Target Companies shall undertake to Chengdu Bomao that they shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business unless with the prior written consent of Chengdu Bomao and Chengdu Bomao is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Structured Contracts; or (ii) require the entity engaging in the Competing Business to cease operation. Our Directors believe that the measures we have adopted are sufficient to

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mitigate the risks associated with the potential conflicts of interest between Sichuan Yuanmao and Sichuan Yunmao and the Target Companies on the one hand, and the Company on the other hand.

INTERNAL CONTROL MEASURES

The Company has the following internal control measures to safeguard its assets through the Structured Contracts:

Board supervision

- (a) the Board shall review and discuss all major issues arising from the implementation and compliance with the Structured Contracts or all regulatory enquiries;
- (b) the Board shall review the compliance with the Structured Contracts at least once a year;
- (c) the Company shall disclose the overall performance and compliance with the Structured Contracts in its annual reports; and
- (d) the Company shall engage external legal or professional advisers, as and when necessary, to assist the Board to review the implementation of the Structured Contracts and relevant legal compliance matters arising from the Structured Contracts.

Management controls

- (a) the Company shall appoint at least one representative to serve as a director of each member of the Target Group (the “**Representative**”) mainly responsible for enforcing all management controls of the Target Group and report any major issues or events concerning the Target Group to the Board;
- (b) the Company shall conduct regular reviews on the operations of the Target Group and review and check the monthly management accounts of the Target Group;
- (c) the Group’s financial controller shall conduct regular site visits to the Target Group and report the development and operation of the Target Group to the Board from time to time; and
- (d) all seals, chops, incorporation documents and all other legal documents of the Target Group shall be kept at the office of Chengdu Bomao.

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Financial controls

- (a) the Group's financial controller shall collect and review the monthly management accounts, bank statements and cash balances and major operational data of the Target Group and shall report any suspicious matters to the Board;
- (b) if there is any delay in payment of services fees from the Target Group to Chengdu Bomao, the Group's financial controller must meet Sichuan Yuanmao to investigate, and should report any suspicious matters to the Board;
- (c) the Target Group must submit copies of latest bank statements for all of their bank accounts to Chengdu Bomao within 15 days after each month end;
- (d) the Target Group shall assist and facilitate the Company to conduct all on-site internal audit; and
- (e) independently, the Company has an internal audit department that reports to the audit committee of the Company to provide check and balance.

RISKS AND LIMITATIONS RELATING TO THE STRUCTURED CONTRACTS

Economic risks

Under the relevant PRC laws and regulations, none of the Company and Chengdu Bomao is legally required to share the losses of, or provide financial support to, the New Entities. The New Entities shall be liable for their own debts and losses with assets and properties owned by them. To ensure that the New Entities meet the requirements of cash flow in daily operation and/or to offset any losses incurred in the process of operation, whether or not the New Entities actually suffers any such operational losses, Chengdu Bomao shall be under the obligation to provide the New Entities with financial support (only to the extent and in a manner permitted by the PRC laws). Given that the financial position and results of operations of the New Entities are consolidated into the Company's financial statements under the applicable accounting principles, the Company's business, financial position and results of operations are affected by the New Entities.

Limitations in exercising the option to acquire ownership in the New Entities

The Group may incur substantial cost on our part on exercise of the option to acquire the equity interest of the New Entities. Pursuant to the Exclusive Call Option Agreement, Chengdu Bomao shall have the exclusive right to purchase all or part of the equity interest of Sichuan Yunmao at the minimum amount of consideration permitted under the PRC laws and regulations. In the event that Chengdu Bomao acquires the equity interest in Sichuan Yunmao and the relevant PRC authorities determine that the purchase price for acquiring the equity interest of Sichuan Yunmao is below market value, Chengdu Bomao may be required to pay enterprise income tax with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

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

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

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

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

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

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

The Structured Contracts provide for dispute resolution as detailed in the paragraph headed "Dispute resolution" above. However, as advised by the PRC Legal Adviser and set out in the same paragraph, the above-mentioned provisions contained in the Structured Contracts may not be enforceable. Therefore, such remedies may not be available to the Group, notwithstanding the relevant contractual provisions contained in the Structured Contracts.

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Other risks

First, the PRC government may determine that the Structured Contracts do not comply with the applicable laws and regulations of the PRC. Although the PRC Legal Adviser is of the view that the Structured Contracts are not in violation of the mandatory provisions of the laws promulgated by the National People's Congress and its Standing Committee and the administrative regulations promulgated by the State Council, uncertainties still exist regarding the interpretation and application of the PRC laws and regulations. The PRC regulatory authorities may issue further guidelines that impose stricter foreign ownership requirement. Given that uncertain legal and business environment in the PRC, it is difficult to foresee whether the PRC regulatory authorities will take the same view regarding the Structured Contracts as the PRC Legal Adviser in the future.

Secondly, we have relied and expect to continue to rely on the Structured Contracts to operate our education business in the PRC. The Structured Contracts may not be as effective in providing us with control over the New Entities as equity ownership. If we had equity ownership of the New Entities, we would be able to exercise our rights as a direct or indirect shareholder of the New Entities to effect changes in the board of directors of the New Entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, as the Structured Contracts stand now, if the New Entities or Sichuan Yuanmao fail to perform its obligations under the Structured Contracts, we cannot exercise shareholders' rights to direct such corporate action as the direct ownership would otherwise entail.

Thirdly, our control over the New Entities is based upon the Structured Contracts with the New Entities, Sichuan Yuanmao and the directors or council members of the New Entities. Sichuan Yuanmao may potentially have conflicts of interest with us and breach its contracts or undertakings with us if it would further its own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us on the one hand, and our New Entities on the other hand, Sichuan Yuanmao will act completely in our interest or that the conflicts of interest will be resolved in our favour. In the event that such conflict of interest cannot be resolved in our favour, we would have to rely on legal proceedings which could result in disruption to our business and we are subject to any uncertainty as to the outcome of such legal proceedings. If we are unable to resolve such conflicts, including Sichuan Yuanmao breached its contracts or undertakings with us and as a result or otherwise subject to claims from third parties, our business, financial condition and operations could be materially and adversely affected.

Fourthly, under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Exclusive Business Cooperation Agreement we have with the New Entities does not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may have reason to believe that the subsidiaries or New Entities are dodging their tax obligations, and we may not be able to rectify such incident within the limited timeline

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required by PRC tax authorities. As a result, the PRC tax authorities may impose late payment interest or surcharge and other penalties on us for underpaid taxes, which could materially and adversely affect our business, financial condition and results of operations.

The Company does not maintain any insurance policy to cover the risks relating to the Structured Contracts.

Up to the date of this circular, the New Entities have not encountered/are not expected to encounter any interference or encumbrance from any governing bodies in operating their business through the Structured Contracts.

For further details of the risk relating to the contractual arrangements under the Structured Contracts, please refer to the section headed “Risk factors — Risks relating to our structured contracts” in the prospectus of the Company dated 19 July 2018.

LEGALITY OF THE STRUCTURED CONTRACTS

We are advised by the PRC Legal Adviser that:

- (a) each of the New Entities was duly incorporated and is validly existing, and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations. Each of the New Entities has also obtained all material approvals and finished all registration in compliance with PRC laws and regulations and has the capacity to carry out business operations in accordance with its licenses and approvals;
- (b) the Structured Contracts as a whole and each of the agreements comprising the Structured Contracts are legally binding and not in violation of the mandatory provisions of the laws promulgated by the National People’s Congress and its Standing Committee and the administrative regulations promulgated by the State Council except that: (i) the Equity Pledge Agreement is subject to registration requirements with relevant Administration for Market Regulation; (ii) the transfer of the school sponsor’s interests in the Schools contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable PRC laws; (iii) the transfer of equity interest in Sichuan Yunmao and the Target Companies contemplated under the Structured Contracts is subject to applicable approval and/or registration requirements under the then applicable laws; (iv) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Structured Contracts are subject to applications to competent PRC courts for recognition and enforcement; and (v) under the PRC laws, an arbitral body does not have the power to grant any injunctive relief or liquidation order. Therefore, the relevant arbitration clause of the Structured Contracts is unenforceable under the laws of the PRC;
- (c) the execution of each of the Structured Contracts does not violate the provisions of the articles of association of the New Affiliated Entities and Chengdu Bomao; and

LETTER FROM THE BOARD

- (d) the execution and performance of each and every serial Structured Contracts does not violate the provisions of the Civil Code on “malicious collusion and harm the legitimate rights and interests of others” which would result in the invalidity of Structured Contracts. It should be noted that, on 1 January 2021, the PRC contract law, which previous provides that arrangement “concealing illegal intentions with a lawful form” are deemed void, ceased and the Civil Code became effective instead.

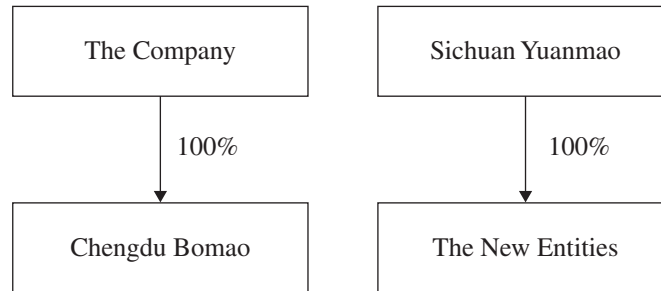
The Board’s view on the Structured Contracts

Having considered the above, the Directors are of the view that each of the Structured Contracts conferring significant control and economic benefits from the New Entities to the Company is enforceable under the relevant laws and regulations and the Structured Contracts are narrowly tailored to achieve the business purpose of the New Entities and to minimize any potential conflict with and are enforceable under the relevant PRC laws and regulations. Moreover, the Structured Contracts would allow the Company to be able to exercise control over, and derive the economic benefits from the New Entities and would allow the New Entities to engage the Company and/or Chengdu Bomao and/or any members of the Group as its exclusive provider to provide for a wider scope of services ranging from the provision of education management services to services arising from and/or in connection with the provision of education services, which would facilitate the business operation of the Company as the Directors are of the view that these services are fundamental and customary to the business operation of the Company. On the other hand, despite the constraints set out above, the Company is able to continue to obtain the right and ability to control and economic benefits of the New Entities through the Structured Contracts. Furthermore, the Directors have discussed and checked with the auditors of the Company and under the prevailing accounting principles of the Company, the Company has the right to consolidate the financial results of the New Entities in its consolidated accounts.

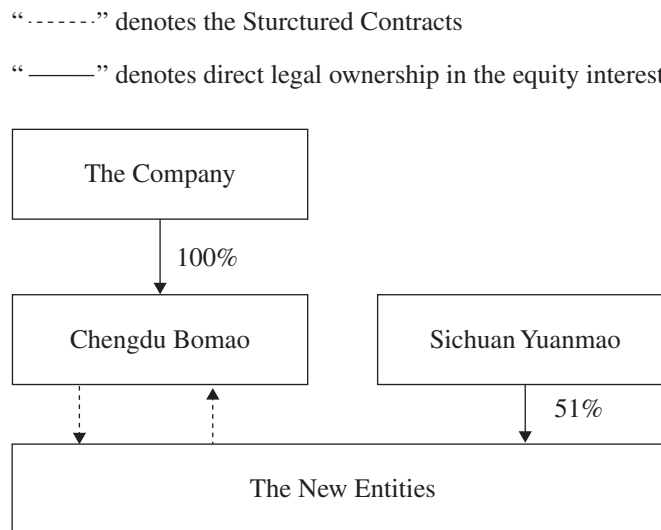
LETTER FROM THE BOARD

DIAGRAM OF THE CORPORATE STRUCTURES BEFORE AND AFTER THE STRUCTURED CONTRACTS

The following simplified diagram illustrates the corporate structure of parties to the Structured Contracts immediately before the Structured Contracts became effective:



The following simplified diagram illustrates the corporate structure after the Structured Contracts became effective:



Sichuan Yuanmao is a limited liability company established under the laws of the PRC on 17 December 2021 and principally engaged in the business of investment holding. It is owned by Mr. Wang, an executive Director and a substantial Shareholder, as to 99% and Ms. Duan Ling, his spouse, as to 1%, as at the date of this circular. It owns 100% the equity interest of Sichuan Yunmao as at the date of this circular. Mr. Wang, an executive Director, a substantial Shareholder and shareholder of Sichuan Yuanmao as one of the parties to the Structured Contracts, has abstained from voting on the resolutions of the Board approving the same. Save as disclosed above, no other Directors are regarded as having a material interest in the transactions contemplated under the Structured Contracts.

LETTER FROM THE BOARD

Under the Structured Contracts, Chengdu Bomao will exercise all the shareholder's rights in Sichuan Yunmao. Sichuan Yuanmao is the registered shareholder of Sichuan Yunmao. If the registered shareholder of Sichuan Yunmao is a natural person, his/her spouse or successor would become a party to the Structured Contracts in the event of the death of such natural person. However, in the event of death of such spouse or successor, the second successor may not become a party to the Structured Contracts. Thus, in order to safeguard the interest of Chengdu Bomao under the Structured Contracts, in the event of death of registered shareholder of Sichuan Yunmao, the Group would reproduce a new series of structured contracts and enter into a new series of structured contracts with the successor and other registered shareholders. In this regard, Sichuan Yuanmao is used as the registered shareholder for the purpose of reducing the likelihood of reproducing a new series of contractual arrangements when there is any change in the nominal individual shareholders, for reasons such as death and bankruptcy. The use of Sichuan Yuanmao as registered shareholder instead of a natural person does not affect the entrusted shareholder's rights of Chengdu Bomao in the New Entities.

REASONS FOR AND BENEFITS OF THE STRUCTURED CONTRACTS

As discussed above, foreign ownership in the private education industry in the PRC is subject to prohibition and restrictions under the relevant PRC laws regulations. Pursuant to the Negative List, the provision of higher education in the PRC falls within the "restricted" category. In particular, the Negative List explicitly restricts higher education to Sino-foreign cooperation, which means the foreign investor shall be an educational institution and shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Regulation on Sino-Foreign Cooperation in Operating Schools* (《中華人民共和國中外合作辦學條例》) (the "**Sino-Foreign Regulation**"). In addition, the Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for not less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "**Foreign Control Restriction**"). The Company had fully complied with the Foreign Control Restriction in respect of the Vocational School and the Vocational College on the basis that (a) their principals and the chief executive officers are all PRC nationals; and (b) all of their members of the board of directors are PRC nationals.

LETTER FROM THE BOARD

In relation to the interpretation of Sino-foreign cooperation, pursuant to the definition of Sino-Foreign Regulation, if we were to apply for any of our schools to be reorganised as a Sino-Foreign Joint Venture Private School for PRC students at higher education institutions (a “**Sino-Foreign Joint Venture Private School**”), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification that provides high quality education (the “**Qualification Requirement**”). Furthermore, pursuant to the implementation opinions, the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the “**Foreign Ownership Restriction**”) and the establishment of these schools is subject to approval of relevant education authorities. The PRC Legal Adviser has advised that the Vocational School and the Vocational College are domestically funded schools and school sponsor of such schools are domestic corporations, they are not Sino-Foreign Joint Venture Private School. After having consulted the Education Department of Sichuan, if a foreign invested corporation intends to directly hold equity in a Sino-Foreign Joint Venture Private School engaged in vocational education, it will need to (a) obtain approval of relevant education departments in accordance to the Sino-Foreign Regulation and Administrative Measures for Sino-Foreign Cooperative Operation of Vocational Skill Training Institutions* (《中外合作職業技能培訓辦學管理辦法》); and (b) comply with the relevant regulations and restrictions a sino-foreign school is subject to. Since there is no specific approval procedures established for the conversion domestically funded vocational school to sino-foreign vocational school when a foreign corporation directly acquires the equity interest of an existing domestic vocation school sponsor, the authority will not process such conversion for now. The PRC Legal Adviser is therefore of the view that without the required approval as detailed above granted the Company prior to the transaction, the Company may not directly hold the equity interests of the Vocational School and the Vocational College.

Based on the above and as confirmed by the PRC Legal Adviser, the in order to achieve the business purpose of the Company, the Structured Contracts, through which the Group will be able to exercise full control over Vocational School, the Vocational College and their respective school sponsors, and consolidate their financial results into the accounts of the Group, have been utilised to minimise the potential conflict with the relevant PRC laws and regulations. The New Entities are principally engaged in the provision of private vocational education service in Sichuan Province, the PRC. The contractual arrangement enables the Group to conduct business operations indirectly in the PRC through the New Entities while not in violation of the mandatory provisions of the laws promulgated by the National People’s Congress and its Standing Committee and the administrative regulations promulgated by the State Council.

Having considered the terms of the Structured Contracts, which are substantially the same as those in the Existing Structured Contracts, and the reason of entering into the Structured Contracts, the Directors (including the independent non-executive Directors) considers that the terms of each of the Structured Contracts are on normal commercial terms, fair and reasonable and in the interests of the Group and the Shareholders as a whole.

LETTER FROM THE BOARD

6. REASONS FOR AND BENEFITS OF THE AMENDED AGREEMENTS

The Group is principally engaged in the business of operation of for-profit high school and kindergarten and provision of education management services, in Sichuan Province, the PRC. The Group commenced operation in 2001 and rooted in the education industry in Sichuan Province. Leveraging on the success and proven track record in the provision of private education in Sichuan Province, the PRC, the Group plans to expand its footprints in the vocational industry and capture potential investment opportunities in the education industry.

The Target Groups are principally engaged in the provision of private vocational education service in Sichuan Province, the PRC.

In recent years, the PRC government announced various plans and policies promoting the development of the vocational training industry. The Directors believe that the development of private vocational training industry will enter a golden era in view of such policies, which encourages high school graduates to pursue further studies at vocational training institutions and drives the demand for vocational education. Coupled with the vibrancy of the province in the development in vocational education, the Directors expect that more school-age students will choose to complete their studies in Sichuan Province in the future, and the Acquisition provides an opportunity for the Group to invest in the vocational training industry in Sichuan Province, given that the vocational education institutions owned by the Target Companies are well-established in Chengdu. As at the Latest Practicable Date, the Company has no intention to acquire any remaining interest in the Target Companies. The Directors will continue to monitor and review the Group's business and operation from time to time and may take steps that they deem necessary or appropriate to optimise the value of the Group subject to the economic, market and other conditions.

Going concern basis

In relation to the going concern issue of the Target Group A and Target Group B as at 31 December 2022 as highlighted in financial information of the Target Group A and the Target Group B as set out in Appendix II and Appendix III to this circular, respectively, the Directors have conducted discussions with the directors of the Target Companies on their opinion and basis that the Target Groups will be able to meet their liabilities as and when they fall due for the 12 months from the end of the reporting period as projected by the cash flow forecast prepared by the directors of the Target Companies as part of the financial due diligence on the Target Groups. The Directors has also reviewed and discussed with the directors of the Target Companies on the initiatives of the Target Companies to ensure sufficient cash flow for the 12 months following 31 December 2022. The Board has reviewed the Target Companies' cash flow forecast and its underlying assumptions, and are of the view that they are fair and reasonable.

LETTER FROM THE BOARD

The Directors believe that the Completion will not adversely affect the financial position of the Enlarged Group and that it will return to a net current asset position, taking into account:

- (a) the immediate holding company and the related company of each of the Target Company A and the Target Company B have undertaken to provide financial support to the relevant Target Groups by providing non-interest bearing borrowings to enable the relevant Target Groups to continue to operate and meet in full their respective financial obligations as they fall due. Such borrowings will not be payable for at least eighteen months from 31 December 2022;
- (b) as at 31 December 2022, the Target Group A recorded net current liabilities of approximately RMB720.6 million. The Target Group A adjusted its loan structure. As at 31 December 2022, the Target Group A had borrowings of approximately RMB441.4 million, of which approximately RMB352.4 million was categorised as current liabilities and approximately RMB89.0 million was categorised as non-current liabilities. In order to maintain the stability of the business operation, the Target Group A negotiated with the lenders and successfully extended the terms of certain borrowings, thus, certain borrowings had been re-categorised as non-current liabilities. The Target Group A also obtained new long-term borrowings subsequent to 31 December 2022. As at 30 April 2023, approximately RMB377.2 million of the borrowings was categorised as non-current liabilities; and
- (c) as at 31 December 2022, the Target Group B recorded net current liabilities and net liabilities of approximately RMB589.7 million and RMB11.6 million, respectively. The Target Group B adjusted its loan structure. As at 31 December 2022, the Target Group B had borrowings of approximately RMB270.0 million, of which approximately RMB30.0 million was categorised as current liabilities and approximately RMB240.0 million was categorised as non-current liabilities. In order to maintain the stability of the business operation, the Target Group B negotiated with the lenders and successfully extended the terms of certain borrowings, thus, certain borrowings had been re-categorised as non-current liabilities. The Target Group B also obtained a new long-term borrowing subsequent to 31 December 2022. As at 30 April 2023, approximately RMB650.0 million of the borrowings was categorised as non-current liabilities.

Based on the foregoing, the Directors believe that the Target Groups have sufficient working capital to meet their financial obligations as they fall due. Upon Completion, the Directors will take further steps and measures to extend the credit period of the suppliers, optimise the capital flow management and the matching of the maturity profile of the assets and liabilities, increase financing channels, and apply stringent cost control, to ensure the Enlarged Group will be able to continue to operate.

LETTER FROM THE BOARD

The Amended Agreements were entered into by the parties to amend the terms of the Equity Transfer Agreements so that all the consideration shall be settled by 31 December 2026 whereas the Supplemental Agreements were entered into by the parties to amend the terms of the Amended Agreements as more time would be required by Sichuan Zhengzhuo to complete the government approval procedures and such procedures could be completed after the Completion but before the allotment and issue of the Consideration Shares. Having considered the above reasons for and benefits of the Acquisition, the Directors are of the view that the Acquisition is on normal commercial terms or better and the terms of the Amended Agreements (as amended and supplemented by the respective Supplemental Agreements) are fair and reasonable and that the Acquisition is in the interests of the Company and the Shareholders as a whole.

7. FINANCIAL EFFECT OF THE AMENDED AGREEMENTS

Acquisition

Upon the Completion, Sichuan Yunmao will hold 51% of the registered capital of each of the Target Companies. On 27 June 2023, Chengdu Bomao entered into the Structured Contracts with Sichuan Yuanmao, members of the Target Group and Sichuan Yunmao, which will become effective upon the Completion, upon which Sichuan Yunmao and the Target Group will become Consolidated Affiliated Entities, and the Group will obtain control over and derive economic benefits from the Target Group and Sichuan Yunmao, and the financial results of which will be consolidated into the accounts of the Group. The accompanying unaudited pro forma consolidated statement of assets and liabilities of the Group as set out in Appendix IV to this circular is prepared as if the Acquisition had been completed on 28 February 2023 to illustrate the effect of the Acquisition.

Asset and liabilities

Based on the unaudited pro forma consolidated statement of assets and liabilities of the Group as set out in Appendix IV to this circular (assuming that the Acquisition had been completed on 28 February 2023), the total assets of the Group would have increased from approximately RMB1,058.2 million to approximately RMB3,527.5 million on a pro forma basis, the total liabilities of the Group would have increased from approximately RMB886.7 million to RMB3,035.4 million on a pro forma basis, and the net assets of the Group would increase from approximately RMB171.5 million to RMB492.1 million on a pro forma basis.

Earnings

Based on the unaudited pro forma financial information of the enlarged group as set out in Appendix IV to this circular (assuming that the Acquisition had been completed on 28 February 2023), the Group would recognise gain on bargain purchase of approximately RMB27.4 million. As set out in the financial information of the Target Groups in Appendix II and Appendix III to this circular, the net loss after tax of the Target Group A and the Target Group B for the year ended 31 December 2022 amounted to approximately RMB15.6 million and RMB10.4 million, respectively. After the Completion, net loss after tax of the Target Groups will be consolidated into the Group's financial statements.

LETTER FROM THE BOARD

Further details of the financial effect of the Acquisition together with the basis in preparing the unaudited pro forma financial information are set out in Appendix IV to this circular.

8. LISTING RULES IMPLICATIONS

The Acquisition

As the highest applicable percentage ratio in respect of the Acquisition exceeds 100%, the Acquisition constitute very substantial acquisition of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under the Listing Rules.

The Structured Contracts

Mr. Wang is an executive Director and a substantial Shareholder and therefore a connected person of the Company under Rule 14A.07(1) of the Listing Rules. The equity interest in Sichuan Yuanmao is held as to 99% by Mr. Wang and as to 1% by his wife (namely Ms. Duan Ling) and, thus, Sichuan Yuanmao is an associate (as defined under the Listing Rules) and a connected person of the Company. Sichuan Yunmao is a wholly owned subsidiary of Sichuan Yuanmao and, thus, Sichuan Yunmao is an associate (as defined under the Listing Rules) of Mr. Wang and a connected person of the Company. Upon the Completion of the Amended Agreements, the Target Companies will be owned as to 51% by Sichuan Yunmao, therefore will be associates of Mr. Wang and a connected person of the Company under Rule 14A.12(1)(c) of the Listing Rules and a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules. The Vocational College and the Vocational School, being wholly-owned by the Target Company A, for the same reason, will become connected persons of the Company under Rule 14A.12(1)(c) of the Listing Rules and a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules as well. The transactions contemplated under the Structure Contracts will constitute continuing connected transactions of the Company under the Listing Rules.

Since the Structured Contracts are reproduced from the Existing Structured Contracts as provided under the conditions of the IPO Waiver, the Company has obtained confirmation from the Stock Exchange that the transactions contemplated under the Structured Contracts would fall within the scope of the waiver from the requirements of Chapter 14A of the Listing Rules as set out in the IPO Waiver and are exempt from (i) the announcement, circular and independent shareholders' approval requirements under Rule 14A.102 of the Listing Rules, (ii) the requirement of limiting the terms of the Structured Contracts to three years or less under Rule 14A.52 of the Listing and (iii) the requirement of setting an annual cap under Rule 14A.53 of the Listing Rules, for so long as the Shares are listed on the Stock Exchange, subject to compliance with the same conditions of the IPO Waiver.

LETTER FROM THE BOARD

9. PROPOSED ADOPTION OF THE AMENDED AND RESTATED ARTICLES OF ASSOCIATION

Pursuant to the Consultation Conclusions on Listing Regime for Overseas Issuers published by the Stock Exchange in November 2021, the Listing Rules have been amended with effect from 1 January 2022 which requires, among others, listed issuers to adopt a uniform set of 14 “Core Standards” for shareholder protections. The Company proposes to take the opportunity to modernise and provide flexibility to the Company in relation to the conduct of general meetings. As such, the Board proposes to amend and restate the Articles of Association for the purposes of, among others, (i) allowing general meetings to be held as electronic meetings or hybrid meetings; (ii) bringing the Articles of Association in line with amendments made to the Listing Rules, including the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules, and applicable laws of the Cayman Islands; and (iii) making other consequential and housekeeping changes. The Board also proposes to adopt the Amended and Restated Articles of Association in substitution for, and to the exclusion of, the Articles of Association.

Details of the proposed amendments to the Articles of Association brought about by the adoption of the Amended and Restated Articles of Association (marked-up against the Articles of Association) are set out in Appendix X to this circular. The Amended and Restated Articles of Association is written in English. There is no official Chinese translation in respect thereof. Therefore, the Chinese version of the Amended and Restated Articles of Association is purely a translation only. Should there be any discrepancy, the English version shall prevail.

The Company has been advised by its legal advisers as to Hong Kong laws and Cayman Islands laws that the proposed amendments to the Articles of Association conform to the requirements of the Listing Rules including the Core Shareholder Protection Standards and do not violate the laws of the Cayman Islands, respectively. The Company also confirms that there is nothing unusual about the proposed amendments to the Articles of Association for a company listed on the Stock Exchange.

The Board is of the view that upon adoption of the proposed amendments, the Amended and Restated Articles of Association will fully comply with the requirements of the Listing Rules, including the Core Shareholder Protection Standards. The Board also proposes to put forward to the Shareholders for approval at the EGM a special resolution to adopt the Amended and Restated Articles of Association. The proposed adoption of the Amended and Restated Articles of Association is subject to the passing of a special resolution.

10. THE EGM

Set out on pages EGM-1 to EGM-3 of this circular is a notice convening the EGM to be held at Meeting Room, 2/F., Bojun Education Company Limited, 209 Sanse Road, Jinjiang District, Chengdu, Sichuan Province, the PRC on Thursday, 20 July 2023 at 10:00 a.m. at which resolution will be proposed to the Shareholders to consider and, if thought fit, to approve the Amended Agreements (including the Specific Mandate) and the transactions contemplated thereunder and the proposed adoption of the Amended and Restated Articles of Association.

LETTER FROM THE BOARD

To the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, none of the Shareholders has any material interest in the Acquisition (including the Specific Mandate) and the proposed adoption of the Amended and Restated Articles of Association, and therefore no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the same. None of the Directors have material interest in the Amended Agreements (including the Specific Mandate) and the transactions contemplated thereunder, and none of the Directors have abstained from voting on the relevant board resolutions relating to the same.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, there is (i) no voting trust or other agreement or arrangement or understanding entered into or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares to a third party, either generally or on a case-by-case basis.

A form of proxy for use at the EGM is enclosed. Whether or not the Shareholders are able to attend the EGM, the Shareholders are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof should the Shareholders so wish.

The register of members of the Company will be closed from Monday, 17 July 2023 to Thursday, 20 July 2023 (both days inclusive), during which period no transfer of Shares will be registered. In order to qualify for the right to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates should be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 14 July 2023.

11. RECOMMENDATION

The Directors believe that the terms of the Amended Agreements (including the Specific Mandate) are on normal commercial terms, fair and reasonable, are in the ordinary and usual course of business of the Company and that the Amended Agreements (including the Specific Mandate) and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

The Board considers that all the resolutions to be proposed at the EGM are all in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of all the resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

12. FURTHER INFORMATION

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

By Order of the Board
Bojun Education Company Limited
Wang Jinglei
Chairman and Chief Executive Officer

1. FINANCIAL INFORMATION

The financial information of the Group for each of the years ended 31 August 2020 to 2022 and the six months ended 28 February 2023 are disclosed in the following documents which have been published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at bojuneducation.com:

- Annual report of the Company for the year ended 31 August 2020 published on 18 December 2020 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1218/2020121800007.pdf>);
- Annual report of the Company for the year ended 31 August 2021 published on 30 November 2022 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1130/2022113001790.pdf>);
- Annual report of the Company for the year ended 31 August 2022 published on 30 November 2022 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/1130/2022113001962.pdf>); and
- Interim results announcement of the Company for the six months ended 28 February 2023 published on 27 April 2023 (<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042704870.pdf>).

2. FINANCIAL AND TRADING PROSPECTS

The Group is principally engaged in the business of provision of private education service in Sichuan Province, the PRC.

Through their schools, the Group provide education services to students of different age groups. As disclosed in the interim results announcement of the Company for the six months ended 28 February 2023, the Group operated two kindergartens and one high school in Chengdu, and had an enrolment of 854 students supported by 406 employees, including 93 teachers, as at 28 February 2023.

Looking to the future, the Group believes that it will continue to enhance and expand its market position as a provider of premium private education in Southwest China. After the completion of the Acquisition, the Group intend to continue its expansion in the vocational education industry by converting some of its schools into vocational education entities. It also intends to expand the network and geographic coverage of its vocational schools to expand its market share in the industry by acquiring vocational schools and exploring opportunities on land acquisitions for establishing new vocational schools in different cities to capture potential business opportunities for the Group's sustainable growth and development.

3. INDEBTEDNESS AND CONTINGENT LIABILITIES

As at the close of business on 30 April 2023, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following indebtedness:

	<i>Notes</i>	<i>RMB'000</i>
Bank borrowings — Secured and guaranteed	(i)	780,120
Other borrowings — Secured and guaranteed	(ii)	378,854
Lease liabilities		747
Financial guarantee contracts	(iii)	<u>8,628</u>
		<u><u>1,168,349</u></u>

Notes:

- (i) Bank borrowing of approximately RMB130,120,000 is guaranteed by subsidiaries of the Group, certain shareholders of the Company and the spouse of one of the shareholders of the Company, respectively. The borrowing is also pledged by the tuition and boarding fee rights of a school of the then entities of the Group involved in non-profit preschool education and compulsory education business, which were deconsolidated from the Group on 31 August 2021 (the “**Affected Entities**”).

Bank borrowings of approximately RMB650,000,000 are secured by the equity of Target Company A and the pledge of receivables of tuition and boarding fees of two schools and are guaranteed by several parties including Target Company A, entities with a direct or indirect equity interest in the Target Companies, directors of Target Companies, the spouse of one of the directors of Target Companies, and third parties of the Target Companies.

- (ii) The other borrowings are under sales and leaseback arrangements which are secured by the pledge of receivables of tuition and boarding fees of a school and certain assets of Target Group A and are guaranteed by Target Companies, a subsidiary of Target Company B, entities with a direct or indirect equity interest in the Target Companies and directors of Target Companies.
- (iii) The financial guarantee contracts provided to certain Affected Entities were recognised in the consolidated financial statements. As at 30 April 2023, the Group provided financial guarantees to certain Affected Entities in respect of their bank borrowings in the sum of approximately RMB238,658,000 in favour of the banks in the PRC.

Save as aforesaid and apart from intra-group liabilities and normal trade payables in the ordinary course of the business, as at the close of business on 30 April 2023, the Enlarged Group did not have other outstanding mortgages, charges, debentures or other loan capital, bank overdrafts or loans, other similar indebtedness, finance lease or hire purchase commitments, liabilities under acceptance or acceptance credits, guarantees or other material contingent liabilities.

4. WORKING CAPITAL

The Directors, after due and careful enquiry, were of the opinion that taking into consideration the effect of the Completion and the present financial resources available to the Enlarged Group, including funds internally generated from its business operations and existing credit facilities, the Enlarged Group will have sufficient working capital for its business operations for at least the next 12 months from the date of this circular, in the absence of unforeseeable circumstances. The Company has obtained the relevant confirmation from its auditors as required under Rule 14.66(12) of the Listing Rules.

5. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group for each of the years ended 31 August 2020, 2021 and 2022 principally extracted from the annual reports of the Company for each of the years ended 31 August 2020, 2021 and 2022, respectively. Capitalised terms used in this paragraph shall have the same meanings as defined in the respective annual reports.

For the year ended 31 August 2020

Business Review

Our Schools

The Group is a leading private education service group in Chengdu, Sichuan Province, the PRC, operating 13 schools in Sichuan Province. In the 2019/2020 school year, we operated (i) one middle and high school, two middle schools, one primary and middle school and six kindergartens in Chengdu, Sichuan Province, (ii) one primary and middle school in Nanjiang County (南江縣) of Bazhong City (巴中市), Sichuan Province, (iii) one primary and middle school in Wangcang County (旺蒼縣) of Guangyuan City (廣元市), Sichuan Province and (iv) one primary, middle and high school in Lezhi County (樂至縣) of Ziyang City (資陽市), Sichuan Province.

Our Students

As at 1 September 2020, the Group had an enrolment of 12,126 students, including 1,160 preschool students and 10,966 intake of students from grades 1 to 12.

Tuition and Boarding Fees

For our primary schools, middle schools and high schools, our tuition fees for the 2019/2020 school year ranged from RMB22,000 to RMB42,000 per student per year while boarding fees of RMB1,200 to RMB1,400 per school year was charged for each boarding student. The fees charged remained unchanged when compared to the 2018/2019 school year. The tuition fees of our kindergartens for the 2019/2020 school year ranged from RMB26,160 to RMB56,160 per student per school year. The fees charged remained unchanged when compared to the 2018/2019 school year.

Financial Review**Revenue**

We derive revenue from tuition fees and boarding fees our schools collected from our students. The following table sets forth the breakdown of major components of the revenue for the years indicated:

	For the year ended 31 August			
	2020	Percentage	2019	Percentage
	<i>RMB'000</i>	of total	<i>RMB'000</i>	of total
		<i>%</i>		<i>%</i>
Tuition fees				
— Kindergartens	33,877	9.0	53,514	15.8
— Primary schools, middle schools and high schools	<u>331,130</u>	<u>88.1</u>	<u>275,190</u>	<u>81.4</u>
Sub-total	365,007	97.1	328,704	97.2
Boarding fees	<u>10,733</u>	<u>2.9</u>	<u>9,315</u>	<u>2.8</u>
Total	<u><u>375,740</u></u>	<u><u>100.0</u></u>	<u><u>338,019</u></u>	<u><u>100.0</u></u>

Our revenue increased by approximately RMB37.7 million or 11.2% from approximately RMB338.0 million for the year ended 31 August 2019 to approximately RMB375.7 million for the year ended 31 August 2020. The increase was mainly attributable to the increased total student enrolment, which resulted the increase in tuition and boarding fees.

Student enrolment in our schools increased by approximately 18.8% from 10,173 as of 1 September 2018 to 12,082 as of 1 September 2019, mainly due to an increase in the number of students enrolled in our middle schools and high schools including Longquan School, Nanjiang Bojun School, Wangcang Bojun School, Pengzhou Bojun School and newly commenced Lezhi Bojun School.

Liquidity and capital resources

As at 31 August 2020, the Group's total borrowings amounted to approximately RMB416.5 million, representing an increase of approximately 197.5% as compared with that of approximately RMB140.0 million as at 31 August 2019. Out of the total borrowings, borrowings repayable (i) on demand or within a period not exceeding one year amounted to approximately RMB115.0 million, (ii) within a period of more than one year but not exceeding two years amounted to approximately RMB44.0 million, (iii) within a period of more than two years but not exceeding five years amounted to approximately RMB208.5 million, and (iv) within a period of more than five years amounted to approximately RMB49.0 million. Approximately RMB50.0 million of these are at fixed interest rate of 5.5% and the remaining RMB366.5 million are at variable

interest rate. The short-term bank borrowings amounted to approximately RMB115.0 million as at 31 August 2020, are all denominated in RMB. As at 31 August 2020, our short-term bank borrowings have a variable interest at approximately 0.7% to 70% plus the lending benchmark interest rate of the People's Bank of China and fixed interest at 5.5%. Bank borrowings of the Group were primarily used in financing the working capital requirement of its operations and school constructions. There is no seasonality in the borrowing needs of the Group. Our cash and cash equivalents amounted to approximately RMB336.6 million and RMB426.8 million as at 31 August 2019 and 2020, respectively.

Significant investment held

As at 31 August 2020, the Group held approximately 33.3% equity interests in Chengdu Tongxing Wanbang Enterprise Management Centre LLP* (成都同興萬邦企業管理中心(有限合夥)) with investment amounting to RMB17.5 million. Such entity is primarily engaged in the business of providing cultural activities services including display services in conferences and exhibitions, organising large-scale events and corporate image planning services. As at 31 August 2020, the proposed investment project of the entity is still in the initial phase, and the entity has no income. As daily operational expenditure is incurred, the entity recorded a loss of approximately RMB16,000 in the year ended 31 August 2020.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

Save for the acquisition contemplated under the Agreement of Intent and the Acquisition Agreement as disclosed in the announcements of the Company dated 19 November 2019 and 28 April 2020, respectively, for the year ended 31 August 2020, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Employee benefits

As at 31 August 2020, the Group had 1,732 employees (as at 31 August 2019: 1,709). The Group participates in various employee benefit plans, including provident fund, pension, medical insurance and unemployment insurance. The Company has also adopted a share option scheme for its employees and other eligible persons. Salaries and other benefits of the Group's employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and other relevant market conditions. The Group also provides internal and external training programmes to its employees. For the year ended 31 August 2020, the annual staff costs (including directors' fees) amounted to approximately RMB208.6 million (2019: RMB191.6 million).

Charges on the Group's Assets

Except for the furniture, fixtures and equipment pledged for the other borrowing under sale and leaseback arrangement, there were no other material charges on the Group's assets as at 31 August 2020.

Future Plans for Material Investments and Capital Assets

On 11 September 2020 and 16 October 2020, Chengdu Bojun (a wholly-owned subsidiary of the Company), Shenzhen Hongyuan Company and the Initial Shareholder entered into a capital injection agreement and a supplemental agreement, respectively, pursuant to which Chengdu Bojun agreed to subscribe for new capital of Shenzhen Hongyuan Company in the aggregate amount of RMB245.0 million (equivalent to approximately HK\$278.0 million) in cash. Upon completion, Chengdu Bojun will hold 49.0% of the enlarged (as enlarged by such capital injection) registered capital of Shenzhen Hongyuan Company. The financial results of Shenzhen Hongyuan Company will not be consolidated into the accounts of the Group. The Group intends to use internal resources and (if available) bank financing to pay the consideration. For details, please refer to the announcements of the Company published on 11 September 2020 and 16 October 2020. As of the date of the annual report for the year ended 31 August 2020, apart from this investment plan, the Group has no immediate future plans for material investments and capital assets.

Gearing Ratio

Gearing ratio is calculated by dividing total debts (which equal to interest-bearing bank borrowings and other borrowing) by total equity as of the respective year end date. Our gearing ratio increased from approximately 16.7% as of 31 August 2019 to approximately 48.7% as at 31 August 2020, as the Group increased its bank borrowings to meet the requirement of capital expenditures during the year ended 31 August 2020.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in HK dollars. On 31 August 2019 and 2020, the book value of the monetary asset of the Group denominated in foreign currency were as follows:

	For the year ended 31 August	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Bank balances and cash — US\$	—	51
Bank balances and cash — HK\$	<u>167,932</u>	<u>182,695</u>
	<u><u>167,932</u></u>	<u><u>182,746</u></u>

The Group has not used any financial instrument to hedge the foreign exchange risk that it is exposed to currently. However, the management of the Group monitors our foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

Contingent Liabilities

As at 31 August 2019 and 2020, the Group did not have any material contingent liabilities.

For the year ended 31 August 2021*Business Review**Our Schools*

We are a leading private education service group in Chengdu, Sichuan Province, the PRC, operated 13 schools in Sichuan Province for the year ended 31 August 2021. In the 2020/2021 school year, we operated (i) one middle and high school, two middle schools, one primary and middle school and six kindergartens in Chengdu, Sichuan Province; (ii) one primary and middle school in Nanjiang County (南江縣) of Bazhong City (巴中市), Sichuan Province; (iii) one primary and middle school in Wangcang County (旺蒼縣) of Guangyuan City (廣元市), Sichuan Province and (iv) one primary, middle and high school in Lezhi County (樂至縣) of Ziyang City (資陽市), Sichuan Province.

Affected Business

On 14 May 2021, the State Council of the PRC promulgated the Implementation Regulations which became effective on 1 September 2021. The Implementation Regulations set series of restrictions and guidelines on operation, taxation, shareholding structure, connected transactions and merge and acquisition of entities providing compulsory education, especially non-profit private primary and middle schools, including: (i) no social organisation and individual are permitted to take control of private compulsory education schools and non-profit private preschool through mergers and acquisitions and control agreement; and (ii) private compulsory education schools are prohibited from conducting connected transactions, and other private schools shall conduct connected transactions in an open, reasonable and fair manner, which shall not harm national interests, school interests and rights and interests of all teachers and students.

Since the Implementation Regulations was announced, the Group has been actively communicating with government authorities, and the management discussed with its PRC legal advisors and auditors to specifically assess the impacts of the Implementation Regulations on the Group. The Implementation Regulations impose significant uncertainties and restrictions on the Group's control over the affiliated entities operating private schools offering compulsory education and non-profit kindergartens. As at the Latest Practicable Date, the Group concluded that the Group's ability to use its power from the Contractual Arrangements to direct the relevant activities of and its ability to affect its variable returns from the Affected Entities had ceased by 31 August 2021 and the Group lost control over the Affected Entities on 31 August 2021. Consequently, the financial results of the Affected Entities have been separately presented by the Group, and the net asset value of the Affected Entities has been deconsolidated in the consolidated financial statements of the current year.

Affected Entities

The following sets out the types of education provided by each of our schools as at 31 August 2021:

	Kindergartens	Primary school section	Middle school section	High school section
Jinjiang School			✓	
Longquan School			✓	✓
Tianfu School			✓	
Wangcang Bojun School		✓	✓	
Nanjiang Bojun School		✓	✓	
Pengzhou Bojun School		✓	✓	
Lezhi Bojun School		✓	✓	✓
Youshi Kindergarten	✓			
Lidu Kindergarten	✓			
Longquan Kindergarten	✓			
Peninsula Kindergarten	✓			
Riverside Kindergarten	✓			
Qingyang Kindergarten	✓			

Students of Affected Entities

As of 1 September 2020, we had an enrolment of a total of 12,126 students, including 1,160 kindergarten students, 1,885 primary school students, 8,315 middle school students and 766 high school students.

Establishment of a High School

To satisfy the demand for high-quality education of parents and students, the Group decided to open an independent high school in the autumn of 2019, which not only benefits the brand development strategy of “Shiyi School”, but also eases the social concern that the students in the region can hardly gain access to high school education services of good quality. In March 2021, Tianfu High School was officially established. The school is a for-profit private high school providing Degree Education. Given that the provision of high school education is not affected by the Implementation Regulations, the Group has control over Tianfu High School through the Contractual Arrangements. The school has a designed capacity of 1,500 students, with a planned enrolment of a total of 200 students in 4 classes in the autumn of 2021 and a total of 400 students in 8 classes in the autumn of 2022. In subsequent years, it will gradually expand its enrolment according to the planned target of 500 students in 10 classes per school year.

The autumn enrolment of Tianfu High School for the school year 2021/2022 has been completed with a total of 151 students enrolled. Tuition fee is fixed at RMB42,000 per school year. The revenue generated by the tuition fee and boarding fee of Tianfu High School will be included in the Group’s revenue in the next financial year.

*Financial Review**Revenue*

We derive revenue from tuition fees and boarding fees our schools collected from our students. The following table sets forth the breakdown of major components of the revenue for the years indicated:

	For the year ended 31 August			
	2021		2020	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Tuition fees				
— Tuition fees of kindergartens	47,932	12.0	33,877	9.0
— Tuition fees of primary schools, middle schools and high schools	<u>339,310</u>	<u>85.1</u>	<u>331,130</u>	<u>88.1</u>
Sub-total of tuition fees	387,242	97.1	365,007	97.1
Boarding fees	<u>11,532</u>	<u>2.9</u>	<u>10,733</u>	<u>2.9</u>
Total	<u><u>398,774</u></u>	<u><u>100.0</u></u>	<u><u>375,740</u></u>	<u><u>100.0</u></u>

Our revenue increased by approximately RMB23.1 million or 6.1% from approximately RMB375.7 million for the year ended 31 August 2020 to approximately RMB398.8 million for the year ended 31 August 2021. The increase was mainly attributable to the increased total student enrolment, which resulted in an increase in tuition fees and boarding fees.

Student enrolment in our schools increased by approximately 0.4% from 12,082 as of 1 September 2019 to 12,126 as of 1 September 2020, mainly due to an increase in the number of students enrolled in our middle schools and high schools including Nanjiang Bojun School, Wangcang Bojun School and Lezhi Bojun School.

Revenue of the Remaining Business

Schools provide compulsory education and kindergartens were deconsolidated as at 31 August 2021 due to the Implementation Regulations.

Tianfu High School, which commence schooling from 1 September 2021, did not generate any revenue for the year ended 31 August 2021. Since Longquan School and Lezhi Bojun School did not have separate licenses to operate their high school education business, all incomes generated from these two schools were classified as revenue generated from Affected Entities.

The Group's revenue in the future will mainly come from the following four areas: (i) education income from Tianfu High School, Lidu Kindergarten and Riverside Kindergarten; (ii) service fee income received from the continued provision of quality education services and logistic support services to kindergartens; (iii) education income received from the Group's expected entry into vocational education; and (iv) service fee received from education management and school supplemental services.

Revenue of the Affected Entities

	For the year ended 31 August			
	2021		2020	
	Percentage of total	Percentage of total	Percentage of total	Percentage of total
	RMB'000	%	RMB'000	%
Tuition fees	387,242	97.1	365,007	97.1
Boarding fees	11,532	2.9	10,733	2.9
Total	398,774	100.0	375,740	100.0

The increase in the Group's revenue was mainly due to the number of students enrolled.

Liquidity and capital resources

During the year ended 31 August 2021, we have principally financed our operations through internally generated cash flows from our operations, proceeds from the pre-IPO investment, proceeds from the Global Offering and bank borrowings. Our bank borrowings amounted to approximately RMB179.0 million as of 31 August 2021, all denominated in Renminbi. As of 31 August 2021, our short-term bank borrowings have a fixed interest at 7.0%. As at 31 August 2021, approximately RMB179 million (31 December 2020: approximately RMB50.0 million) of the Group's total borrowings were subject to fixed interest rates. Carrying amounts of borrowings of (i) approximately RMB20.0 million are repayable within one year; (ii) approximately RMB30.0 million are repayable within a period more than one year but not exceeding two years; (iii) approximately RMB95.0 million are repayable within a period more than two years but not exceeding five years; (iv) approximately RMB34.0 million are repayable within a period more than five years. Our cash and cash equivalents amounted to approximately RMB426.8 million and RMB93.2 million as at 31 August 2020 and 2021, respectively.

Significant investment held

As at 31 August 2021, the Group held approximately 33.3% equity interests in Chengdu Tongxing Wanbang Enterprise Management Centre LLP* (成都同興萬邦企業管理中心(有限合夥)) with investment amounting to RMB17.5 million. Such entity is primarily engaged in the business of providing cultural activities services including display services in conferences and exhibitions, organising large-scale events and corporate image planning services. As at 31 August 2021, the proposed investment

project of the entity is still in the initial phase, and the entity has no income. As daily operational expenditure is incurred, the Group shared a loss of approximately RMB6,000 from the entity for the year ended 31 August 2021.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

On 8 September 2017, Chengdu Mingxian and Hongde Guanghua entered into a cooperation agreement (the “**Cooperation Agreement**”), pursuant to which the parties agreed to establish Pengzhou Bojun School, which commenced schooling in September 2018. On 27 August 2021, Chengdu Mingxian entered into a termination agreement (the “**Termination Agreement**”) with Hongde Guanghua, Pengzhou Bojun School, Chengdu Qizheng Corporate Management Company Limited* (成都啟正企業管理有限公司) and Mr. Chen Lung* (陳龍) (the “**Guarantors**”), pursuant to which (i) Chengdu Mingxian has agreed to terminate the Cooperation Agreement, (ii) Hongde Guanghua and Pengzhou Bojun School shall refund to Chengdu Mingxian the total investment fund of RMB41,164,941.29 actually contributed by Chengdu Mingxian under the Cooperation Agreement; and (iii) Chengdu Mingxian shall grant to Hongde Guanghua and Pengzhou Bojun School a licence to use the “Bojun” and “Bojun School” brands for the ten months ended 30 June 2022, 2023 and 2024 (i.e. excluding the two months, being July and August in the relevant calendar year). Hongde Guanghua owns 49% interest of Pengzhou Bojun School, being a Consolidated Affiliated Entity, and therefore is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. Accordingly, the Disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Such termination was approved on an extraordinary general meeting of the Company held on 26 October 2021. Pursuant to such termination, the Group ceased to own 51% equity interest in Pengzhou Bojun School and Chengdu Mingxian ceased to be the school sponsor of Pengzhou Bojun School with effect from 19 August 2022. As at the Latest Practicable Date, Pengzhou Bojun School is not a Consolidated Affiliated Entity.

For further details, please refer to the announcements of the Company dated 27 August 2021, 6 September 2021, 26 October 2021, 20 May 2022, 30 May 2022 and 10 June 2022, and the circular of the Company dated 30 September 2021.

Save for the above, for the year ended 31 August 2021, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Employee benefits

As at 31 August 2021, the Group had 1,751 employees (as at 31 August 2020: 1,732). The Group participates in various employee benefit plans, including provident fund, pension, medical insurance and unemployment insurance. The Company has also adopted a share option scheme for its employees and other eligible persons. Salaries and other benefits of the Groups’ employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and other relevant market conditions. The Group also provides internal and

external training programmes to its employees. For the year ended 31 August 2021, the staff costs (including directors' fees) amounted to approximately RMB186.3 million (2020: RMB172.8 million).

Charges on the Group's Assets

There were no other material charges on the Group's assets as at 31 August 2021.

Future Plans for Material Investments and Capital Assets

Save for the proposed transactions as detailed in the section headed "Management Discussion and Analysis — Events after the reporting period" of the annual report of the Company for the year ended 31 August 2021, the Company does not have any future plan for material investments or capital assets as at the Latest Practicable Date.

Gearing Ratio

Gearing ratio is calculated by dividing total debts (which equal to interest-bearing bank borrowings and other borrowing) by total equity as of the respective year end date.

Our gearing ratio decreased from approximately 48.7% as at 31 August 2020 to approximately 213.0% as at 31 August 2021 since some of the Group's affiliated entities were deconsolidated due to the impact of the Implementation Regulations, resulting in a decrease in total equity attributable to owners of the Company.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in HK\$. On 31 August 2020 and 2021, the book value of the monetary asset of the Group denominated in foreign currency were as follows:

	As at 31 August	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Bank balances and cash — HK\$	17,843	167,932

The Group currently does not use any financial instrument to hedge the foreign exchange risk exposure. However, the management of the Group monitors our foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

Contingent Liabilities

As at 31 August 2021, except for the financial guarantee provided to the Affected Entities as disclosed in notes 27 to the consolidated financial statements, the Group did not have any material contingent liabilities.

For the year ended 31 August 2022*Business Review**Our Schools*

We are a leading private education service group in Sichuan Province, the PRC, previously operated 13 schools in Sichuan Province. On 14 May 2021, the State Council of the PRC promulgated the Implementation Regulations which became effective on 1 September 2021. The Implementation Regulations imposes significant uncertainties and restrictions on the Group's control over the affiliated entities operating private schools offering compulsory education and non-profit kindergartens. The Group has lost its control over the Affected Entities since 31 August 2021, and the Affected Business has been classified as the discontinued operations. Currently, the Group's subsidiaries comprise of one high school and one kindergarten.

The following sets out the types of education provided by each of our schools as at 31 August 2022:

	Kindergartens	Primary school section	Middle school section	High school section
Tianfu High School				✓
Lidu Kindergarten	✓			

Our Students

As at 1 September 2022, we had an enrolment of 840 students, including 239 kindergarten students and 601 high school students. Since our high school have enrolled freshmen in the 2022/23 school year and there have been no graduating classes in the same year, the number of students of high schools significantly increased.

Number of students by school sections	Student enrolment		Change	Change in percentage
	As at 1 September 2022	2021		
Kindergarten	239	—	—	—
High school	<u>601</u>	<u>151</u>	<u>+450</u>	<u>+298.1%</u>

The student numbers did not include those covered under the educational management services agreements.

Tuition and Boarding Fees

For high schools, our annual tuition fees for the 2021/2022 school year was RMB42,000 per student, while boarding fees of RMB1,200 per school year was charged for each boarding student. The fees charged remained unchanged when compared to the 2020/2021 school year. For kindergartens, our annual tuition fees for the 2021/2022 school year ranged from RMB44,160 to RMB45,360 per student. The fees charged remained unchanged when compared to the 2020/2021 school year.

In general, our high school has an increase in tuition fees every three years to reflect our operating costs. There has been no significant increase in the operating costs of our kindergartens and we do not have a plan to adjust the tuition fees at the moment so that we can maintain our competitiveness in the preschool market.

*Financial Review**Revenue*

We derive revenue from providing teaching and boarding service as well as education advisory and management service to our students. The following table sets forth the breakdown of major components of the revenue for the years indicated:

	For the year ended 31 August		2021	
	2022			
	RMB'000	%	RMB'000	%
Tuition fees and boarding fees	10,946	32.6	—	—
Education advisory and management service fees	22,658	67.4	—	—
Total	33,604	100	—	—

Revenue for the year ended 31 August 2022 was approximately RMB33.6 million. Due to the promulgation of the Implementation Regulations which came into effect on 1 September, 2021, the comprehensive private basic education business of all our Affected Entities in China ceased to be consolidated on 31 August 2021. In this regard, from 1 September 2021, the Group has been actively implementing a business restructuring plan, vigorously developing its profit-making high schools and profit-making kindergartens, and expanded its business to the area of education advisory and management service. As Tianfu High School commenced its operation in the fiscal year 2022, and Lidu Kindergarten and Riverside Kindergarten successfully transformed to for-profit ones in May and November 2022 respectively. Education management service came in to operation since September 2021. The comparable continuing income for the year ended 31 August 2021 is nil.

Number of students admitted to our schools for the year ended 31 August 2022 is 840.

Liquidity and capital resources

During the year ended 31 August 2022, we have principally financed our operations through a combination of internally generated cash flows from our operations, proceeds from the pre-IPO investment, proceeds from the Global Offering and short-term bank borrowings. The borrowings of the Group are denominated in RMB. The Group regularly reviews and monitors the borrowings level. As at 31 August 2022, the Group's total borrowings amounted to approximately RMB160.1 million, representing an decrease of approximately 10.6% as compared with that of approximately RMB179.0 million as at 31 August 2021. Out of the total borrowings, borrowings repayable (i) on demand or within a period not exceeding one year amounted to approximately RMB31.1 million, (ii) within a period of more than one year but not exceeding two years amounted to approximately RMB30.0 million, and (iii) within a period of more than two years but not exceeding five years amounted to approximately RMB99.0 million. Approximately all of these are at fixed interest rate of 7.0%. Bank borrowings of the Group were primarily used in financing the working capital requirement of its operations and school constructions. There is no seasonality in the borrowing needs of the Group. As at 31 August 2022, approximately RMB160.1 million (31 August 2021: approximately RMB179 million) of the Group's total borrowings were subject to fixed interest rates. Carrying amounts of borrowings of (i) approximately RMB31.1 million are repayable within one year; and (ii) approximately RMB30.0 million are repayable within a period more than one year but not exceeding two years, and approximately RMB99.0 million are repayable within a period more than two years but not exceeding five years. The Group's cash and bank balances are mainly denominated in RMB or HK\$. Our cash and cash equivalents amounted to approximately RMB93.2 million and RMB155.1 million as at 31 August 2021 and 2022, respectively. We generally deposit our excess cash in interest bearing bank accounts.

Significant investment held

As at 31 August 2022, the Group held approximately 33.3% equity interests in Chengdu Tongxing Wanbang Enterprise Management Centre LLP* (成都同興萬邦企業管理中心(有限合夥)) with investment amounting to RMB17.5 million. Such entity is primarily engaged in the business of providing cultural activities services including display services in conferences and exhibitions, organising large-scale events and corporate image planning services. As at 31 August 2022, the proposed investment project of the entity is still in the initial phase, and the entity has no income. As daily operational expenditure is incurred, the entity recorded a profit of approximately RMB97,000 in the year ended 31 August 2022. In the future, with the gradual progress of business operated by the company such entity has invested in, and the contracted service projects gradually be implemented, the income of such entity will grow steadily, and the Group will receive investment income pro rata to its shareholding in such entity.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

(1) Disposal of 51% Equity Interest of the Pengzhou School

On 8 September 2017, Chengdu Mingxian and Hongde Guanghua entered into a cooperation agreement (the “**Cooperation Agreement**”), pursuant to which the parties agreed to establish Pengzhou Bojun School, which commenced schooling in September 2018. On 27 August 2021, Chengdu Mingxian entered into a termination agreement (the “**Termination Agreement**”) with Hongde Guanghua, Pengzhou Bojun School, Chengdu Qizheng Corporate Management Company Limited* (成都啟正企業管理有限公司) and Mr. Chen Lung* (陳龍) (the “**Guarantors**”), pursuant to which (i) Chengdu Mingxian has agreed to terminate the Cooperation Agreement, (ii) Hongde Guanghua and Pengzhou Bojun School shall refund to Chengdu Mingxian the total investment fund of RMB41,164,941.29 actually contributed by Chengdu Mingxian under the Cooperation Agreement; and (iii) Chengdu Mingxian shall grant to Hongde Guanghua and Pengzhou Bojun School a licence to use the “Bojun” and “Bojun School” brands for the ten months ended 30 June 2022, 2023 and 2024 (i.e. excluding the two months, being July and August in the relevant calendar year). Hongde Guanghua owns 49% interest of Pengzhou Bojun School, being a Consolidated Affiliated Entity, and therefore is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. Accordingly, the Disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Such termination was approved on an extraordinary general meeting of the Company held on 26 October 2021. Pursuant to such termination, the Group ceased to own 51% equity interest in Pengzhou Bojun School and Chengdu Mingxian ceased to be the school sponsor of Pengzhou Bojun School with effect from 19 August 2022. As at the Latest Practicable Date, Pengzhou Bojun School is not a Consolidated Affiliated Entity. On 20 May 2022, Chengdu Liqiao Education Technology Company Limited* (成都立橋教育科技有限公司) (“**Liqiao**”), which is the shareholder of Hongde Guanghua, executed a guarantee letter (the “**Guarantee Letter**”) in favour of Chengdu Mingxian pursuant to which Liqiao agreed to guarantee the financial obligations of Hongde Guanghua and Pengzhou School for a period of up to three years from the latest date of Hongde Guanghua and Pengzhou School obliged to fulfil their respective financial obligations towards Chengdu Mingxian in relation to the Termination Agreement and the relevant supplemental agreement. As at the Latest Practicable Date, Pengzhou Bojun School is not a Consolidated Affiliated Entity and the Group has received RMB3,000,000 out of the RMB41,164,941.29 funds to be refunded.

For further details, please refer to the announcements of the Company dated 27 August 2021, 6 September 2021, 26 October 2021, 20 May 2022, 30 May 2022 and 10 June 2022, and circular of the Company dated 30 September 2021.

(2) Lapsed Major Transaction in relation to Subscription of Equity by Capital Injection

On 11 September 2020, Chengdu Bojun, Pi County Langjing Industrial Company Limited* (郫縣朗經實業有限公司) and Shenzhen Hongyuan entered into a capital injection agreement, pursuant to which Chengdu Bojun agreed to subscribe for new

capital of Shenzhen Hongyuan in the aggregate amount of RMB245.0 million. On 11 August 2021, such agreement lapsed and, as such, shall cease to have effect and no parties to which shall have any obligations and liabilities toward each other thereunder, except concerning the Prepayment of RMB73.5 million (the “**Prepayment**”) made by Chengdu Bojun to Shenzhen Hongyuan pursuant to such agreement. On 31 August 2021 and 25 November 2021, the parties agreed on extension of due date of refund of the Prepayment. For details, please refer to the announcements of the Company dated 11 September 2020, 16 October 2020, 30 November 2020, 19 August 2021, 31 August 2021 and 25 November 2021.

(3) Acquisition of 51% Equity Interest in Two Companies Engaging in Provision of Vocational Training

On 8 December 2021, the Company entered into an equity transfer agreement with various parties in relation to acquisition of 51% equity interest in two companies engaging in provision of vocational training at an aggregate consideration of approximately RMB309.1 million.

Save for the above, for the year ended 31 August 2022, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Employee benefits

As at 31 August 2022, the Group had 406 employees (as at 31 August 2021: 279) regarding its continuing operation. The Group participates in various employee benefit plans, including provident fund, pension, medical insurance and unemployment insurance. The Company has also adopted a share option scheme for its employees and other eligible persons. Salaries and other benefits of the Groups’ employees are generally reviewed on a regular basis in accordance with individual qualifications and performance, result performance of the Group and other relevant market conditions. The Group also provides internal and external training programs to its employees. For the year ended 31 August 2022, the staff costs (including directors’ fees) amounted to approximately RMB20.8 million (2021: RMB12.5 million) as disclosed in note 11 to the consolidated financial statements.

Charges on the Group’s Assets

Except for the furniture, fixtures and equipment pledged for the other borrowing under sale and leaseback arrangement, there were no other material charges on the Group’s assets as at 31 August 2022.

Future Plans for Material Investments and Capital Assets

Save for the proposed transactions as detailed in the section headed “Management Discussion and Analysis — Events after the reporting period” of the annual report of the Company for the year ended 31 August 2022, the Company does not have any future plan for material investments or capital assets as at the Latest Practicable Date.

Gearing Ratio

Gearing ratio is calculated by dividing total debts (which equal to interest-bearing bank borrowings and other borrowing) by total equity as of the respective year end date. Our gearing ratio decreased from approximately 213.0% as at 31 August 2021 to approximately 89.4% as at 31 August 2022, due to increase in the amounts of capital and reserves as a result of recognition of deemed contribution from the controlling shareholders for the year ended 31 August 2022.

Foreign Exchange Exposure

The majority of the Group's revenue and expenditures are denominated in RMB, the functional currency of the Company, except that certain expenditures are denominated in HK\$. On 31 August 2021 and 2022, the book value of the monetary asset of the Group denominated in foreign currency were as follows:

	As at 31 August	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Bank balances and cash — HK\$	18,532	17,843

The Group has not used any financial instrument to hedge the foreign exchange risk that it is exposed to currently. However, the management of the Group monitors our foreign exchange exposure and will consider hedging significant foreign exchange risk should the need arise.

Contingent Liabilities

As at 31 August 2022, except for the financial guarantee provided to the Affected Entities as disclosed in note 28 to the consolidated financial statements, the Group did not have any material contingent liabilities.

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.



28 June 2023

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SICHUAN ZHENGZHUO EDUCATION INVESTMENT COMPANY LIMITED (四川正卓教育投資有限公司) AND ITS SUBSIDIARIES TO THE DIRECTORS OF BOJUN EDUCATION COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) (the “**Target Company**”) and its subsidiaries (together, the “**Target Group**”) set out on pages II-4 to II-45, which comprises the statements of financial position of the Target Company and consolidated statements of financial position of the Target Group as at 31 December 2020, 2021 and 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2020, 2021 and 2022 (the “**Relevant Periods**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information of the Target Group set out on pages II-4 to II-45 forms an integral part of this report, which has been prepared for inclusion in the circular of Bojun Education Company Limited (the “**Company**”) dated 28 June 2023 (the “**Circular**”) in connection with the proposed very substantial acquisition in relation to the acquisition of 51% equity interest in the Target Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (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 Company’s and the Target Group’s financial position as at 31 December 2020, 2021 and 2022 and of the Target Group’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the Historical Financial Information which mentions that as at 31 December 2022, the Target Group had net current liabilities of approximately RMB720,564,000. These conditions indicate a material uncertainty which may cast significant doubt on the Target Group'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 to II-45 have been made.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Audit Engagement Director

Practising Certificate Number P03614

Hong Kong, 28 June 2023

* *The English name is a translation of its Chinese name and included herein for identification purpose only.*

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by ZHONGHUI ANDA CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

APPENDIX II	ACCOUNTANTS' REPORT OF THE TARGET GROUP A
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**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

	<i>Notes</i>	Year ended 31 December		
		2020	2021	2022
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<i>6</i>	145,831	202,743	269,294
Costs of services		<u>(92,357)</u>	<u>(119,328)</u>	<u>(148,632)</u>
Gross profit		53,474	83,415	120,662
Other income	<i>7</i>	2,885	3,775	12,790
Other losses, net	<i>8</i>	(1,011)	(1,788)	(1,356)
Selling expenses		(27,833)	(59,282)	(56,102)
Administrative expenses		(32,685)	(47,132)	(53,827)
Finance costs	<i>9</i>	<u>(20,267)</u>	<u>(35,595)</u>	<u>(37,224)</u>
Loss before tax	<i>10</i>	(25,437)	(56,607)	(15,057)
Income tax expenses	<i>11</i>	<u>(226)</u>	<u>—</u>	<u>(502)</u>
Loss and total comprehensive expense for the year attributable to owner of the Target Company		<u><u>(25,663)</u></u>	<u><u>(56,607)</u></u>	<u><u>(15,559)</u></u>

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET GROUP A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2020	2021	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property and equipment	<i>15</i>	739,919	899,646	910,530
Intangible assets	<i>16</i>	4,012	3,476	4,231
Right-of-use assets	<i>17</i>	96,842	94,338	91,834
Prepayments and deposits	<i>19</i>	10,315	22,868	11,385
Amounts due from related parties	<i>20</i>	30,605	239,488	250,757
Deferred tax assets	<i>21</i>	<u>2,523</u>	<u>2,523</u>	<u>2,021</u>
		<u>884,216</u>	<u>1,262,339</u>	<u>1,270,758</u>
CURRENT ASSETS				
Other receivables, deposits and prepayments	<i>19</i>	8,450	52,629	10,505
Amounts due from related parties	<i>20</i>	138,026	39,472	125,159
Bank balances and cash	<i>22</i>	<u>14,873</u>	<u>68,982</u>	<u>29,205</u>
		<u>161,349</u>	<u>161,083</u>	<u>164,869</u>
CURRENT LIABILITIES				
Account and other payables	<i>23</i>	49,544	104,400	195,123
Contract liabilities	<i>24</i>	115,249	154,128	208,626
Amounts due to related parties	<i>20</i>	27,282	131,614	129,286
Borrowings	<i>25</i>	<u>118,045</u>	<u>223,141</u>	<u>352,398</u>
		<u>310,120</u>	<u>613,283</u>	<u>885,433</u>
NET CURRENT LIABILITIES		<u>(148,771)</u>	<u>(452,200)</u>	<u>(720,564)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>735,445</u>	<u>810,139</u>	<u>550,194</u>
NON-CURRENT LIABILITY				
Borrowings	<i>25</i>	<u>202,111</u>	<u>333,412</u>	<u>89,026</u>
		<u>202,111</u>	<u>333,412</u>	<u>89,026</u>
NET ASSETS		<u><u>533,334</u></u>	<u><u>476,727</u></u>	<u><u>461,168</u></u>

APPENDIX II	ACCOUNTANTS' REPORT OF THE TARGET GROUP A
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		At 31 December		
		2020	2021	2022
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
CAPITAL AND RESERVE				
Paid-in capital	26	158,000	158,000	158,000
Reserves		<u>375,334</u>	<u>318,727</u>	<u>303,168</u>
Equity attributable to owner of the Target Company		<u><u>533,334</u></u>	<u><u>476,727</u></u>	<u><u>461,168</u></u>

APPENDIX II	ACCOUNTANTS' REPORT OF THE TARGET GROUP A
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STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		At 31 December			
		2020	2021	2022	
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
NON-CURRENT ASSETS					
	Property and equipment	15	4,105	3,265	2,533
	Intangible assets		19	11	3
	Investment in subsidiaries	18	<u>838,841</u>	<u>833,841</u>	<u>833,841</u>
			<u>842,965</u>	<u>837,117</u>	<u>836,377</u>
CURRENT ASSETS					
	Other receivables, deposits and prepayments		207	101	101
	Amount due from related parties	20	8	—	—
	Bank balances and cash	22	<u>303</u>	<u>222</u>	<u>68</u>
			<u>518</u>	<u>323</u>	<u>169</u>
CURRENT LIABILITIES					
	Account and other payables	23	6,240	500	501
	Amounts due to subsidiaries	18	310,030	342,988	346,582
	Amounts due to related parties	20	<u>21,224</u>	<u>10,000</u>	<u>12,500</u>
			<u>337,494</u>	<u>353,488</u>	<u>359,583</u>
	NET CURRENT LIABILITIES		<u>(336,976)</u>	<u>(353,165)</u>	<u>(359,414)</u>
	NET ASSETS		<u>505,989</u>	<u>483,952</u>	<u>476,963</u>
CAPITAL AND RESERVE					
	Paid-in capital	26	158,000	158,000	158,000
	Reserves		<u>347,989</u>	<u>325,952</u>	<u>318,963</u>
	TOTAL EQUITY		<u>505,989</u>	<u>483,952</u>	<u>476,963</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	158,000	400,997	558,997
Loss and total comprehensive expenses for the year	—	(25,663)	(25,663)
At 31 December 2020 and 1 January 2021	158,000	375,334	533,334
Loss and total comprehensive expenses for the year	—	(56,607)	(56,607)
At 31 December 2021 and 1 January 2022	158,000	318,727	476,727
Loss and total comprehensive expenses for the year	—	(15,559)	(15,559)
At 31 December 2022	<u>158,000</u>	<u>303,168</u>	<u>461,168</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities			
Loss before tax	(25,437)	(56,607)	(15,057)
Adjustments for:			
Interest income	(707)	(3,775)	(12,790)
Finance costs	20,267	35,595	37,224
Depreciation of property and equipment	47,777	57,484	69,883
Depreciation of right-of-use assets	2,504	2,504	2,504
Amortisation of intangible assets	605	540	598
Written-off of intangible assets	—	46	—
Loss on disposals of property and equipment	964	419	775
Operating profit before working capital changes	45,973	36,206	83,137
Change in other receivables, deposits and prepayments	(919)	(4,179)	3,274
Change in contract liabilities	33,673	38,879	54,498
Change in account and other payables	12,148	54,793	90,818
Change in amount due to an immediate holding company	—	10,000	2,500
Change in amount due from/to a related company	—	6,311	22,631
Cash generated from operations	90,875	142,010	256,858
Income tax paid	—	—	—
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>90,875</u>	<u>142,010</u>	<u>256,858</u>
Cash flows from investing activities			
Interest received	102	96	96
Purchases of property and equipment	(31,448)	(215,882)	(73,588)
Proceeds from disposals of property and equipment	—	99	129
Purchases of intangible assets	(890)	(50)	(1,353)
Prepayments for acquisition of property and equipment	(6,613)	—	—
(Deposits paid)/release of deposits for sale and leaseback	(250)	(14,400)	2,250
(Advance to)/repayments from third parties	—	(40,000)	40,000
Advance to a related company	(68,026)	(169,208)	(114,335)
(Advance to)/received from a shareholder of the non-controlling shareholder	—	(7,442)	7,442
(Advance to)/received from an immediate holding company	(30,000)	70,000	—
NET CASH USED IN INVESTING ACTIVITIES	<u>(137,125)</u>	<u>(376,787)</u>	<u>(139,359)</u>

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Cash flows from financing activities			
Interests paid	(19,893)	(35,532)	(37,319)
Borrowings raised	235,000	456,400	132,000
Repayment of borrowings	(53,872)	(220,003)	(247,129)
Advance from a non-controlling shareholder	4,000	67,649	3,500
(Repayment to)/advance from shareholders of the non-controlling shareholder	(120,000)	(10,282)	28,637
Advance from related companies	—	76,154	—
Repayment to related companies	—	(45,500)	(36,965)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	<u>45,235</u>	<u>288,886</u>	<u>(157,276)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(1,015)	54,109	(39,777)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>15,888</u>	<u>14,873</u>	<u>68,982</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>14,873</u></u>	<u><u>68,982</u></u>	<u><u>29,205</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	<u><u>14,873</u></u>	<u><u>68,982</u></u>	<u><u>29,205</u></u>

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) (the “**Target Company**”) is a limited liability company established in The People’s Republic of China (the “**PRC**”) on 6 July 2012.

The address of the registered office and principal place of business of the Target Company is No. 9 Jinping Avenue, Jinyuan Town, Dayi County, Chengdu (成都市大邑縣晉原鎮錦屏大道9號).

The Target Company is principally engaged in investment holding. The principal activities of the subsidiaries are disclosed in Note 18 to the Historical Financial Information.

The immediate holding company is Shenzhen Hongyuan Education Investment Company Limited* (深圳弘遠教育投資有限公司) (“**Shenzhen Hongyuan**”), a limited liability company established in the PRC. The ultimate holding company is Pi County Langjing Industrial Company Limited* (郫縣朗經實業有限公司), a limited liability company established in the PRC.

** The English name is a translation of its Chinese name and included herein for identification purpose only.*

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants. 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.

Going concern

As of 31 December 2022, the Target Group recorded net current liabilities of approximately RMB720,564,000. In view of this, the directors of the Target Company have given consideration of the future liquidity and performance of the Target Group and its available sources of finance in assessing whether the Target Group will have sufficient financial resources to continue as a going concern. The Historical Financial Information has been prepared on a going concern basis because the immediate holding company and the related company has agreed not to demand for repayment until the Target Group has the financial ability to do so. In addition, the immediate holding company of the Target Company will provide financial support to the Target Group to meet in full its financial obligations as they fall due in the next twelve months.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group had adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information is presented in Renminbi (“RMB”) which is the Target Company’s functional and presentation currency and all figures are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

The Historical Financial Information has been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

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

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

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

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

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

Loss of control of subsidiaries

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

Foreign currency translation

(a) Functional and presentation currency

The consolidated financial statements are presented in RMB, which is the Target Company's presentation currency and the functional currency of the principal operating subsidiaries of the Target Group.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Target Company's presentation currency are translated into the Target Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those services. Specifically, the Target Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Target Group satisfies a performance obligation

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

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

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

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

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

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

The Target Group recognises revenue from the provision of education services which arise from contracts with customers. For the provision of education services, revenue, including tuition fee and boarding fee (each being single performance obligations), was recognised over the relevant period of schooling semesters, i.e. over the period of time.

Income from provision of services at the on-campus canteens is recognised upon rendering of such services, i.e. upon fulfilment of performance obligation stipulated in the contracts and services are delivered to the customers.

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

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

Property and equipment

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

Construction in progress includes property and equipment in the course of construction for supply of services is carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

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

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

Leases

Definition of a lease

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

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

The Target Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Target Group also applies practical expedient not to separate non-lease components (i.e. building management fee) from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and lease of low-value assets

The Target Group applies the short-term lease recognition exemption to leases of land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payment on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Group; and
- an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement at lease liabilities.

Right-of-use assets in which the Target Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. The remaining right-of-use assets are depreciated on a straight-line basis over the terms of the leases.

The Target Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Sale and leaseback transactions

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

The Target Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Target Group as a seller-lease accounts for the transfer proceeds as borrowings within the scope of HKFRS 9.

Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the consolidated statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of profit or loss.

Borrowing costs

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

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

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

Government grants

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

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

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

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

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

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

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

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

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

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

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

Impairment of tangible assets

At the end of each reporting period, the management of the Target Group reviews the carrying amounts of its tangible assets 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 the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Financial instruments

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

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

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

Financial assets*Classification and subsequent measurement of financial assets*

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

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

Impairment of financial assets

The Target Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets which are subject to impairment under HKFRS 9 including other receivables and deposits, amounts due from related companies and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

(i) Significant increase in credit risk

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

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

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

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

Despite the foregoing, the Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

For a financial guarantee contract, the Target Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Target Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Target Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

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

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity instruments

Classification as financial liabilities or equity instruments

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Related parties

- (a) A person, or a close member of that person's family, is related to the Target Group if that person:
 - (i) has control or joint control of the Target Group;
 - (ii) has significant influence over the Target Group; or
 - (iii) is a member of the key management personnel of the Target Group or the Target Group's parent.
- (b) An entity is related to the Target Group if any of the following conditions applies:
 - (i) The entity and the Target Group 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 Group or an entity related to the Target Group;
 - (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); and
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Target Group's accounting policies, which are described in Note 4, the directors of Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the directors of the Target Company have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern basis

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the success of the plans and measures to be undertaken by the Target Group to mitigate the liquidity pressure and improve its financial position. Details are explained in note 2 to the Historical Financial Information.

Ownership of the buildings

The Target Group had not yet obtained the formal titles of certain of the buildings as detailed in Note 15. In the opinion of the directors of the Company, the absence of formal title to these buildings does not impair the value of the relevant assets to the Target Group.

Key sources of estimation uncertainties

The followings are 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 resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Useful lives of property and equipment

In applying the accounting policy on property and equipment with respect to depreciation, the directors of the Target Company estimate the useful lives of various categories of property and equipment according to their experiences over the usage of property and equipment and also by reference to the relevant industrial norm. The useful lives of property and equipment are reviewed annually. If the expectations differ from the previous estimates, the changes will be accounted for prospectively as changes in accounting estimates.

Impairment loss on property and equipment and right-of-use assets

The Target Group carried out review of the recoverable amount of its property and equipment and right-of-use assets by assessing value-in-use calculations. It estimates the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The directors of the Target Company have exercised their judgement and are satisfied that the method of calculations is reflective of the current market conditions.

Allowance for expected credit loss for financial assets at amortised cost

The Target Group makes loss allowance on financial assets at amortised cost based on various factors, including the historical default experience and forward-looking information, as appropriate. The identification of impairment of financial assets at amortised cost requires the use of judgement and estimates. Where the expectations are different from the original estimates, such differences will impact the carrying amounts of the financial assets, and the allowance for credit losses on financial assets is recognised in the years in which such estimates have been changed. See Note 32(b) to the Historical Financial Information for further discussion.

6. REVENUE AND SEGMENT INFORMATION

A. Revenue

(i) Disaggregation of revenue from contracts with customers

The Target Group's revenue from contracts with customers represents service income comprising tuition fees and boarding fees from provision of education services and on-campus canteens services income.

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Type of revenue:			
Tuitions fees	130,974	184,365	243,592
Boarding fees	10,130	13,066	22,237
On-campus canteens services' income	4,727	5,312	3,465
	<u>145,831</u>	<u>202,743</u>	<u>269,294</u>

Performance obligation

Revenue from provision of education services comprising tuition fee and boarding fee (each being single performance obligation), was recognised over time. The transaction price allocated to each of the performance obligation is recognised as a contract liability at the time of receipt and was released on a straight-line basis over the services period.

Income from provision of services at the on-campus canteens is recognised upon fulfilment of performance obligation (rendering of such services).

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

All the contracts with customers are agreed at fixed price for a term no longer than twelve months. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. Segment information

For each of the three years ended 31 December 2020, 2021 and 2022, the Target Group's operation was solely derived from provision of education services and on-campus canteens services income in the PRC. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") (i.e. directors of the Target Group) reviewed the overall results and financial position of the Target Group as a whole prepared based on same accounting policies set out in Note 4. Accordingly, the Target Group have only one single operating and reportable segment and no further analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Target Group's revenue are all derived from the PRC and the Target Group's non-current assets (e.g.: property and equipment, right-of-use assets) are all located in the PRC by physical location of assets.

Information about major customers

No individual customer was accounted for over 10% of the Target Group's total revenue during the Relevant Periods.

Information about major customers

No analysis of segment assets or liabilities is presented as they are not regularly provided to the CODM of the Target Group.

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET GROUP A

7. OTHER INCOME

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Government grant	25	—	—
Bank interest income	102	96	96
Loans interest income	605	3,679	12,694
Sundry income	2,153	—	—
	<u>2,885</u>	<u>3,775</u>	<u>12,790</u>

8. OTHER LOSSES, NET

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss on disposals of property and equipment	964	419	775
Written-off of intangible assets	—	46	—
Others	47	1,323	581
	<u>1,011</u>	<u>1,788</u>	<u>1,356</u>

9. FINANCE COSTS

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Interest on:			
Bank borrowings	16,276	18,473	18,439
Other borrowings	3,991	13,064	18,785
Loan from a related company	—	4,058	—
	<u>20,267</u>	<u>35,595</u>	<u>37,224</u>

10. LOSS BEFORE TAX

The Target Group's loss for the Relevant Periods is stated after charging the following:

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Auditor's remuneration	—	—	—
Directors' remuneration (<i>Note 12</i>)	1,004	1,155	1,345
Other Staff costs			
— salaries and other benefits	37,976	50,141	63,740
— retirement benefits scheme contributions excluding directors	5,409	7,062	12,601
	<u>44,389</u>	<u>58,358</u>	<u>77,686</u>
Total directors' remuneration and other staff costs			
Depreciation of property and equipment	47,777	57,484	69,883
Depreciation of right-of-use assets	2,504	2,504	2,504
Amortisation of intangible assets	605	540	598

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11. INCOME TAX EXPENSES

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Group's subsidiaries are subject to EIT at a rate of 25% on their respective taxable income. Under the Western Development Tax Incentive Scheme, the Group's subsidiaries are subject to the preferential tax rate of 15% on their respective taxable income with an effective date on 1 January 2021.

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current tax			
PRC enterprises income tax	—	—	—
Deferred tax (<i>Note 21</i>)	226	—	502
	<u>226</u>	<u>—</u>	<u>502</u>

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

	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loss before tax	(25,437)	(56,607)	(15,057)
Income tax using PRC statutory tax rate of 25%	(6,359)	(14,152)	(3,764)
Tax effect of tax losses not recognised	6,585	14,152	4,266
Income tax expense	<u>226</u>	<u>—</u>	<u>502</u>

12. DIRECTORS' REMUNERATION AND KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Directors' emoluments

Details of the emoluments paid or payable to the directors of the Target Company during the Relevant Periods for their services rendered to the entities comprising the Target Group are as follows:

	For the year ended 31 December 2020			
	Fee	Salaries and	Discretionary	Total
	<i>RMB'000</i>	<i>allowances</i>	<i>bonus</i>	<i>RMB'000</i>
李亞非	—	469	65	534
劉平	—	374	67	441
曹友良	—	29	—	29
	<u>—</u>	<u>872</u>	<u>132</u>	<u>1,004</u>

	For the year ended 31 December 2021			
	Fee	Salaries and allowances	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000
李亞非	—	489	62	551
劉平	—	491	62	553
曹友良	—	38	13	51
	—	1,018	137	1,155
For the year ended 31 December 2022				
	Fee	Salaries and allowances	Discretionary bonus	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	李亞非	—	537	40
劉平	—	494	80	574
曹友良	—	112	82	194
	—	1,143	202	1,345

(b) Employees' remuneration

The five highest paid individuals of the Target Group for the Relevant Periods include two of the directors for the each of three years ended 31 December 2020, 2021 and 2022, respectively. The emoluments of the remaining individuals for the Relevant Periods are as follows:

	Year ended 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Salaries and allowances	840	966	952
Discretionary bonus	212	500	320
Retirement benefit scheme contributions	49	23	—
	1,101	1,489	1,272

The number of the highest paid employees who are not the directors of the entities comprising the Target Group whose emoluments fell within the following bands is as follows:

	Year ended 31 December		
	2020	2021	2022
Nil to HK\$1,000,000 (equivalent to approximately RMB884,400)	3	3	3

During the Relevant Periods, no emoluments were paid by the Target Group to any of the directors of the Target Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Target Group or as compensation for loss of office. None of the directors of the Target Company waived any emoluments during the Relevant Periods.

13. DIVIDENDS

No dividends were declared or paid by the Target Company during the Relevant Periods, nor has any dividend been proposed since 31 December 2022.

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14. EARNING PER SHARE

No earnings per share information is presented for the purpose of the Historical Financial Information as its inclusion is not considered meaningful for the Relevant Periods.

15. PROPERTY AND EQUIPMENT

Target Group	Buildings <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<u>COST</u>					
At 1 January 2020	877,866	105,990	7,230	650	991,736
Additions	20,959	9,359	—	1,130	31,448
Disposals	(4,048)	(3,035)	—	—	(7,083)
Transfer	1,775	5	—	(1,780)	—
At 31 December 2020 and 1 January 2021	896,552	112,319	7,230	—	1,016,101
Additions	141,556	70,182	—	5,991	217,729
Disposals	(290)	(2,257)	—	—	(2,547)
Transfer	—	335	—	(335)	—
At 31 December 2021 and 1 January 2022	1,037,818	180,579	7,230	5,656	1,231,283
Additions	25,105	53,488	2,954	124	81,671
Disposals	—	(8,506)	—	—	(8,506)
Transfer	—	5	—	(5)	—
At 31 December 2022	1,062,923	225,566	10,184	5,775	1,304,448
<u>ACCUMULATED DEPRECIATION</u>					
At 1 January 2020	167,578	60,953	5,993	—	234,524
Charge for the year	34,146	12,884	747	—	47,777
Eliminated on disposals	(3,104)	(3,015)	—	—	(6,119)
At 31 December 2020 and 1 January 2021	198,620	70,822	6,740	—	276,182
Charge for the year	38,702	18,613	169	—	57,484
Eliminated on disposals	(61)	(1,968)	—	—	(2,029)
At 31 December 2021 and 1 January 2022	237,261	87,467	6,909	—	331,637
Charge for the year	41,986	27,540	357	—	69,883
Eliminated on disposals	—	(7,602)	—	—	(7,602)
At 31 December 2022	279,247	107,405	7,266	—	393,918
<u>Carrying amount</u>					
At 31 December 2020	697,932	41,497	490	—	739,919
At 31 December 2021	800,557	93,112	321	5,656	899,646
At 31 December 2022	783,676	118,161	2,918	5,775	910,530

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Target Company	Buildings <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
<u>COST</u>				
At 1 January 2020	3,450	28,825	5,570	37,845
Disposals	—	(2,060)	—	(2,060)
At 31 December 2020 and 1 January 2021	3,450	26,765	5,570	35,785
Additions	108	—	—	108
Disposals	—	(1,043)	—	(1,043)
At 31 December 2021, 1 January 2022 and 31 December 2022	3,558	25,722	5,570	34,850
<u>ACCUMULATED DEPRECIATION</u>				
At 1 January 2020	518	26,837	4,985	32,340
Charge for the year	173	650	577	1,400
Eliminated on disposals	—	(2,060)	—	(2,060)
At 31 December 2020 and 1 January 2021	691	25,427	5,562	31,680
Charge for the year	186	547	8	741
Eliminated on disposals	—	(836)	—	(836)
At 31 December 2021 and 1 January 2022	877	25,138	5,570	31,585
Charge for the year	186	546	—	732
At 31 December 2022	1,063	25,684	5,570	32,317
<u>Carrying amount</u>				
At 31 December 2020	2,759	1,338	8	4,105
At 31 December 2021	2,681	584	—	3,265
At 31 December 2022	2,495	38	—	2,533

Note: At 31 December 2020, 2021 and 2022, the Target Group has not yet obtained the building ownership certificates for its buildings amounted to RMB180,239,000, RMB296,175,000 and RMB292,605,000, respectively.

The above items of property and equipment are depreciated on a straight-line basis at the following useful lives:

	Useful lives
Buildings	8–50 years or over the lease term
Furniture, fixtures and equipment	5–10 years
Motor vehicles	8–10 years

Sale and leaseback transactions — seller-lessees

To better manage the Target Group's capital structure and financing needs, the Target Group entered into sale and leaseback arrangements in relation to certain furniture, fixtures and equipment. The carrying value of the Target Group's assets held under sale and leaseback arrangements as at 31 December 2020, 2021 and 2022 was approximately RMB32,308,000, RMB87,899,000 and RMB118,161,000, respectively. Leased assets were pledged as security for the related sale and leaseback arrangements. These legal transfer do not satisfy the requirement of HKFRS 15 to be accounted for as sale of the furniture, fixtures and equipment. For each of the three year ended 31 December 2020, 2021 and 2022, the Target Group has raised loans of approximately RMB25,000,000, RMB356,400,000 and RMB132,000,000, respectively, in respect of such sale and leaseback arrangements.

16. INTANGIBLE ASSETS

Target Group	Software patents and license RMB'000
<u>COST</u>	
At 1 January 2020	5,127
Additions	890
	6,017
At 31 December 2020 and 1 January 2021	6,017
Additions	50
Written-off	(242)
	5,825
At 31 December 2021 and 1 January 2022	5,825
Additions	1,353
	7,178
At 31 December 2022	7,178
<u>AMORTISATION</u>	
At 1 January 2020	1,400
Charge for the year	605
	2,005
At 31 December 2020 and 1 January 2021	2,005
Charge for the year	540
Written-off	(196)
	2,349
At 31 December 2021 and 1 January 2022	2,349
Charge for the year	598
	2,947
At 31 December 2022	2,947
<u>Carrying amount</u>	
At 31 December 2020	4,012
At 31 December 2021	3,476
At 31 December 2022	4,231

The intangible assets of the Target Group which have finite useful lives are amortised on a straight-line basis based on their estimated useful lives ranged from 3 years to 10 years.

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17. RIGHT-OF-USE ASSETS

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Leasehold lands			
— Carrying amount	<u>96,842</u>	<u>94,338</u>	<u>91,834</u>
	Year ended 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets	<u>2,504</u>	<u>2,504</u>	<u>2,504</u>

As at 31 December 2020, 2021 and 2022, the Target Group is not committed to any short-term leases.

As at 31 December 2020, 2021 and 2022, the Target Group has no leases that are committed but not yet commenced.

18. SUBSIDIARIES

Target Company

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Unlisted shares, at cost	<u>838,841</u>	<u>833,841</u>	<u>833,841</u>

The amounts due to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Target Company's subsidiaries are as follows:

Name	Place of incorporation/ principal place of business	Registered/ paid up capital	Effective ownership interest			Principal activities
			As at 31 December			
			2020	2021	2022	
四川文軒職業學院 (“Sichuan Winshare Vocational College”)	The PRC	RMB800,000,000	100%	100%	100%	Provision of education services
四川文軒職業學校 (“Sichuan Winshare Vocational School”)	The PRC	RMB8,634,851	100%	100%	100%	Provision of education services
四川聯合經濟專修學院 (“Sichuan Joint Economic College”)	The PRC	RMB5,000,000	100%	N/A	N/A	Deregistered

No statutory financial statements were issued for the Target Company and of its subsidiaries as they are incorporated in a jurisdiction where there is no statutory audit requirement.

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19. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	At 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Deposits for sale and leaseback	250	14,650	12,400
Staff advances	7,302	7,726	6,467
Prepayments for acquisition of property and equipment	10,315	8,468	385
Advances to third parties (<i>note</i>)	—	40,000	—
Other receivables	898	4,653	2,638
	<u>18,765</u>	<u>75,497</u>	<u>21,890</u>
Analysed into:			
— Current assets	8,450	52,629	10,505
— Non-current assets	10,315	22,868	11,385
	<u>18,765</u>	<u>75,497</u>	<u>21,890</u>

Note: The advances to third parties were unsecured, non-interest bearing and repayable on demand.

Details of impairment assessment of other receivables and deposits are set out in Note 32(b).

20. AMOUNTS DUE FROM/TO RELATED PARTIES

Amounts due from related parties:

(a) Target Group

Name of related parties	Relationship	At 31 December			Maximum amounts outstanding during the year ended 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
四川高教投資有限公司 ("Target Company B") (<i>note (i)</i>)	A related company	68,026	239,488	342,461	68,026	239,488	342,461
四川卓泰投資有限公司	A shareholder of the non- controlling shareholder	—	7,442	—	—	7,442	7,442
Shenzhen Hongyuan (<i>note (ii)</i>)	An immediate holding company	100,605	32,030	33,455	100,605	100,605	33,455
		<u>168,631</u>	<u>278,960</u>	<u>375,916</u>			
Analysed into:							
— Current assets		138,026	39,472	125,159			
— Non-current assets		30,605	239,488	250,757			
		<u>168,631</u>	<u>278,960</u>	<u>375,916</u>			

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(b) Target Company

Name of related parties	Relationship	At 31 December			Maximum amounts outstanding during the year ended 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
Target Company B	A related company	<u>8</u>	<u>—</u>	<u>—</u>	<u>8</u>	<u>—</u>	<u>—</u>

Notes:

- (i) On 19 October 2021, the Target Group entered into a loan agreement with the Target Company B to formalise the repayment terms with respect to the advances paid to the Target Group B of approximately RMB237,234,000. Pursuant to the loan agreement, the loan is unsecured, interest bearing at a fixed rate of 4.75%, and repayable on 18 October 2024.
- (ii) On 28 July 2020, the Target Group entered into a loan agreement with Shenzhen Hongyuan for the amount of RMB30,000,000, which is unsecured, interest bearing at a fixed rate of 4.75%, and repayable on 28 July 2022. On 10 April 2023, the Target Group entered into a supplemental loan agreement with Shenzhen Hongyuan to extend the repayment date to 31 December 2024 with other terms unchanged.

Save as disclosed in the above, as at the end of each Relevant Period, the other amounts due from the related parties are non-trade nature, unsecured, interest-free, have no fixed repayment terms.

Amounts due to related parties:

(a) Target Group

Name of related parties	Relationship	At 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
四川正卓實業有限公司	A non-controlling shareholder	4,000	71,649	75,149
四川卓泰投資有限公司	A shareholder of the non-controlling shareholder	1,649	—	28,637
四川卓泰實業有限公司	A shareholder of the non-controlling shareholder	8,633	—	—
四川施卓實業有限公司	A fellow subsidiary	13,000	13,000	13,000
Shenzhen Hongyuan (note (i))	An immediate holding company	—	10,000	12,500
Target Company B (note (ii))	A related company	<u>—</u>	<u>36,965</u>	<u>—</u>
		<u>27,282</u>	<u>131,614</u>	<u>129,286</u>

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(b) Target Company

Name of related parties	Relationship	At 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
四川聯合經濟學校	A related company	21,224	—	—
Shenzhen Hongyuan	An immediate holding company	—	10,000	12,500
		<u>21,224</u>	<u>10,000</u>	<u>12,500</u>

Notes:

- (i) The amounts represent the brand management services fee paid by Shenzhen Hongyuan on behalf of the Target Group.
- (ii) As at 31 December 2021, the amount included a trade-related balance of approximately RMB6,311,000 arising in the training services, management and maintenance services provided by Target Company B.

Save as disclosed in the above, as at the end of each Relevant Period, the other amounts due to the related parties are non-trade nature, unsecured, interest-free, have no fixed repayment terms.

21. DEFERRED TAX ASSETS

The deferred tax assets are attributable to certain amounts of tax losses of a subsidiary of the Target Group. Movements of the deferred tax assets are as follows:

	At 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Balance at beginning of the year	2,749	2,523	2,523
Charge to profit or loss	<u>(226)</u>	<u>—</u>	<u>(502)</u>
Balance at the end of the year	<u>2,523</u>	<u>2,523</u>	<u>2,021</u>

At 31 December 2020, 2021 and 2022, the Target Group had unused tax losses of approximately RMB70,142,000, RMB109,758,000 and RMB114,993,000, respectively which were available for offset against future profits and are subject to expiry period of five years. At 31 December 2022, deferred tax asset has been recognised in respect of approximately RMB13,473,000 of such losses. No deferred tax assets have been recognised in respect of the remaining estimated tax losses due to the unpredictability of future profit streams.

22. BANK BALANCES AND CASH

Target Group and Target Company

Bank balances carried interest at prevailing market rate of 0.3%, 0.3% and 0.3% per annum as at 31 December 2020, 2021 and 2022. Details of impairment assessment of bank balances and cash are set out in Note 32(b).

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23. ACCOUNT AND OTHER PAYABLES

Target Group

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Account payables	4,400	1,702	393
Accrued salaries and bonus	9,598	10,784	10,060
Accrued expenses	15,541	56,417	92,954
Accrued interest	527	590	495
Miscellaneous advances received from students <i>(note (i))</i>	16,655	13,119	16,133
Payables for scholarship <i>(note (ii))</i>	827	13,574	22,984
Advances from third-parties <i>(note (iii))</i>	—	—	40,000
Other tax payables	61	227	178
Other payables	1,935	7,987	11,926
	<u>49,544</u>	<u>104,400</u>	<u>195,123</u>

Target Company

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Accrued expenses	5,000	—	—
Other payables	1,240	500	501
	<u>6,240</u>	<u>500</u>	<u>501</u>

Notes:

- (i) The advances represented expenses relating to textbooks, extracurricular activities fees, etc. collected from students which will be paid on behalf of students.
- (ii) The Target Group receives subsidies from different parties for distribution to students as scholarship to students.
- (iii) The advances from third parties are unsecured, non-interest bearing and repayable on demand.

The average credit period on purchases of goods is 90 days. All the account payables are over 90 days aging, which base on the date of invoices at the end of each reporting period of the Relevant Periods.

24. CONTRACT LIABILITIES

The Target Group's obligation to render services to students for which the Target Group has received consideration in advance from students is presented as contract liabilities.

Contract liabilities are analysed as below:

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Analysed as:			
— current	<u>115,249</u>	<u>154,128</u>	<u>208,626</u>
	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Course fees received in advance			
At beginning of the year	81,576	115,249	154,128
Revenue recognised that was included in contract liabilities at beginning of the year	(81,576)	(115,249)	(154,128)
Cash received, excluding amounts recognised as revenue during the year	<u>115,249</u>	<u>154,128</u>	<u>208,626</u>
At the end of year	<u><u>115,249</u></u>	<u><u>154,128</u></u>	<u><u>208,626</u></u>

25. BORROWINGS

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current			
Bank borrowings	105,000	45,000	245,000
Other borrowings — under sale and lease back	<u>13,045</u>	<u>178,141</u>	<u>107,398</u>
	<u><u>118,045</u></u>	<u><u>223,141</u></u>	<u><u>352,398</u></u>
Non-current			
Bank borrowings	190,000	245,000	—
Other borrowings — under sale and lease back	<u>12,111</u>	<u>88,412</u>	<u>89,026</u>
	<u><u>202,111</u></u>	<u><u>333,412</u></u>	<u><u>89,026</u></u>

	At 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Bank borrowings repayable:			
Within one year	105,000	45,000	245,000
More than one year, but not exceeding two years	40,000	245,000	—
More than two years, but not exceeding five years	150,000	—	—
Other borrowings repayable:			
Within one year	13,045	178,141	107,398
More than one year, but not exceeding two years	12,111	63,864	62,661
More than two years, but not exceeding five years	—	24,548	26,365
	320,156	556,553	441,424
Less: Amounts due within one year shown under current liabilities	(118,045)	(223,141)	(352,398)
Amounts shown under non-current liabilities	202,111	333,412	89,026

The effective interest rates of the Target Group's borrowings were as follows:

	At 31 December		
	2020	2021	2022
Effective interest rate (per annum):			
Variable-rate bank borrowings	5.94%–7%	6%–7%	6%–7%
Fixed-rate other borrowings	7.74%	5.54%–8.57%	5.54%–8.57%

The bank borrowings as at 31 December 2020, 2021 and 2022 are secured by the equity of the Target Company and guaranteed by immediate holding company, non-controlling shareholder, directors of the Target Company and spouse of one of the directors, independent third parties and key managements of the Target Company.

The other borrowings as at 31 December 2020, 2021 and 2022 are secured by guarantee deposits amounted to RMB250,000, RMB14,650,000 and RMB12,400,000, respectively, the Target Group's furniture, fixtures and equipment and receivable of tuition and boarding fee of a school for the school year 2021 and 2022 and guaranteed by immediate holding company, ultimate holding company, a related party, shareholders, directors and key managements of the Target Company.

26. PAID-IN CAPITAL

Target Group and Target Company

	At 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Balances at beginning and ending of the year	158,000	158,000	158,000

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27. RETIREMENT BENEFIT SCHEMES

The employees of the Target Group in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Target Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme. The total costs charged to consolidated profit and loss, approximately amounted to RMB5,409,000, RMB7,062,000 and RMB12,601,000 for the each of the three years ended 31 December 2020, 2021, 2022, respectively, represent contributions paid to the retirement benefit scheme by the Target Group.

28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

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

	Amounts due to related companies <i>RMB'000</i>	Amounts due to shareholders of the non- controlling shareholder <i>RMB'000</i>	Amounts due to a non- controlling shareholder <i>RMB'000</i>	Borrowings and accrued interests <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	—	130,282	—	139,181	269,463
Changes in cash flows	—	(120,000)	4,000	161,235	45,235
Interest accrued	—	—	—	20,267	20,267
At 31 December 2020 and 1 January 2021	—	10,282	4,000	320,683	334,965
Changes in cash flows	30,654	(14,340)	67,649	204,923	288,886
Interest accrued	—	4,058	—	31,537	35,595
Other non-cash movements	6,311	—	—	—	6,311
At 31 December 2021 and 1 January 2022	36,965	—	71,649	557,143	665,757
Changes in cash flows	(36,965)	28,637	3,500	(152,448)	(157,276)
Interest accrued	—	—	—	37,224	37,224
At 31 December 2022	—	28,637	75,149	441,919	545,705

29. CONTINGENT LIABILITIES

At the end of each Relevant Periods, the Target Group did not have any significant contingent liabilities.

APPENDIX II ACCOUNTANTS' REPORT OF THE TARGET GROUP A

30. RELATED PARTY TRANSACTIONS

Other than the balances with related parties as disclosed elsewhere in the Historical Financial Information, the Target Group had the following transactions with its related parties during the Relevant Periods.

Name of related companies	Transaction	Year ended 31 December		
		2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
Target Company B	Interest income	—	2,254	11,269
	Training services, management and maintenance services expenses	—	6,311	22,631
四川卓泰投資有限公司	Interest expenses	—	4,058	—
Shenzhen Hongyuan	Interest income	<u>605</u>	<u>1,425</u>	<u>1,425</u>

Compensation of key management personnel

The remuneration of directors and other members of key management of the Target Group during the Relevant Periods are disclosed in Note 12.

31. CAPITAL RISK MANAGEMENT

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

The capital structure of the Target Group consists of net debt, which includes the borrowings disclosed in Notes 25, net of cash and cash equivalents and equity of the Target Group, comprising paid-in capital and reserves.

The directors of the Target Group review the capital structure on a periodic basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with capital. Based on recommendations of the directors of the Target Company, the Target Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

32. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

Target Group

	At 31 December		
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
Financial assets at amortised cost	<u>191,954</u>	<u>414,971</u>	<u>426,626</u>
Financial liabilities at amortised cost	<u>396,921</u>	<u>792,340</u>	<u>765,655</u>

b. Financial risk management objectives and policies

The Target Group's major financial instruments include other receivables and deposits, amounts due from/(to) related companies, bank balances and cash, account and other payables, and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and credit risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Target Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk***Interest rate risk management***

The Target Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. The Target Group also exposed to fair value interest rate risk in relation to fixed-rate amount due from a related party and an immediate holding company, other borrowings and bank borrowings. The management considers the fair value interest rate risk to the Group is low.

The management has also considered the Target Group's exposure to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings to be limited because the current market interest rates on general deposits are relatively low and stable. The Target Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The directors of the Target Company consider that the overall interest rate risk is not significant and no sensitivity analysis is presented for the Target Group.

Credit risk and impairment assessment

The Target Group applied ECL model upon adoption of HKFRS 9 under which the Target Group measures the loss allowance equal to 12m ECL for all of the Target Group's financial assets, unless when there has been a significant increase in credit risk since initial recognition in which circumstance the Target Group recognises lifetime ECL. The Target Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis. The directors of the Target Group believe that there is no significant increase in credit risk of the Target Group's financial assets since initial recognition.

In determining the ECL, the management of the Target Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Target Group has considered that no historical default rate in connection with payments, and concluded that credit risk inherent in the Target Group's outstanding amounts due from a related company/an immediate holding company/a shareholder of the non-controlling shareholder are insignificant after taking into account of the provision for impairment made under ECL model.

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies. The ECL for bank balances was insignificant.

Liquidity risk

As of 31 December 2022, the Target Group recorded net current liabilities of approximately RMB720,564,000. In view of this, the directors of the Target Company have given consideration of the future liquidity and performance of the Target Group and its available sources of finance in assessing whether the Target Group will have sufficient financial resources to continue as a going concern.

The directors of the Company are satisfied that the Target Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future as the immediate holding company and the related company will not demand for the repayment from the Target Group until the Target Group has ability to do so. In addition, the immediate holding company of the Target Company will provide financial support to the Target Group to meet in full its financial obligations as they fall due in the next twelve months.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing interest rate at the end of each reporting period.

	Weighted average effective interest rate	Repayable on-demand or less than 1 year RMB'000	Repayable 1–2 years RMB'000	Repayable more than 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2020						
Account and other payables	—	49,483	—	—	49,483	49,483
Amount due to related parties	—	27,282	—	—	27,282	27,282
Borrowings	6.59%	136,476	65,319	152,877	354,672	320,156
As at 31 December 2021						
Account and other payables	—	104,173	—	—	104,173	104,173
Amount due to related parties	—	131,614	—	—	131,614	131,614
Borrowings	6.84%	256,775	320,153	25,604	602,532	556,553
As at 31 December 2022						
Account and other payables	—	194,945	—	—	194,945	194,945
Amount due to related parties	—	129,286	—	—	129,286	129,286
Borrowings	6.77%	370,344	67,437	27,713	465,494	441,424

c. Fair value***Fair value of the Target Group's financial assets and financial liabilities that are not measured at fair value on recurring basis***

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Target Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

33. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 31 December 2022.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any periods subsequent to 31 December 2022 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Target Group in respect of any period subsequent to 31 December 2022.

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.



28 June 2023

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF SICHUAN GAOJIAO INVESTMENT COMPANY LIMITED* (四川高教投資有限公司) AND ITS SUBSIDIARIES TO THE DIRECTORS OF BOJUN EDUCATION COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) (the “**Target Company**”) and its subsidiary (together, the “**Target Group**”) set out on pages III-4 to III-39, which comprises the statements of financial position of the Target Company and consolidated statements of financial position of the Target Group as at 31 December 2020, 2021 and 2022, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for the period from 5 March 2020 (date of registration) to 31 December 2020 and each of the two years ended 31 December 2021 and 2022 (the “**Relevant Periods**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information of the Target Group set out on pages III-4 to III-39 forms an integral part of this report, which has been prepared for inclusion in the circular of Bojun Education Company Limited (the “**Company**”) dated 28 June 2023 (the “**Circular**”) in connection with the proposed very substantial acquisition in relation to the acquisition of 51% equity interest in the Target Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 “Accountants’ Reports on Historical Financial Information in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (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 Company’s and the Target Group’s financial position as at 31 December 2020, 2021 and 2022 and of the Target Group’s financial performance and cash flows for the Relevant Periods in accordance with the basis of preparation and presentation set out in Note 2 to the Historical Financial Information.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the Historical Financial Information which mentions that as at 31 December 2022, the Target Group had net current liabilities and net liabilities of approximately RMB589,771,000 and RMB11,586,000, respectively. These conditions indicate a material uncertainty which may cast significant doubt on the Target Group'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 III-4 to III-39 have been made.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Sze Lin Tang

Audit Engagement Director

Practising Certificate Number P03614

Hong Kong, 28 June 2023

* *The English name is a translation of its Chinese name and included herein for identification purpose only.*

HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

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

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with Hong Kong Financial Reporting Standards issued by the HKICPA and were audited by ZHONGHUI ANDA CPA Limited in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("**Underlying Financial Statements**").

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

**CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

		From 5 March 2020 (date of registration) to 31 December 2020	Year ended 31 December 2021	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	6	—	6,311	22,631
Other income	7	571	2,309	9,312
Administrative expenses		(1,427)	(8,939)	(30,302)
Finance costs	8	—	—	(12,052)
Loss before tax	9	(856)	(319)	(10,411)
Income tax expenses	10	—	—	—
Loss and total comprehensive expense for the period/year attributable to owner of the Target Company		<u>(856)</u>	<u>(319)</u>	<u>(10,411)</u>

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET GROUP B

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		At 31 December		
		2020	2021	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property and equipment	<i>14</i>	131,163	875,161	1,046,765
Right-of-use assets	<i>15</i>	104,503	211,733	207,259
Prepayments and deposits	<i>17</i>	<u>1,039</u>	<u>—</u>	<u>21,000</u>
		<u>236,705</u>	<u>1,086,894</u>	<u>1,275,024</u>
CURRENT ASSETS				
Other receivables and deposits	<i>17</i>	326	28,191	37,160
Amount due from related parties	<i>18</i>	10	36,975	10
Bank balances and cash	<i>19</i>	<u>28,992</u>	<u>93,363</u>	<u>950</u>
		<u>29,328</u>	<u>158,529</u>	<u>38,120</u>
CURRENT LIABILITIES				
Other payable and accruals	<i>20</i>	28,549	360,718	360,187
Amount due to related parties	<i>18</i>	178,026	136,000	237,704
Borrowings	<i>21</i>	<u>—</u>	<u>30,000</u>	<u>30,000</u>
		<u>206,575</u>	<u>526,718</u>	<u>627,891</u>
NET CURRENT LIABILITIES		<u>(177,247)</u>	<u>(368,189)</u>	<u>(589,771)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>59,458</u>	<u>718,705</u>	<u>685,253</u>
NON-CURRENT LIABILITIES				
Borrowings	<i>21</i>	—	270,000	240,000
Amount due to a related party	<i>18</i>	—	239,488	250,757
Deferred income	<i>22</i>	<u>60,314</u>	<u>210,392</u>	<u>206,082</u>
		<u>60,314</u>	<u>719,880</u>	<u>696,839</u>
NET LIABILITIES		<u>(856)</u>	<u>(1,175)</u>	<u>(11,586)</u>
CAPITAL AND RESERVE				
Paid-in capital	<i>23</i>	—	—	—
Reserves		<u>(856)</u>	<u>(1,175)</u>	<u>(11,586)</u>
Deficiencies attributable to owner of the Target Company		<u>(856)</u>	<u>(1,175)</u>	<u>(11,586)</u>

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET GROUP B

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		At 31 December		
		2020	2021	2022
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
NON-CURRENT ASSETS				
Property and equipment	<i>14</i>	131,163	875,161	1,046,765
Right-of-use assets	<i>15</i>	104,503	211,733	207,259
Investment in a subsidiary	<i>16</i>	—	—	10,000
Prepayments and deposits	<i>17</i>	1,039	—	—
		<u>236,705</u>	<u>1,086,894</u>	<u>1,264,024</u>
CURRENT ASSETS				
Other receivables and deposits	<i>17</i>	326	28,191	37,160
Amount due from a subsidiary	<i>16</i>	—	—	11,001
Amount due from related parties	<i>18</i>	10	36,975	10
Bank balances and cash	<i>19</i>	28,992	93,363	948
		<u>29,328</u>	<u>158,529</u>	<u>49,119</u>
CURRENT LIABILITIES				
Other payable and accruals	<i>20</i>	28,549	360,718	360,187
Amount due to related parties	<i>18</i>	178,026	136,000	237,704
Borrowings	<i>21</i>	—	30,000	30,000
		<u>206,575</u>	<u>526,718</u>	<u>627,891</u>
NET CURRENT LIABILITIES		<u>(177,247)</u>	<u>(368,189)</u>	<u>(578,772)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>59,458</u>	<u>718,705</u>	<u>685,252</u>
NON-CURRENT LIABILITIES				
Borrowings	<i>21</i>	—	270,000	240,000
Amount due to a related party	<i>18</i>	—	239,488	250,757
Deferred income	<i>22</i>	60,314	210,392	206,082
		<u>60,314</u>	<u>719,880</u>	<u>696,839</u>
NET LIABILITIES		<u>(856)</u>	<u>(1,175)</u>	<u>(11,587)</u>
CAPITAL AND RESERVE				
Paid-in capital	<i>23</i>	—	—	—
Reserves		<u>(856)</u>	<u>(1,175)</u>	<u>(11,587)</u>
TOTAL DEFICIENCIES		<u>(856)</u>	<u>(1,175)</u>	<u>(11,587)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital <i>RMB'000</i>	Accumulated losses <i>RMB'000</i>	Total <i>RMB'000</i>
At 5 March 2020	—	—	—
Loss and total comprehensive expenses for the period	<u>—</u>	<u>(856)</u>	<u>(856)</u>
At 31 December 2020 and 1 January 2021	—	(856)	(856)
Loss and total comprehensive expenses for the year	<u>—</u>	<u>(319)</u>	<u>(319)</u>
At 31 December 2021 and 1 January 2022	—	(1,175)	(1,175)
Loss and total comprehensive expenses for the year	<u>—</u>	<u>(10,411)</u>	<u>(10,411)</u>
At 31 December 2022	<u>—</u>	<u>(11,586)</u>	<u>(11,586)</u>

CONSOLIDATED STATEMENTS OF CASH FLOWS

	From 5 March 2020 (date of registration) to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	2022 RMB'000
Cash flows from operating activities			
Loss before tax	(856)	(319)	(10,411)
Adjustments for:			
Interest income	(59)	(163)	(42)
Finance costs	—	—	12,052
Government subsidies	(512)	(2,146)	(4,310)
Depreciation of property and equipment	10	5,629	25,668
Depreciation of right-of-use assets	1,343	3,004	4,474
	<u>28,291</u>	<u>(26,874)</u>	<u>12,386</u>
Operating (loss)/profit before working capital changes	(74)	6,005	27,431
Change in amounts due from/to related companies	(10)	(6,311)	(22,631)
Change in other receivables and deposits	(326)	(27,865)	(8,969)
Change in other payable and accruals	28,291	(26,874)	12,386
	<u>27,881</u>	<u>(55,045)</u>	<u>8,217</u>
Cash generated from/(used in) operations	27,881	(55,045)	8,217
Income tax paid	—	—	—
	<u>27,881</u>	<u>(55,045)</u>	<u>8,217</u>
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	<u>27,881</u>	<u>(55,045)</u>	<u>8,217</u>
Cash flows from investing activities			
Interest received	59	163	42
Purchases of property and equipment	(130,915)	(383,727)	(186,654)
Additions to right-of-use assets	(105,846)	(110,234)	—
Receipt of government subsidies related to assets	60,826	152,224	—
Deposit paid for acquisition of a parcel of land	—	—	(21,000)
Prepayments for acquisition of property and equipment	(1,039)	—	—
(Advance to)/repayments from a related company	—	(30,654)	36,965
	<u>(176,915)</u>	<u>(372,228)</u>	<u>(170,647)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(176,915)</u>	<u>(372,228)</u>	<u>(170,647)</u>

APPENDIX III	ACCOUNTANTS' REPORT OF THE TARGET GROUP B
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	From 5 March 2020 (date of registration) to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	2022 RMB'000
Cash flows from financing activities			
Interests paid	—	(3,564)	(24,318)
Borrowings raised	—	300,000	—
Repayment of borrowings	—	—	(30,000)
Advance from a related company	68,026	169,208	114,335
Advance from joint shareholders	6,000	6,000	10,000
Advance from a shareholder of the joint shareholder	104,000	20,000	—
	178,026	491,644	70,017
NET CASH GENERATED FROM FINANCING ACTIVITIES			
	28,992	64,371	(92,413)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD/YEAR	—	28,992	93,363
CASH AND CASH EQUIVALENTS AT END OF PERIOD/YEAR			
	28,992	93,363	950
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Bank and cash balances	28,992	93,363	950

NOTES TO HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) (the “**Target Company**”) is a private limited liability company established in The People’s Republic of China (the “**PRC**”) on 5 March 2020.

The address of its registered office and principal place of business is Huojing Village, Ponglai Town, Daying County, Suining, Sichuan 四川省遂寧市大英縣蓬萊鎮火井村.

The Target Company is principally engaged in investment holding. The principal activities of the subsidiary are disclosed in Note 16 to the Historical Financial Information.

The Target Company is jointly held by Shenzhen Hongyuan Education Investment Company Limited* (深圳弘遠教育投資有限公司) (“**Shenzhen Hongyuan**”), a limited liability company established in the PRC and Sichuan Zhengzhuo Industrial Company Limited* (四川正卓實業有限公司) (“**Sichuan Zhengzhuo**”), a limited liability company established in the PRC.

* *The English name is a translation of its Chinese name and included herein for identification purpose only.*

2. BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared in accordance with the accounting policies set out in Note 4 below which conform with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants. 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.

Going concern

As of 31 December 2022, the Target Group recorded net current liabilities and net liabilities of approximately RMB589,771,000 and RMB11,586,000, respectively. In view of this, the directors of the Target Company have given consideration of the future liquidity and performance of the Target Group and its available sources of finance in assessing whether the Target Group will have sufficient financial resources to continue as a going concern. The Historical Financial Information has been prepared on a going concern basis because the shareholder of a joint shareholder and the joint shareholders of the Target Company has agreed not to demand for repayment until the Target Group has the financial ability to do so. In addition, the directors of the Target Company are satisfied that the Target Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months by taking into account the Target Company’s cash flow projection including the new bank borrowings obtained after 31 December 2022.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Target Group had adopted all the new and revised HKFRSs that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards and Interpretations.

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information is presented in Renminbi (“**RMB**”) which is the Target Company’s functional and presentation currency and all figures are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET GROUP B

The Historical Financial Information has been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

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

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

Basis of consolidation

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

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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

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

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

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

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

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

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

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

Loss of control of subsidiaries

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

Foreign currency translation

(a) Functional and presentation currency

The consolidated financial statements are presented in RMB, which is the Target Company's presentation currency and the functional currency of the principal operating subsidiaries of the Target Group.

(b) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary items that are measured at fair values in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

(c) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Target Company's presentation currency are translated into the Target Company's presentation currency as follows:

- (i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- (ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- (iii) All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those services. Specifically, the Target Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Target Group satisfies a performance obligation

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

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

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

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

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

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

The Target Group recognises revenue from the provision of training services, management and maintenance services which arise from contracts with a related party. For the provision of training services, management and maintenance services (each being single performance obligations), was recognised over the relevant period of schooling semesters, i.e. over the period of time.

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

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

Property and equipment

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

Construction in progress includes property and equipment in the course of construction for supply of services is carried at cost, less any recognised impairment loss. Construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property and equipment, commences when the assets are ready for their intended use.

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

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

Leases

Definition of a lease

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

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

*The Target Group as a lessee**Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Target Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Target Group also applies practical expedient not to separate non-lease components (i.e. building management fee) from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and lease of low-value assets

The Target Group applies the short-term lease recognition exemption to leases of land and buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payment on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Target Group; and
- an estimate of costs to be incurred by the Target Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any measurement at lease liabilities.

Right-of-use assets in which the Target Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. The remaining right-of-use assets are depreciated on a straight-line basis over the terms of the leases.

The Target Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Borrowing costs

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

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

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

Government grants

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

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

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

Retirement benefit costs

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

Short-term employee benefits

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

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

Taxation

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

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

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

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

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

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

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

Impairment of tangible assets

At the end of each reporting period, the management of the Target Group reviews the carrying amounts of its tangible assets 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 the impairment loss, if any.

The recoverable amount of tangible assets are estimated individually, when it is not possible to estimate the recoverable amount of individually, the Target Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

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

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

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and interest income

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

Impairment of financial assets

The Target Group recognises a loss allowance for expected credit losses (“ECL”) on financial assets which are subject to impairment under HKFRS 9 including other receivables and deposits, amounts due from related companies and bank balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

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

(i) Significant increase in credit risk

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

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

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

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

Despite the foregoing, the Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

For a financial guarantee contract, the Target Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Target Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Target Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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

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

Derecognition of financial assets

The Target Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

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

Financial liabilities and equity instruments

Classification as financial liabilities or equity instruments

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

Equity instruments

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

Financial liabilities at amortised cost

Financial liabilities including other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Related parties

- (a) A person, or a close member of that person's family, is related to the Target Group if that person:
 - (i) has control or joint control of the Target Group;
 - (ii) has significant influence over the Target Group; or
 - (iii) is a member of the key management personnel of the Target Group or the Target Group's parent.

- (b) An entity is related to the Target Group if any of the following conditions applies:
- (i) The entity and the Target Group 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 Group or an entity related to the Target Group;
 - (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); and
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of Target Group's accounting policies, which are described in Note 4, the directors of Target Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical accounting judgements in applying accounting policies

The following is the critical judgements, apart from those involving estimations (see below), that the directors of the Target Company have made in the process of applying the Target Group's accounting policies and that have the most significant effect on the amounts recognised and disclosures made in the consolidated financial statements.

Going concern basis

The Historical Financial Information has been prepared on a going concern basis, the validity of which depends upon the success of the plans and measures to be undertaken by the Target Group to mitigate the liquidity pressure and improve its financial position. Details are explained in note 2 to the Historical Financial Information.

Ownership of the buildings

The Target Group had not yet obtained the formal titles of certain of the buildings as detailed in Note 14 to the Historical Financial Information. In the opinion of the directors of the Target Company, the absence of formal title to these buildings does not impair the value of the relevant assets to the Target Group.

Key sources of estimation uncertainties

The followings are 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 resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Useful lives of property and equipment

In applying the accounting policy on property and equipment with respect to depreciation, the directors of the Target Company estimate the useful lives of various categories of property and equipment according to their experiences over the usage of property and equipment and also by reference to the relevant industrial norm. The useful lives of property and equipment are reviewed annually. If the expectations differ from the previous estimates, the changes will be accounted for prospectively as changes in accounting estimates.

Impairment loss on property and equipment and right-of-use assets

The Target Group carried out review of the recoverable amount of its property and equipment and right-of-use assets by assessing value-in-use calculations. It estimates the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The directors of the Target Company have exercised their judgement and are satisfied that the method of calculations is reflective of the current market conditions.

6. REVENUE AND SEGMENT INFORMATION

A. Revenue

(i) Disaggregation of revenue from contracts with customers

The Target Group's revenue represent income from the provision of training services, management and maintenance services.

	From 5 March 2020 (date of registration) to 31 December 2020	Year ended 31 December	
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Training services, management and maintenance services	—	6,311	22,631

Performance obligation

Revenue from provision of education services comprising tuition fee and boarding fee (each being single performance obligation), was recognised over time.

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

All the contracts with customers are agreed at fixed price for a term no longer than twelve months. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

B. Segment information

For the Relevant Periods, the Target Group's operation was solely derived from provision of training services, management and maintenance services in the PRC. For the purpose of resources allocation and performance assessment, the chief operating decision maker ("CODM") (i.e. directors of the Target Group) reviewed the overall results and financial position of the Target Group as a whole prepared based on same accounting policies set out in Note 4. Accordingly, the Target Group have only one single operating and reportable segment and no further analysis of this single segment is presented.

Geographical information

No geographical segment information is presented as the Target Group's revenue are all derived from the PRC and the Target Group's non-current assets (e.g.: property and equipment, right-of-use assets) are all located in the PRC by physical location of assets.

Information about major customers

All of the Target Group's total revenue during the Relevant Periods were attributable from a related party of the Target Group.

Information about major customers

No analysis of segment assets or liabilities is presented as they are not regularly provided to the CODM of the Target Group.

7. OTHER INCOME

	From 5 March 2020 (date of registration) to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	2022 RMB'000
Government subsidies related to assets (<i>Note 22</i>)	512	2,146	4,310
Compensation income	—	—	4,960
Bank interest income	59	163	42
	571	2,309	9,312
	571	2,309	9,312

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET GROUP B

8. FINANCE COSTS

	From 5 March 2020 (date of registration) to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	2022 RMB'000
Interest on:			
Bank borrowings	—	4,297	24,244
Loan from a related company	—	2,254	11,269
	<u>—</u>	<u>6,551</u>	<u>35,513</u>
Total borrowing costs	—	6,551	35,513
Less: Borrowing costs capitalised into construction in progress	—	(6,551)	(23,461)
	<u>—</u>	<u>—</u>	<u>12,052</u>

During the years ended 31 December 2021 and 2022, the weighted average capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was 5.99% and 5.34%, respectively.

9. LOSS BEFORE TAX

The Target Group's loss for the Relevant Periods is stated after charging the following:

	From 5 March 2020 (date of registration) to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	2022 RMB'000
Auditor's remuneration	—	—	—
Directors' remuneration (<i>Note 11</i>)	—	—	—
Other Staff costs			
— salaries and other benefits	509	687	83
— retirement benefits scheme contributions	—	9	—
	<u>509</u>	<u>696</u>	<u>83</u>
Total directors' remuneration and other staff costs	509	696	83
Less: Staff costs capitalised into construction in progress	(509)	(687)	(55)
	<u>—</u>	<u>9</u>	<u>28</u>
Depreciation of property and equipment	10	5,629	25,668
Depreciation of right-of-use assets	1,343	3,004	4,474
	<u>1,353</u>	<u>8,633</u>	<u>30,142</u>

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET GROUP B

10. INCOME TAX EXPENSES

Under the Law of the People's Republic of China on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the Group's subsidiaries are subject to EIT at a rate of 25% on their respective taxable income. Under the Western Development Tax Incentive Scheme, the Group's subsidiaries are subject to the preferential tax rate of 15% on their respective taxable income with an effective date on 1 January 2021.

	From 5 March 2020 (date of registration) to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	2022 RMB'000
Current tax	—	—	—
PRC enterprises income tax	<u>—</u>	<u>—</u>	<u>—</u>

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

	From 5 March 2020 (date of registration) to 31 December 2020 RMB'000	Year ended 31 December 2021 RMB'000	2022 RMB'000
Loss before tax	<u>(856)</u>	<u>(319)</u>	<u>(10,411)</u>
Income tax using PRC statutory tax rate of 25%	(214)	(80)	(2,603)
Tax effect of non-taxable income	(128)	(537)	(1,078)
Tax effect of tax losses not recognised	<u>342</u>	<u>617</u>	<u>3,681</u>
Income tax expenses	<u>—</u>	<u>—</u>	<u>—</u>

At 31 December 2020, 2021 and 2022, the Target Group had unused tax losses of approximately RMB1,368,000, RMB3,836,000 and RMB18,560,000, respectively which were available for offset against future profits and are subject to expiry period of five years. No deferred tax assets have been recognised in respect of the estimated tax losses due to the unpredictability of future profit streams.

APPENDIX III ACCOUNTANTS' REPORT OF THE TARGET GROUP B

11. DIRECTORS' REMUNERATION AND KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Directors' emoluments

No directors' remuneration was paid or payable for the Relevant Periods.

(b) Employees' remuneration

The five highest paid individuals of the Target Group for the Relevant Periods are as follows:

	From 5 March 2020 (date of registration) to 31 December 2020 <i>RMB'000</i>	Year ended 31 December 2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
Salaries and allowances	304	468	83

The number of the highest paid employees who are not the directors of the entities comprising the Target Group whose emoluments fell within the following bands is as follows:

	From 5 March 2020 (date of registration) to 31 December 2020	Year ended 31 December 2021	2022
Nil to HK\$1,000,000 (equivalent to approximately RMB884,400)	5	5	1

During the Relevant Periods, no emoluments were paid by the Target Group to any of the directors of the Target Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Target Group or as compensation for loss of office. None of the directors of the Target Company waived any emoluments during the Relevant Periods.

12. DIVIDENDS

No dividends were declared or paid by the Target Company during the Relevant Periods, nor has any dividend been proposed since 31 December 2022.

13. EARNING PER SHARE

No earnings per share information is presented for the purpose of the Historical Financial Information as its inclusion is not considered meaningful for the Relevant Periods.

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14. PROPERTY AND EQUIPMENT

Target Group and Target Company	Buildings <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<u>COST</u>				
At 5 March 2020	—	—	—	—
Additions	—	133	131,040	131,173
At 31 December 2020 and 1 January 2021	—	133	131,040	131,173
Additions	383,436	240	365,951	749,627
Transfer	496,991	—	(496,991)	—
At 31 December 2021 and 1 January 2022	880,427	373	—	880,800
Additions	75,339	7,553	114,380	197,272
Transfer	114,380	—	(114,380)	—
At 31 December 2022	1,070,146	7,926	—	1,078,072
<u>ACCUMULATED DEPRECIATION</u>				
At 5 March 2020	—	—	—	—
Charge for the period	—	10	—	10
At 31 December 2020 and 1 January 2021	—	10	—	10
Charge for the year	5,596	33	—	5,629
At 31 December 2021 and 1 January 2022	5,596	43	—	5,639
Charge for the year	24,163	1,505	—	25,668
At 31 December 2022	29,759	1,548	—	31,307
<u>Carrying amount</u>				
At 31 December 2020	—	123	131,040	131,163
At 31 December 2021	874,831	330	—	875,161
At 31 December 2022	1,040,387	6,378	—	1,046,765

Note: At 31 December 2021 and 2022, the Target Group has not yet obtained the building ownership certificates for its buildings amounted to approximately RMB102,851,000 and RMB208,684,000, respectively.

The above items of property and equipment are depreciated on a straight-line basis at the following useful lives:

	Useful lives
Buildings	8–50 years or over the lease term
Furniture, fixtures and equipment	5–10 years

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15. RIGHT-OF-USE ASSETS

Target Group and Target Company

	At 31 December		
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
Leasehold lands			
— Carrying amount	<u>104,503</u>	<u>211,733</u>	<u>207,259</u>
	From		
	5 March 2020		
	(date of		
	registration)		
	to		
	31 December	Year ended	
	2020	31 December	
	<i>RMB'000</i>	<i>2021</i>	2022
		<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets	1,343	3,004	4,474
Additions to right-of-use assets	<u>105,846</u>	<u>110,234</u>	<u>—</u>

As at 31 December 2020, 2021 and 2022, the Target Group is not committed to any short-term leases.

As at 31 December 2020, 2021 and 2022, the Target Group has no leases that are committed but not yet commenced.

16. SUBSIDIARY

Target Company

	At 31 December		
	2020 <i>RMB'000</i>	2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
Unlisted shares, at cost	<u>—</u>	<u>—</u>	<u>10,000</u>

The amounts due from a subsidiary is unsecured, interest-free and have no fixed terms of repayment.

Particulars of the Target Company's subsidiary are as follows:

Name	Place of incorporation/ principal place of business	Registered/ paid up capital	Effective ownership interest			Principal activities
			As at 31 December			
			2020	2021	2022	
大英天世置業有限公司 ("Daying Estate")	The PRC	RMB10,000,000	N/A	N/A	100%	Property development and construction

No statutory financial statements were issued for the Target Company and of its subsidiary as they are incorporated in a jurisdiction where there is no statutory audit requirement.

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17. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Target Group and Target Company

	At 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Staff advances	316	311	311
Prepayments for acquisition of property and equipment	1,039	—	—
Other tax receivables	—	27,870	36,839
Other receivables	10	10	10
	<u>1,365</u>	<u>28,191</u>	<u>37,160</u>
Total for Target Company	1,365	28,191	37,160
Deposit paid for acquisition of a parcel of land (note)	—	—	21,000
	<u>1,365</u>	<u>28,191</u>	<u>58,160</u>
Total for Target Group	<u>1,365</u>	<u>28,191</u>	<u>58,160</u>
Analysed into:			
— Current assets	326	28,191	37,160
— Non-current assets	1,039	—	21,000
	<u>1,365</u>	<u>28,191</u>	<u>58,160</u>

Note: In December 2022, Daying Estate and the local government of Daying County entered into a land acquisition agreement in relation to the purchase of a parcel of land of approximately 33,300 sq.m. in Daying County for commercial residential use at a consideration of RMB111,000,000. At 31 December 2022, a deposit of RMB21,000,000 was paid to the local government as partial payment and all the consideration shall be settled by the end of December 2023.

Details of impairment assessment of other receivables and deposits are set out in Note 29(b).

18. AMOUNTS DUE FROM/TO RELATED PARTIES

Target Group and Target Company

Amounts due from related parties:

Name of related parties	Relationship	At 31 December			Maximum amounts outstanding during the period/year ended 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000
四川文軒職業學院 ("Sichuan Winshare Vocational College")	A related company	—	36,965	—	—	36,965	36,965
四川高教集團有限公司	A related company	10	10	10	10	10	10
		<u>10</u>	<u>36,975</u>	<u>10</u>			

As at 31 December 2021, the amount due from Sichuan Winshare Vocational College included a trade-related balance of approximately RMB6,311,000 arising in the training services, management and maintenance services provided by Target Group. Save as disclosed in the above, as at the end of each Relevant Period, the other amounts due from the related parties are non-trade nature, unsecured, interest-free, have no fixed repayment terms.

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Amounts due to related parties:

Name of related parties	Relationship	At 31 December		
		2020 RMB'000	2021 RMB'000	2022 RMB'000
Sichuan Winshare Vocational College (<i>note</i>)	A related company	68,026	239,488	342,461
Sichuan Zhengzhuo 四川卓泰投资有限公司	A joint shareholder A shareholder of the joint shareholder	6,000 104,000	12,000 124,000	12,000 124,000
Shenzhen Hongyuan	A joint shareholder	—	—	10,000
		178,026	375,488	488,461
Less: Amounts due for settlement within 12 months shown under current liabilities		(178,026)	(136,000)	(237,704)
		—	239,488	250,757
		—	239,488	250,757

Note: On 19 October 2021, the Target Group entered into a loan agreement with the Sichuan Winshare Vocational College to formalise the repayment terms with respect to the advances received from Sichuan Winshare Vocational College of approximately RMB237,234,000. Pursuant to the loan agreement, the loan is unsecured, interest bearing at a fixed rate of 4.75%, and repayable on 18 October 2024. At 31 December 2021 and 2022, the aggregated principal and accrued interest amounts due to Sichuan Winshare Vocational College were approximately RMB239,488,000 and RMB250,757,000, respectively.

Save as disclosed in the above, as at the end of each Relevant Period, the other amounts due to the related parties are non-trade nature, unsecured, interest-free, have no fixed repayment terms.

19. BANK BALANCES AND CASH

Target Group and Target Company

Bank balances carried interest at prevailing market rate of 0.3%, 0.3% and 0.3% per annum as at 31 December 2020, 2021 and 2022. Details of impairment assessment of bank balances and cash are set out in Note 29(b).

20. OTHER PAYABLE AND ACCRUALS

Target Group and Target Company

	At 31 December		
	2020 RMB'000	2021 RMB'000	2022 RMB'000
Accrued salaries and bonus	64	7	8
Accrued expenses	28,227	1,031	2,417
Payables for acquisition of property and equipment	258	358,568	345,725
Accrued interests	—	733	659
Other payables	—	379	11,378
	28,549	360,718	360,187
	28,549	360,718	360,187

21. BORROWINGS

Target Group and Target Company

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings	<u>—</u>	<u>300,000</u>	<u>270,000</u>
	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings repayable:			
Within one year	—	30,000	30,000
More than one year, but not exceeding two years	—	30,000	40,000
More than two years, but not exceeding five years	—	100,000	200,000
More than five years	—	<u>140,000</u>	<u>—</u>
	—	300,000	270,000
Less: Amounts due within one year shown under current liabilities	<u>—</u>	<u>(30,000)</u>	<u>(30,000)</u>
Amounts shown under non-current liabilities	<u>—</u>	<u>270,000</u>	<u>240,000</u>

The effective interest rates of the Target Group's borrowings were as follows:

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Effective interest rate of variable-rate bank borrowings (per annum):	<u>N/A</u>	<u>8.0%</u>	<u>8.0%</u>

The bank borrowings as at 31 December 2021 and 2022 are secured by the equity of the related company and the joint shareholder and guaranteed by joint shareholders, non-controlling shareholder, directors of the Target Company and spouse of one of the directors and key managements of the Target Company.

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22. DEFERRED INCOME

Target Group and Target Company

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Amounts recognised in profit or loss during the year:			
Subsidies related to assets (<i>Note</i>)	<u>(512)</u>	<u>(2,146)</u>	<u>(4,310)</u>

The movement of deferred income is as follows:

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of the period/year	—	60,314	210,392
Receipt of subsidies related to assets (<i>note</i>)	60,826	152,224	—
Amount credited to profit or loss during the year (<i>Note 7</i>)	<u>(512)</u>	<u>(2,146)</u>	<u>(4,310)</u>
At end of the period/year	<u>60,314</u>	<u>210,392</u>	<u>206,082</u>

Note: The Target Group received government subsidies for the compensation of capital expenditures incurred for the leasehold lands. The amounts are deferred and amortised over the estimated useful lives of the respective assets.

23. PAID-IN CAPITAL

Target Group and Target Company

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Balances at beginning and ending of the period/year	<u>—</u>	<u>—</u>	<u>—</u>

24. RETIREMENT BENEFIT SCHEMES

The employees of the Target Group in the PRC are members of a state-managed retirement benefit scheme operated by the PRC government. The Target Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefit scheme to fund the benefits. The only obligation of the Target Group with respect to the retirement benefit scheme is to make the specified contributions under the scheme. The total costs charged to consolidated profit and loss, approximately amounted to RMBNil, RMB9,000 and RMBNil for the period ended 31 December 2020 and each of the two years ended 31 December 2021 and 2022, respectively, represent contributions paid to the retirement benefit scheme by the Target Group.

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25. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

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

	Amount due to a shareholder of the joint shareholder <i>RMB'000</i>	Amount due to joint shareholders <i>RMB'000</i>	Amount due to a related company and accrued interests <i>RMB'000</i>	Borrowings and accrued interests <i>RMB'000</i>	Total <i>RMB'000</i>
At 5 March 2020	—	—	—	—	—
Changes in cash flows	<u>104,000</u>	<u>6,000</u>	<u>68,026</u>	<u>—</u>	<u>178,026</u>
At 31 December 2020 and 1 January 2021	104,000	6,000	68,026	—	178,026
Changes in cash flows	20,000	6,000	169,208	296,436	491,644
Interest accrued	<u>—</u>	<u>—</u>	<u>2,254</u>	<u>4,297</u>	<u>6,551</u>
At 31 December 2021 and 1 January 2022	124,000	12,000	239,488	300,733	676,221
Changes in cash flows	—	10,000	114,335	(54,318)	70,017
Other non-cash movements	—	—	(22,631)	—	(22,631)
Interest accrued	<u>—</u>	<u>—</u>	<u>11,269</u>	<u>24,244</u>	<u>35,513</u>
At 31 December 2022	<u>124,000</u>	<u>22,000</u>	<u>342,461</u>	<u>270,659</u>	<u>759,120</u>

26. CONTINGENT LIABILITIES

At the end of each Relevant Periods, the Target Group did not have any significant contingent liabilities.

27. RELATED PARTY TRANSACTIONS

Other than the balances with related parties as disclosed elsewhere in the Historical Financial Information, the Target Group had the following transactions with its related parties during the Relevant Periods.

Name of related companies	Transaction	From 5 March 2020 (date of registration) to 31 December 2020 <i>RMB'000</i>	Year ended 31 December 2021 <i>RMB'000</i>	2022 <i>RMB'000</i>
		Sichuan Winshare Vocational College	Interest expenses Training services, management and maintenance services income	— —

Compensation of key management personnel

The remuneration of directors and other members of key management of the Target Group during the Relevant Periods are disclosed in Note 11.

28. CAPITAL RISK MANAGEMENT

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

The capital structure of the Target Group consists of net debt, which includes the borrowings disclosed in Note 21, net of cash and cash equivalents and equity of the Target Group, comprising paid-in capital and reserves.

The directors of the Target Group review the capital structure on a periodic basis. As part of this review, the directors of the Target Company consider the cost of capital and the risks associated with capital. Based on recommendations of the directors of the Target Company, the Target Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

29. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

Target Group

	At 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at amortised cost	<u>29,328</u>	<u>130,659</u>	<u>1,281</u>
Financial liabilities at amortised cost	<u>206,575</u>	<u>1,036,206</u>	<u>1,118,648</u>

b. Financial risk management objectives and policies

The Target Group's major financial instruments include other receivables and deposits, amounts due from/(to) related companies, bank balances and cash, other payable and accruals, and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk and credit risk) and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Target Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

Market risk

Interest rate risk management

The Target Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings. The Target Group also exposed to fair value interest rate risk in relation to fixed-rate amount due to a related company. The management considers the fair value interest rate risk to the Group is low.

The management has also considered the Target Group's exposure to cash flow interest rate risk in relation to variable-rate bank balances and bank borrowings to be limited because the current market interest rates on general deposits are relatively low and stable. The Target Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The directors of the Target Company consider that the overall interest rate risk is not significant and no sensitivity analysis is presented for the Target Group.

Credit risk and impairment assessment

The Target Group applied ECL model upon adoption of HKFRS 9 under which the Target Group measures the loss allowance equal to 12m ECL for all of the Target Group's financial assets, unless when there has been a significant increase in credit risk since initial recognition in which circumstance the Target Group recognises lifetime ECL. The Target Group considers the probability of default upon initial recognition of assets and whether there has been a significant increase in credit risk on an ongoing basis. The directors of the Target Group believe that there is no significant increase in credit risk of the Target Group's financial assets since initial recognition.

In determining the ECL, the management of the Target Group has taken into account the historical default experience and forward-looking information, as appropriate, for example, the Target Group has considered that no historical default rate in connection with payments, and concluded that credit risk inherent in the Target Group's outstanding amounts due from related companies are insignificant after taking into account of the provision for impairment made under ECL model.

The credit risks on bank balances are limited because the counterparties are banks with high credit ratings assigned by credit-rating agencies. The ECL for bank balances was insignificant.

Liquidity risk

As of 31 December 2022, the Target Group recorded net current liabilities and net liabilities of approximately RMB589,771,000 and RMB11,586,000, respectively. In view of this, the directors of the Target Company have given consideration of the future liquidity and performance of the Target Group and its available sources of finance in assessing whether the Target Group will have sufficient financial resources to continue as a going concern.

The directors of the Company are satisfied that the Target Group will have sufficient financial resources to meet its financial obligations as they fall due in the foreseeable future as the shareholder of a joint shareholder and the joint shareholders of the Target Company has agreed not to demand for repayment until the Target Group has the financial ability to do so. Accordingly, the directors of the Target Company consider that the Target Group will have sufficient working capital to finance its operations in the foreseeable future and are satisfied that it is appropriate to prepare the Historical Financial Information on a going concern basis.

The following table details the Target Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Target Group can be required to pay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates.

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The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from prevailing interest rate at the end of each reporting period.

	Weighted Average Effective interest rate	Repayable on-demand or less than 1 year RMB'000	Repayable 1-2 years RMB'000	Repayable more than 2 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2020						
Other payable and accruals	—	28,549	—	—	28,549	28,549
Amount due to a related company (non-interest bearing)	—	68,026	—	—	68,026	68,026
Amount due to the joint shareholders	—	6,000	—	—	6,000	6,000
Amount due to a shareholder of the joint shareholder	—	104,000	—	—	104,000	104,000
Borrowings	—	—	—	—	—	—
As at 31 December 2021						
Other payable and accruals	—	360,718	—	—	360,718	360,718
Amount due to the joint shareholders	—	12,000	—	—	12,000	12,000
Amount due to a shareholder of the joint shareholder	—	124,000	—	—	124,000	124,000
Amount due to a related company (interest bearing)	4.75%	—	—	271,037	271,037	239,488
Borrowings	8.00%	54,244	50,392	278,312	382,948	300,000
As at 31 December 2022						
Other payable and accruals	—	360,187	—	—	360,187	360,187
Amount due to the joint shareholders	—	22,000	—	—	22,000	22,000
Amount due to a shareholder of the joint shareholder	—	124,000	—	—	124,000	124,000
Amount due to a related company (non-interest bearing)	—	91,704	—	—	91,704	91,704
Amount due to a related company (interest bearing)	4.75%	—	271,037	—	271,037	250,757
Borrowings	8.00%	50,392	58,262	220,050	328,704	270,000

c. Fair value

Fair value of the Target Group's financial assets and financial liabilities that are not measured at fair value on recurring basis

The fair value of financial assets and financial liabilities is determined in accordance with generally accepted pricing model based on discounted cash flow analysis.

The management of the Target Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

30. EVENTS AFTER THE REPORTING PERIOD

No significant events took place subsequent to 31 December 2022.

31. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Group in respect of any periods subsequent to 31 December 2022 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Target Group in respect of any period subsequent to 31 December 2022.

INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The unaudited pro forma financial information presented below is prepared to illustrate the financial position of Bojun Education Company Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) as if the proposed acquisition by the Group of (i) 51% equity interest of Shenzhen Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) (the “**Target Company A**”, together with its subsidiaries collectively referred to as the “**Target Group A**”); and (ii) 51% equity interest of Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) (the “**Target Company B**”, together with its subsidiaries collectively referred to as the “**Target Group B**”) (hereinafter collectively referred to as the “**Acquisition**”) had been completed (the “**Enlarged Group**”) on 28 February 2023; and the financial performance and cash flows of the Group as if the Acquisition had been completed on 1 September 2021.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the directors of the Company in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and is solely for the purpose of illustrating (a) the financial performance and cash flows of the Enlarged Group as if the Acquisition had taken place on 1 September 2021; and (b) the financial position of the Enlarged Group as if the Acquisition had taken place on 28 February 2023.

The unaudited pro forma financial information of the Enlarged Group is prepared based on the aforesaid historical data after giving effect to the pro forma adjustments described in the accompanying notes. The narrative descriptions of the pro forma adjustments of the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable, is summarised in the accompanying notes.

The unaudited pro forma financial information of the Enlarged Group has been prepared by the directors of the Company based on certain assumptions, estimates and uncertainties for illustrative purposes only and because of its hypothetical nature, the unaudited pro forma financial information of the Enlarged Group may not give a true picture of the results, cash flows or assets and liabilities of the Enlarged Group would have been upon the completion of the Acquisition for the year ended 31 August 2022 or as at 28 February 2023 and in any future periods or on any future dates, as appropriate.

The unaudited pro forma financial information of the Enlarged Group should be read in conjunction with the management discussion and analysis of the Group as set out in this circular, the accountants’ report of Target Group A and Target Group B as set out in Appendices II and III to this circular and other financial information included elsewhere in this circular.

Unless otherwise indicated, capitalised terms used in this unaudited pro forma financial information shall have the same meanings as those defined in this circular.

* *The English name is a translation of its Chinese name and included herein for identification purpose only.*

Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	The Group	The Target	The Target	Pro forma adjustments				Unaudited
	as at	Group A	Group B					pro forma
	28 February	as at	as at	RMB'000	RMB'000	RMB'000	RMB'000	consolidated
2023	31 December	31 December					statement of	
	2023	2022	2022					financial
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	position of
	Note 1	Note 2	Note 2	Note 3	Note 4	Note 5	Note 8	the Enlarged
								Group
								RMB'000
Non-Current Assets								
Property, plant and equipment	670,839	910,530	1,046,765		(72,295)			2,555,839
Intangible assets	—	4,231	—					4,231
Right-of-use assets	96,343	91,834	207,259		206,907			602,343
Interest in an associate	17,507	—	—					17,507
Investment in subsidiaries	—	—	—	257,955	(257,955)			—
Goodwill	—	—	—		4,560			4,560
Deferred tax assets	17,480	2,021	—					19,501
Amounts due from related parties	—	250,757	—			(250,757)		—
Prepayments and deposits	78,571	11,385	21,000	(73,500)				37,456
Total non-current assets	880,740	1,270,758	1,275,024	184,455	(118,783)	(250,757)	—	3,241,437
Current Assets								
Other receivables, deposits and prepayments	50,389	10,505	37,160					98,054
Amounts due from related parties	91,776	125,159	10			(91,704)		125,241
Bank balances and cash	35,318	29,205	950				(2,740)	62,733
Total current assets	177,483	164,869	38,120	—	—	(91,704)	(2,740)	286,028
Current liabilities								
Account and other payables	44,375	195,123	360,187					599,685
Contract liabilities	28,760	208,626	—					237,386
Amounts due to related parties	1,428	129,286	237,704			(91,704)		276,714
Lease liabilities	719	—	—					719
Borrowings	30,000	352,398	30,000					412,398
Income tax payable	6,347	—	—					6,347
Financial guarantee liabilities	7,807	—	—					7,807
Total current liabilities	119,436	885,433	627,891	—	—	(91,704)	—	1,541,056
Net current assets/(liabilities)	58,047	(720,564)	(589,771)	—	—	—	(2,740)	(1,255,028)
Total assets less current liabilities	938,787	550,194	685,253	184,455	(118,783)	(250,757)	(2,740)	1,986,409

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group as at 28 February 2023	The Target Group A as at 31 December 2022	The Target Group B as at 31 December 2022	Pro forma adjustments				Unaudited pro forma consolidated statement of financial position of the Enlarged Group
				RMB'000 Note 1	RMB'000 Note 2	RMB'000 Note 2	RMB'000 Note 3	
Non-Current Liabilities								
Borrowings	104,320	89,026	240,000					433,346
Consideration payables	—	—	—	158,282				158,282
Amounts due to related parties	593,046	—	250,757			(250,757)		593,046
Deferred tax liabilities	—	—	—		33,653			33,653
Deferred income	69,921	—	206,082					276,003
Total non-current liabilities	767,287	89,026	696,839	158,282	33,653	(250,757)	—	1,494,330
Net assets/(liabilities)	171,500	461,168	(11,586)	26,173	(152,436)	—	(2,740)	492,079
Equity								
Equity attributable to owners of the Company								
Share capital	7,138	158,000	—	716	(158,000)			7,854
Reserves	164,362	303,168	(11,586)	25,457	(264,201)		(2,740)	214,460
	171,500	461,168	(11,586)	26,173	(422,201)		(2,740)	222,314
Non-controlling interests	—	—	—		269,765			269,765
Total equity/(deficit)	171,500	461,168	(11,586)	26,173	(152,436)	—	(2,740)	492,079

Unaudited Pro Forma Consolidated Statement of Profit or Loss and Other Comprehensive
Income of the Enlarged Group

	The Group for the year ended 31 August 2022	The Target Group A for the year ended 31 December 2022	The Target Group B for the year ended 31 December 2022	Pro forma adjustments					Unaudited pro forma consolidated statement of profit or loss and other comprehensive income of the Enlarged Group		
				RMB'000	RMB'000	RMB'000	RMB'000	RMB'000		RMB'000	RMB'000
				Note 1	Note 2	Note 2	Note 4(c)	Note 5		Note 6	Note 7
Revenue	33,604	269,294	22,631		(22,631)				302,898		
Costs of services	(16,838)	(148,632)	—		22,631	(2,073)			(144,912)		
Gross profit	16,766	120,662	22,631	—	—	(2,073)	—	—	157,986		
Other income	9,598	12,790	9,312		(11,269)				20,431		
Other gains/(losses), net	6,729	(1,356)	—	27,381					32,754		
Share of profit of an associate	32	—	—						32		
Selling expenses	—	(56,102)	—						(56,102)		
Administrative expenses	(34,652)	(53,827)	(30,302)					(2,740)	(121,521)		
Finance costs	(5,784)	(37,224)	(12,052)		11,269				(43,791)		
LOSS BEFORE TAX	(7,311)	(15,057)	(10,411)	27,381	—	(2,073)	—	(2,740)	(10,211)		
Income tax (expense)/ credit	(2,092)	(502)	—			518			(2,076)		
LOSS FOR THE YEAR	<u>(9,403)</u>	<u>(15,559)</u>	<u>(10,411)</u>	<u>27,381</u>	<u>—</u>	<u>(1,555)</u>	<u>—</u>	<u>(2,740)</u>	<u>(12,287)</u>		
LOSS AND TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR	<u>(9,403)</u>	<u>(15,559)</u>	<u>(10,411)</u>	<u>27,381</u>	<u>—</u>	<u>(1,555)</u>	<u>—</u>	<u>(2,740)</u>	<u>(12,287)</u>		
LOSS AND TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR ATTRIBUTABLE TO:											
Owners of the Company	(9,403)	(15,559)	(10,411)	27,381		(793)	12,725	(2,740)	1,200		
Non-controlling interests	—	—	—	—		(762)	(12,725)	—	(13,487)		
	<u>(9,403)</u>	<u>(15,559)</u>	<u>(10,411)</u>	<u>27,381</u>	<u>—</u>	<u>(1,555)</u>	<u>—</u>	<u>(2,740)</u>	<u>(12,287)</u>		

Unaudited Pro Forma Consolidated Statement of Cash Flows of the Enlarged Group

	The Group	The Target	The Target	Pro forma adjustments				Unaudited
	The Group	Group A for	Group B for					pro forma
	for the year	the year	the year					consolidated
	ended	ended	ended					statement of
	31 August	31 December	31 December					cash flows of
	2022	2022	2022					the Enlarged
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	Group
	Note 1	Note 2	Note 2	Note 4	Note 5	Note 6	Note 8	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES								
Loss before tax	(7,311)	(15,057)	(10,411)	27,381		(2,073)	(2,740)	(10,211)
Adjustments for:								
Depreciation of property, plant and equipment	8,815	69,883	25,668			(2,065)		102,301
Depreciation of right-of-use assets	3,032	2,504	4,474			4,138		14,148
Amortisation of intangible assets	—	598	—					598
Share of result of an associate	(32)	—	—					(32)
Release of asset-related government grants	(1,534)	—	(4,310)					(5,844)
Finance cost	5,784	37,224	12,052		(11,269)			43,791
(Gain)/loss on disposal of property, plant and equipment, net	(81)	775	—					694
Gain on bargain purchase on acquisition of Lidu Kindergarten Business	(179)	—	—					(179)
Gain on bargain purchase on acquisition of subsidiaries	—	—	—	(27,381)				(27,381)
Recognition of financial guarantee contracts	7,967	—	—					7,967
Amortisation of financial guarantee contracts	(14,048)	—	—					(14,048)
Loss allowance recognised for financial guarantee contracts	15	—	—					15
Interest income from banks	(93)	(96)	(42)					(231)
Interest income from other loans	(5,623)	(12,694)	—		11,269			(7,048)
Unrealised exchange gain	(302)	—	—					(302)
Operating cash flows before working capital changes	(3,590)	83,137	27,431	—	—	—	(2,740)	104,238
Change in other receivables, deposits and prepayments	(28)	3,274	(8,969)					(5,723)
Change in amounts due from/to related companies	10,895	25,131	(22,631)					13,395
Change in contract liabilities	26,373	54,498	—					80,871
Change in other payables and accruals	(13,276)	90,818	12,386					89,928
Cash generated from operations	20,374	256,858	8,217	—	—	—	(2,740)	282,709
Interest received from banks and other loans	5,516	—	—					5,516
Income tax paid	(35)	—	—					(35)
Net cash flows generated from operating activities	25,855	256,858	8,217	—	—	—	(2,740)	288,190

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group for the year ended 31 August 2022 <i>RMB'000</i> <i>Note 1</i>	The Target	The Target	Pro forma adjustments				Unaudited pro forma consolidated statement of cash flows of the Enlarged Group <i>RMB'000</i>
		Group A for the year ended 31 December 2022 <i>RMB'000</i> <i>Note 2</i>	Group B for the year ended 31 December 2022 <i>RMB'000</i> <i>Note 2</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
				<i>Note 4</i>	<i>Note 5</i>	<i>Note 6</i>	<i>Note 8</i>	
CASH FLOWS FROM INVESTING ACTIVITIES								
Interest received	—	96	42					138
Payment for property, plant and equipment	(139,917)	(73,588)	(186,654)					(400,159)
Purchases of intangible assets	—	(1,353)						(1,353)
Net cash inflow from acquisition of Lidu Kindergarten Business	61	—	—					61
Net cash inflow from acquisition of subsidiaries	—	—	—	162,345				162,345
Loans advanced to third parties	(104,000)	—	—					(104,000)
Loans repaid from third parties	174,000	—	—					174,000
Repayments from third parties	—	40,000	—					40,000
Advance to a related company	—	(114,335)	—		114,335			—
Repayment from a related party	—	7,442	36,965		(36,965)			7,442
Proceeds from disposal of property, plant and equipment	611	129	—					740
Deposit paid for acquisition of a parcel of land	—	—	(21,000)					(21,000)
Release of deposits for sale and leaseback	—	2,250	—					2,250
Refund of investment funds in a former school	3,000	—	—					3,000
Refund of deposits for acquisition of a parcel of land	12,500	—	—					12,500
Net cash used in investing activities	(53,745)	(139,359)	(170,647)	162,345	77,370	—	—	(124,036)
CASH FLOWS FROM FINANCING ACTIVITIES								
Proceeds from new borrowings raised	—	132,000	—					132,000
Repayment of leases liabilities	(888)	—	—					(888)
Advances from related parties	193,011	32,137	124,335		(114,335)			235,148
Repayments to related parties	(72,137)	(36,965)	—		36,965			(72,137)
Interest paid	(11,660)	(37,319)	(24,318)					(73,297)
Repayment of borrowings	(18,880)	(247,129)	(30,000)					(296,009)
Net cash generated from/(used in) financing activities	89,446	(157,276)	70,017	—	(77,370)	—	—	(75,183)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS								
Cash and cash equivalents at beginning of year	61,556	(39,777)	(92,413)	162,345	—	—	(2,740)	88,971
Effect of exchange rate changes on cash and cash equivalents	93,214	68,982	93,363	(162,345)				93,214
	302	—	—					302
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	155,072	29,205	950	—	—	—	(2,740)	182,487

Notes to the Unaudited Pro Forma Financial Information

1. The unaudited consolidated statement of financial position of the Group as at 28 February 2023 was extracted from the published interim results announcement of the Company for the six months ended 28 February 2023. The audited consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 August 2022 were extracted from the published annual report of the Company for the year ended 31 August 2022.
2. The amounts have been extracted from the audited consolidated statements of financial position of Target Group A and Target Group B as at 31 December 2022, and the audited consolidated statement of profit or loss and other comprehensive income and the consolidated statements of cash flows of Target Group A and Target Group B for the year ended 31 December 2022 in Appendices II and III to this circular.
3. The pro forma adjustment represents the recognition of the investment costs in Target Company A and Target Company B.

Pursuant to the Amended Equity Transfer Agreement A, the Group conditionally agreed to acquire 51% equity interest in Target Company A at the total consideration of RMB283,050,000, which will be satisfied as to (i) a deposit of RMB73,500,000 paid by the Group as at 31 August 2022; (ii) cash of RMB56,750,000 in total which shall be settled before 31 December 2024; (iii) cash of RMB76,825,000 in total which shall be settled before 31 December 2025; (iv) cash of approximately RMB24,165,000 which shall be settled before 31 December 2026; and (v) the allotment and issue of 74,441,857 Consideration Shares A at the issue price of HK\$0.85 per Share by the Company which is equivalent to approximately RMB51,810,000. The total cash consideration payable amounted to approximately RMB157,740,000 (“**Deferred Consideration A**”).

Pursuant to the Amended Equity Transfer Agreement B, the Group conditionally agreed to acquire 51% equity interest in Target Company B at the total consideration of RMB26,010,000, which will be satisfied as to (i) cash of RMB5,000,000 which shall be settled before 31 December 2024; (ii) cash of RMB11,005,000 in total which shall be settled before 31 December 2025; (iii) cash of approximately RMB5,244,000 which shall be settled before 31 December 2026; and (iv) the allotment and issue of 6,840,603 Consideration Shares B at the issue price of HK\$0.85 per Share by the Company which is equivalent to approximately RMB4,761,000. The total cash consideration payable amounted to approximately RMB21,249,000 (“**Deferred Consideration B**”).

Assuming the Group will settle each Deferred Consideration A and Deferred Consideration B by the end of the respective time limit.

	Deferred Consideration A	Deferred Consideration B	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash consideration payables	157,740	21,249	178,989
Less: Fair value change of cash consideration payable	(18,082)	(2,625)	(20,707)
Deferred consideration payables	<u>139,658</u>	<u>18,624</u>	<u>158,282</u>

The directors of the Company, based on the discount rate of approximately 4.75% with reference to the China loan prime rate for medium-term borrowings, estimated the fair values of Deferred Consideration A and Deferred Consideration B are approximately RMB139,658,000 and RMB18,624,000, respectively, at the date of completion of the Acquisition. As the deferred consideration payables will be paid more than one year after the date of completion, it is presented as non-current liabilities for the purpose of presenting the unaudited pro forma consolidated statement of financial position.

The fair values of 74,441,857 Consideration Shares A and 6,840,603 Consideration Shares B to be issued upon completion of the Acquisition are estimated by reference to the closing share price of the Company at 28 February 2023 of HK\$0.365 per share (equivalent to approximately RMB0.322 per share).

4. The pro forma adjustment represents the inclusion of identifiable assets and liabilities of Target Group A and Target Group B to be acquired by the Group, assuming the Acquisition was completed on 28 February 2023. Upon the completion of the Acquisition, the identifiable assets and liabilities of Target Group A and Target Group B will be accounted for in the consolidated financial statements of the Group at fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard 3 (Revised) “Business Combinations” (“HKFRS 3”).

For the purpose of preparing the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the directors of the Company have estimated the fair values of the identifiable assets and liabilities of Target Group A and Target Group B as at 28 February 2023 with reference to the property valuation report prepared by an independent professional qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited, as set out in the Appendix VI to this circular (“Valuation Report”), to carry out the purchase price allocation exercise in accordance with HKFRS 3.

	<i>Notes</i>	Target Group A <i>RMB'000</i>	Target Group B <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying amount of identifiable net assets/ (liabilities)	<i>(a)</i>	461,168	(11,586)	449,582
Fair value adjustments on				
Property and equipment	<i>(b)</i>	(77,530)	5,235	(72,295)
Right-of-use assets	<i>(b)</i>	154,166	52,741	206,907
Effect of deferred tax liabilities	<i>(b)</i>	(19,159)	(14,494)	(33,653)
Fair value of net identifiable assets acquired		518,645	31,896	550,541
Non-controlling interest (at proportionate share of 49% equity interest)		(254,136)	(15,629)	(269,765)
Goodwill arising from the Acquisition	<i>(c)</i>	—	4,560	4,560
Gain on bargain purchase	<i>(c)</i>	(27,381)	—	(27,381)
		<u>237,128</u>	<u>20,827</u>	<u>257,955</u>
Consideration transferred (Note 3):				
— Deposit paid		73,500	—	73,500
— Deferred consideration payables		139,658	18,624	158,282
— Consideration Shares		23,970	2,203	26,173
Fair value of the considerations transferred		<u>237,128</u>	<u>20,827</u>	<u>257,955</u>

Notes

- (a) For the purpose of the unaudited pro forma financial information, except for the fair value of the property and equipment and the right-of-use assets which are discussed in the below paragraphs, it is assumed that the fair value of other identifiable assets and liabilities of Target Group A and Target Group B approximates their carrying values as at 31 December 2022.

(b) **Target Group A**

With reference to the Valuation Report, the directors of the Company estimated the fair value of property and equipment and right-of-use assets (comprising land use rights, school buildings and related facilities) as at 28 February 2023 were approximately RMB833,000,000 and RMB246,000,000, respectively. Accordingly, a fair value downward adjustment of approximately RMB77,530,000 on property and equipment and a fair value upward adjustment of approximately RMB154,166,000 on right-of-use assets would be recognised by comparing to their respective carrying values as at 31 December 2022.

The adjustment on deferred tax liabilities is determined based on the fair value surplus of property and equipment and right-of-use assets by applying a statutory tax rate of 25% in the PRC.

Target Group B

With reference to the Valuation Report, the directors of the Company estimated the fair value of property and equipment and right-of-use assets (comprising land use rights, school buildings and related facilities) as at 28 February 2023 were approximately RMB1,052,000,000 and RMB260,000,000, respectively. Accordingly, a fair value upward adjustment of approximately RMB5,235,000 on property and equipment and a fair value upward adjustment of approximately RMB52,741,000 on right-of-use assets would be recognised by comparing to their respective carrying values as at 31 December 2022.

The adjustment on deferred tax liabilities is determined based on the fair value surplus of property and equipment and right-of-use assets by applying a statutory tax rate of 25% in the PRC.

- (c) In accordance with HKFRS 3, the excess of fair value of the net identifiable assets of Target Group A acquired over consideration is recognised as a gain on bargain purchase whereas the excess of the consideration over the fair value of the net identifiable assets of Target Group B acquired is recorded as goodwill.

For the purpose of this unaudited pro forma financial information, the directors of the Company considered and assumed that there are no significant changes in the fair values of the consideration transferred and the net identifiable assets of Target Group A between 1 September 2021 and 28 February 2023. Therefore, the gain on bargain purchase arising in the acquisition of Target Group A is estimated to be approximately RMB27,381,000 assuming the acquisition was completed on 1 September 2021.

Since the fair values of the identifiable assets and liabilities of Target Group A and Target Group B at the date of completion of the Acquisition may be substantially different from the fair values used in the preparation of this unaudited pro forma financial information of the Enlarged Group, the final amounts of the identified net assets, gain on bargain purchase and goodwill may be different from the amounts presented above.

5. The pro forma adjustments represent the elimination of intra-group balances, transactions and cash flows between Target Group A and Target Group B.
6. The pro forma adjustment represents (a) additional net depreciation of approximately RMB2,073,000 on the fair value adjustment of the property and equipment and right-of-use assets arising from the Acquisition; (b) the related deferred income tax impact of approximately RMB518,000 as a consequence of the recognition of the fair value adjustment of property and equipment and right-of-use assets; and (c) the corresponding effect of the share of loss and total comprehensive expenses for the year attributable to non-controlling interests of Target Group A and Target Group B.

For the purpose of this unaudited pro forma financial information, the directors of the Company considered and assumed that there are no significant changes in the fair values of property and equipment and right-of-use assets as set out in the Valuation Report between 1 September 2021 and 31 March 2023 and no separate valuation report as at 1 September 2021 was prepared. Had this report been prepared, the amounts of the additional depreciation expenses and deferred tax liabilities for the compilation of the unaudited pro forma financial information of the Enlarged Group may be different from the amounts presented in this appendix.

For the purpose of the unaudited pro forma consolidated statement of profit or loss and other comprehensive income, the depreciation of property and equipment and right-of-use assets is calculated using the straight-line method over its estimated residual life.

This pro forma adjustment is expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows.

7. The amount represents the adjustment of 49% share of loss and total comprehensive expenses of Target Group A and Target Group B to the non-controlling interests for the year ended 31 August 2022 assuming the Acquisition had been completed on 1 September 2021 for the purpose of the unaudited pro forma financial information. This pro forma adjustment is expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income.
8. The adjustment represents the estimated professional fees and transaction costs of approximately RMB2,740,000 payable by the Group in connection with the Acquisition. This pro forma adjustment is not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows.
9. Save as set out above, no other adjustment has been made to reflect any trading results or other transactions entered into by the Group or the Target Group subsequent to 28 February 2023 for the unaudited pro forma statement of financial position as at 28 February 2023, and subsequent to 1 September 2021 for the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 August 2022 as if the Acquisition had taken place at 28 February 2023 and 1 September 2021, respectively.

**ACCOUNTANTS' REPORT FROM THE REPORTING ACCOUNTANTS ON
UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report, in respect of the unaudited pro forma financial information prepared for the purpose of inclusion in this circular, received from the independent reporting accountants, ZHONGHUI ANDA CPA Limited, Certified Public Accountants, Hong Kong.

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of Bojun Education Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Bojun Education Company Limited (the “**Company**”) and its subsidiaries (hereinafter collectively referred to as the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 28 February 2023, the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 August 2022 and related notes as set out on pages IV-2 to IV-10 of the circular issued by the Company dated 28 June 2023 (the “**Circular**”). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on pages IV-2 to IV-10 of the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 28 February 2023 and the Group's financial performance and cash flows for the year ended 31 August 2022 as if the Acquisition had taken place at 28 February 2023 and 1 September 2021, respectively. As part of this process, information about the Group's financial position has been extracted by the Directors from (i) the Group's unaudited consolidated financial statements for the six months ended 28 February 2023, on which no review report has been published; and (ii) the Group's audited consolidated financial statements for the year ended 31 August 2022, on which an auditor's report has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and with reference to Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” (“**AG 7**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”).

Our Independence and Quality Management

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

The firm applies Hong Kong Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 28 February 2023 or 1 September 2021 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors

in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

ZHONGHUI ANDA CPA Limited

Certified Public Accountants

Hong Kong

28 June 2023

The following discussion and analysis should be read in conjunction with the financial information of the Target Group A for the years ended 31 December 2020, 2021 and 2022, as set out in Appendix II to this circular and the financial information of the Target Group B for the period from 5 March 2020 (the date of registration of the Target Company B) to 31 December 2020 and the years ended 31 December 2021 and 2022, as set out in Appendix III to this circular. As advised by our auditor, the accounting policy of each of the Target Groups is consistent with that of the Company.

BUSINESS OVERVIEW

The Target Group A

For the years ended 31 December 2020, 2021 and 2022, the Target Company A was principally engaged in the management of vocational education institutions and is the school sponsor of the two operating vocational education institutions, being the Vocational College and the Vocational School.

The Vocational College is a formal higher vocational education institution (普通高等職業學校), which offers three-year and five-year vocational programmes. Students who enter into the Vocational College have generally completed their high school education. The Vocational College offers students with vocational training programmes in different majors such as accounting, marketing, financial management, business administration, e-commerce, early childhood education, construction design, nursing and elderly service management at annual tuition fee ranging from RMB13,500 to RMB14,000 per programme. As at 31 December 2020, 2021 and 2022, the Vocational College had a student enrolment of approximately 16,081, 21,067 and 23,343, respectively.

The Vocational School is a secondary vocational education institution (中等職業教育學校), which offers three-year vocational programmes in different majors, such as accounting, computer application, railway transportation management, early childhood education, hospitality management and building construction. As at 31 December 2020, 2021 and 2022, the Vocational School had a student enrolment of approximately 552, 2,586 and 5,858, respectively. Since most students graduated in the Vocational School will continue studying higher vocational education at the Vocational College, the Target Group A adjusted the enrolment strategies of the Vocational College and the Vocational School by enhancing the enrolment target of the Vocational School in order to increase the source of student enrolment of the Vocational College. Thus, the number of student enrolment of the Vocational College and the Vocational School has increased.

The Target Group A has been growing and experienced steady increase in revenue over the years. For the years ended 31 December 2020, 2021 and 2022, its revenue increased from approximately RMB145.8 million to approximately RMB202.7 million, and further to approximately RMB269.3 million, respectively. The Target Group A recorded a loss and total comprehensive expense of approximately RMB25.7 million, RMB56.6 million and RMB15.6 million for the years ended 31 December 2020, 2021 and 2022, respectively. The increase in revenue and cost of services of Target Company A was in line with the increase in the number of students.

The Target Group B

The Target Company B was incorporated on 5 March 2020. For the period from 5 March 2020 (the date of registration of the Target Company B) to 31 December 2020 and the years ended 31 December 2021 and 2022, the Target Company B was principally engaged in the business of investment in vocational education institutions. The Target Company B owns the land use right of parcels of land of site area of approximately 547,574 sq.m., with various academic buildings and facilities completed in various stages between 2018 and 2022, and used as school campus. The school campus would be used for provision of vocational education services.

Daying Estate was incorporated on 14 November 2022 and is engaged in the business of property development and construction.

The Target Group B has only been established in March 2020, and recorded no revenue since establishment to 31 December 2020. The Target Group B recorded a revenue of approximately RMB6.3 million and RMB22.6 million for the years ended 31 December 2021 and 2022, respectively, and recorded a loss and total comprehensive expense of approximately RMB0.9 million, RMB0.3 million and RMB10.4 million for the period from 5 March 2020 to 31 December 2020 and the years ended 31 December 2021 and 2022, respectively. The Target Group B was at a loss mainly due to the increase in administrative expenses for the daily operation. Since 2021, the Target Company B has been providing school management services including training services, management and maintenance services to the Vocational College owned by the Target Company A pursuant to a cooperation agreement. As the academic buildings and facilities came into use in 2021 successively, the depreciation of property and equipment of approximately RMB5.6 million and RMB25.7 million were recorded for the years ended 31 December 2021 and 2022, respectively, resulting in a net loss recorded during the corresponding years.

For further information of the Target Groups, please refer to the paragraph headed “4. Information of the Parties” in the Letter from the Board in this circular.

LIQUIDITY, FINANCIAL POSITION AND CAPITAL STRUCTURE

The Target Group A

As at 31 December 2020, 2021 and 2022, the total assets of the Target Group A amounted to approximately RMB1,045.6 million, RMB1,423.4 million and RMB1,435.6 million, respectively. The Target Group A’s cash and bank balances are all denominated in RMB.

As at 31 December 2020, 2021 and 2022, the total liabilities of the Target Group A amounted to approximately RMB512.2 million, RMB946.7 million and RMB974.5 million, respectively.

As at 31 December 2020, the current assets and current liabilities of the Target Group A were approximately RMB161.3 million and RMB310.1 million, respectively. The current assets of the Target Group A as at 31 December 2020 comprised of other receivables, deposits and prepayment of approximately RMB8.4 million, bank balances and cash of approximately RMB14.9 million and amounts due from related parties of approximately RMB138.0 million. The current liabilities of the Target Group A as at 31 December 2020 mainly included account and other payables of approximately RMB49.5 million, borrowings of approximately RMB118.0 million and contract liabilities of approximately RMB115.2 million. The current ratio, represented by the current assets as a percentage of the current liabilities, was approximately 0.52 as at 31 December 2020. The gearing ratio, calculated by dividing total borrowings by total assets, was 0.31 as at 31 December 2020.

As at 31 December 2021, the current assets and current liabilities of the Target Group A were approximately RMB161.1 million and RMB613.3 million, respectively. The current assets of the Target Group A as at 31 December 2021 comprised of other receivables, deposits and prepayments of approximately RMB52.6 million, amounts due from related parties of approximately RMB39.5 million and bank balances and cash of approximately RMB69.0 million. The current liabilities of the Target Group A as at 31 December 2021 mainly included contract liabilities of approximately RMB154.1 million, borrowings of approximately RMB223.1 million and amounts due to related parties of approximately RMB131.6 million. The current ratio, represented by the current assets as a percentage of the current liabilities, was approximately 0.26 as at 31 December 2021. The gearing ratio, calculated by dividing total borrowings by total assets, was 0.39 as at 31 December 2021.

As at 31 December 2022, the current assets and current liabilities of the Target Group A were approximately RMB164.9 million and RMB885.4 million, respectively. The current assets of the Target Group A as at 31 December 2022 comprised of amounts due from related parties of approximately RMB125.2 million, bank balances and cash of approximately RMB29.2 million and other receivables, deposits and prepayments of approximately RMB10.5 million. The current liabilities of the Target Group A as at 31 December 2022 mainly included borrowings of approximately RMB352.4 million, contract liabilities of approximately RMB208.6 million and account and other payables of approximately RMB195.1 million. The current ratio, represented by the current assets as a percentage of the current liabilities, was approximately 0.19 as at 31 December 2022. The gearing ratio, calculated by dividing total borrowings by total assets, was 0.31 as at 31 December 2022.

Please refer to note 20 of the accountants' report of the Target Group A set out in Appendix II to this circular for details of the amounts due from/to related parties.

The Target Group A had borrowings of approximately RMB320.2 million, RMB556.6 million and RMB441.4 million as at 31 December 2020, 2021 and 2022, respectively, and these are secured by the equity of the Target Company A, guarantee deposits, tuition and boarding fee rights of the schools and the Target Group A's furniture, fixtures and equipment and guaranteed by immediate holding company, ultimate holding company, a related company, shareholders, directors of the Target Company A and spouse of one of the directors, independent third parties and key managements of the Target Company A.

Details of the borrowings of the Target Group A as at 31 December 2020, 2021 and 2022 are as follows:

	As at 31 December		
	2020	2021	2022
	RMB'000	RMB'000	RMB'000
Bank borrowings repayable:			
Within one year	105,000	45,000	245,000
More than one year, but not exceeding two years	40,000	245,000	—
More than two years, but not exceeding five years	150,000	—	—
Other borrowings repayable:			
Within one year	13,045	178,141	107,398
More than one year, but not exceeding two years	12,111	63,864	62,661
More than two years, but not exceeding five years	—	24,548	26,365
	<u>320,156</u>	<u>556,553</u>	<u>441,424</u>

The effective interest rates (per annum) for variable-rate bank borrowings were approximately 5.94%–7%, 6%–7% and 6%–7%, respectively, as at 31 December 2020, 2021 and 2022. The effective interest rates (per annum) of fixed-rate other borrowings were approximately 7.74%, 5.54%–8.57% and 5.54%–8.57%, respectively, as at 31 December 2020, 2021 and 2022.

The Target Group B

As at 31 December 2020, 2021 and 2022, the total assets of the Target Group B amounted to approximately RMB266.0 million, RMB1,245.4 million and RMB1,313.1 million, respectively. The Target Group B's cash and bank balances are all denominated in RMB.

As at 31 December 2020, 2021 and 2022, the total liabilities of the Target Group B amounted to approximately RMB266.9 million, RMB1,246.6 million and RMB1,324.7 million, respectively.

As at 31 December 2020, the current assets and current liabilities of the Target Group B were approximately RMB29.3 million and RMB206.6 million, respectively. The current assets of the Target Group B as at 31 December 2020 mainly included bank balances and cash of approximately RMB29.0 million. The current liabilities of the Target Group B as at 31 December 2020 mainly included amounts due to related companies of approximately RMB178.0 million. The current ratio, represented by current assets as a percentage of the current liabilities, was approximately 0.14 as at 31 December 2020. The gearing ratio is not applicable.

As at 31 December 2021, the current assets and current liabilities of the Target Group B were approximately RMB158.5 million and RMB526.7 million, respectively. The current assets of the Target Group B as at 31 December 2021 mainly included bank balances and cash of approximately RMB93.4 million. The current liabilities of the Target Group B as at 31 December 2021 mainly included amounts due to related parties of approximately RMB136.0 million and other payable and accruals of approximately RMB360.7 million. The current ratio, represented by the current assets as a percentage of the current liabilities, was approximately 0.30 as at 31 December 2021. The gearing ratio, calculated by dividing total borrowings by total assets, was approximately 0.24 as at 31 December 2021.

As at 31 December 2022, the current assets and current liabilities of the Target Group B were approximately RMB38.1 million and RMB627.9 million, respectively. The current assets of the Target Group B as at 31 December 2022 mainly included other receivables and deposits of approximately RMB37.2 million. The current liabilities of the Target Group B as at 31 December 2022 mainly included amounts due to related parties of approximately RMB237.7 million and other payable and accruals of approximately RMB360.2 million. The current ratio, represented by the current assets as a percentage of the current liabilities, was approximately 0.06 as at 31 December 2022. The gearing ratio, calculated by dividing total borrowings by total assets, was approximately 0.21 as at 31 December 2022.

Please refer to note 18 of the accountants' report of the Target Group B set out in Appendix III to this circular for details of the amounts due from/to related parties.

The Target Group B had borrowings of approximately nil, RMB300.0 million and RMB270.0 million as at 31 December 2020, 2021 and 2022, respectively, and these are secured by the equity of the related company and the joint shareholder and guaranteed by the joint shareholders, non-controlling shareholder, directors of the Target Company B and spouse of one of the directors and key managements of the Target Company B.

Details of the borrowings of the Target Group B as at 31 December 2020, 2021 and 2022 are as follows:

	As at 31 December		
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Bank borrowings repayable:			
Within one year	—	30,000	30,000
More than one year, but not exceeding two years	—	30,000	40,000
More than two years, but not exceeding five years	—	100,000	200,000
More than five years	—	140,000	—
	<u>—</u>	<u>300,000</u>	<u>270,000</u>

The effective interest rates (per annum) for variable-rate bank borrowings were approximately 8.0% and 8.0%, respectively, as at 31 December 2021 and 2022.

CHARGES ON ASSETS

To better manage the Target Group A's capital structure and financing needs, the Target Group A entered into sale and leaseback arrangements in relation to certain furniture, fixtures and equipment. The carrying value of the Target Group A's assets held under sale and leaseback arrangements as at 31 December 2020, 2021 and 2022 was approximately RMB32,308,000, RMB87,899,000 and RMB118,161,000, respectively. Leased assets were pledged as security for the related sale and leaseback arrangements. These legal transfer do not satisfy the requirement of HKFRS 15 to be accounted for as sale of the furniture, fixtures and equipment. During the years ended 31 December 2020, 2021 and 2022, the Target Group A has raised loans of approximately RMB25,000,000, RMB356,400,000 and RMB132,000,000, respectively, in respect of such sale and leaseback arrangements. The other borrowings of the Target Group A as at 31 December 2020, 2021 and 2022 are secured by guarantee deposits amounted to RMB250,000, RMB14,650,000 and RMB12,400,000, respectively, the Target Group A's furniture, fixtures and equipment and receivable of tuition and boarding fee of a school for the school year 2021 and 2022 and guaranteed by immediate holding company, ultimate holding company, a related party, shareholders, directors and key managements of the Target Company A. Save as disclosed herein, the Target Group A did not pledge any other assets as at 31 December 2020, 2021 and 2022 while the Target Group B did not pledge any assets as at 31 December 2020, 2021 and 2022.

SEGMENT INFORMATION

The Target Groups focus on the provision of private vocational education service in Sichuan Province, the PRC. For the years ended 31 December 2020, 2021 and 2022, the revenue of the Target Group A was derived from provision of education services. For the years ended 31 December 2020, 2021 and 2022, the revenue of the Target Group B was derived from school management services, training services, management and maintenance services.

FUTURE PLANS

The Target Groups focus on the provision of private vocational education service and do not intend to change this focus. The Target Groups had not identified any target for investment or acquisition as at the Latest Practicable Date.

ACQUISITIONS AND DISPOSALS

There were no material acquisitions and disposals of subsidiaries, jointly controlled entities and associated companies by each of the Target Groups for the years ended 31 December 2020, 2021 and 2022, respectively.

SIGNIFICANT INVESTMENTS HELD AND FUTURE PLANS FOR MATERIAL INVESTMENTS

The Target Groups held land as described in Appendix VI to this circular for education purpose. Save for disclosed herein, each of the Target Groups did not have any other significant investments as at 31 December 2020, 2021 and 2022, respectively. There is no immediate plan for material investments by the Target Groups.

CAPITAL COMMITMENT

Each of the Target Groups had no material capital commitments for the acquisition of fixed assets or intangible assets as at 31 December 2020, 2021 and 2022, respectively.

FOREIGN EXCHANGE EXPOSURE

All of the Target Groups' revenue and substantially all of the Target Groups' operating expenses are denominated in RMB. The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. Shortage in the availability of foreign currencies may restrict the ability of the Target Groups' PRC subsidiaries remit sufficient foreign currencies to pay dividends or other amounts to the Target Groups.

As at the Latest Practicable Date, each of the Target Groups did not have any foreign currency hedging policies. The management of the Target Groups will continue monitoring the Target Groups' foreign exchange risk exposure and consider adopting prudent measures as appropriate.

TREASURY POLICY AND HEDGING ARRANGEMENT

For the years ended 31 December 2020, 2021 and 2022, each of the Target Groups did not have any treasury policy or hedging arrangement.

EMPLOYMENT AND REMUNERATION POLICIES

As at 31 December 2020, 2021 and 2022, the Target Group A had approximately 779, 1,026 and 1,128 employees, respectively. For the years ended 31 December 2020, 2021 and 2022, the total directors and other staff costs of the Target Group A amounted to approximately RMB44.4 million, RMB58.4 million and RMB77.7 million, respectively.

As at 31 December 2020, 2021 and 2022, the Target Group B had 13, 14 and 1 employees, respectively. For the years ended 31 December 2020, 2021 and 2022, the Target Company B had no directors' fee and other staff costs of the Target Company B amounted to approximately RMB0.5 million, RMB0.7 million and RMB83,000, respectively.

The remuneration of the employees are determined with reference to the individual experience and performance of employees. The Target Groups maintain salaries of employees at a competitive level and reviews salaries regularly, with close reference to the relevant

conditions of the labour market and economic situation. Directors' remuneration are determined based on a variety of factors such as market conditions and responsibilities assumed by each director of the Target Groups. Apart from the basic remuneration and statutory benefits required by laws, the Target Groups also provide discretionary bonuses based upon its results and the individual performance of the staff.

CONTINGENT LIABILITIES

Each of the Target Groups did not have other contingent liabilities as at 31 December 2020, 2021 and 2022, respectively. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as of the Latest Practicable Date, the Target Groups were not involved in any litigation or arbitration of material importance and no litigation or arbitration of material importance was known to the Directors to be pending or threatened against the Target Groups.

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation of the property interests as at 31 March 2023.



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

28 June 2023

The Board of Directors
Bojun Education Company Limited
209 Sanshe Road,
Jinjiang District,
Chengdu,
Sichuan Province,
The PRC

Dear Sirs,

On 10 April 2023, two amended agreements (being the Amended Equity Transfer Agreement A and the Amended Equity Transfer Agreement B) were entered to amend and restate the terms of two equity transfer agreements dated 8 December 2021. On 26 June 2023, two supplemental agreements (being the Supplemental Agreement A and the Supplemental Agreement B) were entered to amend the terms of aforesaid two amended agreements.

According to the Amended Equity Transfer Agreement A, Sichuan Yunmao Education Management Company Limited (四川沅懋教育管理有限公司, “**Sichuan Yunmao**”, wholly-owned by Sichuan Yuanmao Education Management Company Limited (四川沅懋教育管理有限公司, “**Sichuan Yuanmao**”, owned as to 99% by Mr. Wang Jinglei, an executive director and a substantial shareholder, and as to 1% by Ms. Duan Ling, the spouse of Mr. Wang)) and Chengdu Bomao Education Management Company Limited (成都博懋教育管理有限公司, “**Chengdu Bomao**”, a wholly-owned subsidiary of Bojun Education Company Limited (博駿教育有限公司, the “**Company**”)) conditionally agreed to purchase 26.5% of the equity interest in Sichuan Zhengzhuo Education Investment Company Limited (四川正卓教育投資有限公司, the “**Target Company A**”) held by Shenzhen Hongyuan Education Investment Company Limited (深圳弘遠教育投資有限公司, “**Shenzhen Hongyuan**”) (the “**Sale Interest AI**”) and 24.5% of the equity interest in the Target Company A held by Sichuan Zhengzhuo Industrial Company Limited (四川正卓實業有限公司, “**Sichuan Zhengzhuo**”) (the “**Sale Interest AII**”). Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest AI and the Sale Interest AII, respectively, in the aggregate consideration of RMB283,050,000 (the “**Consideration A**”), with (i) the earnest money of RMB73,500,000 used to set on part of the Consideration A to Shenzhen Hongyuan and (ii) partial consideration of RMB51,810,044.22 (being approximately HK\$63,275,579.16) being settled by allotment and issue of 74,441,857 shares at the issue price of HK\$0.85 per share by the Company to Sichuan Zhengzhuo (or its nominee).

According to the Amended Equity Transfer Agreement B, Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase 25.5% of the equity interest in Sichuan Gaojiao Investment Company Limited (四川高教投資有限公司, the “**Target Company B**”) held by Shenzhen Hongyuan (the “**Sale Interest BI**”) and 25.5% of the equity interest in the Target Company B held by Sichuan Zhengzhuo (the “**Sale Interest BII**”). Shenzhen Hongyuan and Sichuan Zhengzhuo conditionally agreed to sell the Sale Interest BI and the Sale Interest BII, respectively, in the aggregate consideration of RMB26,010,000 (the “**Consideration B**”), out of which partial consideration of RMB4,760,922.98 (being approximately HK\$5,814,512.68) shall be settled by allotment and issue of 6,840,603 shares at the issue price of HK\$0.85 per share by the Company to Sichuan Zhengzhuo (or its nominee).

Upon the completion of the Amended Equity Transfer Agreement A and the Amended Equity Transfer Agreement B, Sichuan Yunmao will hold 51% of the registered capital of the Target Company A and the Target Company B (collectively, the “**Target Companies**”). Prior to the completion, Chengdu Bomao will enter into a new set of structured contracts with members of the Target Company A and its subsidiaries (the “**Target Group A**”) and the Target Company B and its subsidiary (the “**Target Group B**”) (collectively, the “**Target Groups**”) and Sichuan Yunmao, which will become effective upon the completion, upon which Sichuan Yunmao and the Target Groups will become consolidated affiliated entities, and the Company and its subsidiaries and the consolidated affiliated entities (collectively, the “**Group**”) will obtain control over and derive economic benefits from the Target Groups and Sichuan Yunmao, and the financial results of which will be consolidated into the accounts of the Group.

In accordance with your instructions to value the property interests held by the Target Groups in the People’s Republic of China (the “**PRC**”) for disclosure purpose, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion on the market values of the property interests as at 31 March 2023 (the “**valuation date**”).

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

Due to the nature of the buildings and structures of the properties and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have been valued by the cost approach with reference to their depreciated replacement costs.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate

potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

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

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

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

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

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

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

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

Inspection of the properties were carried out in April 2023 by Mr. Leo Wang who has more than 10 years' experience in the valuation of properties in the PRC.

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

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

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

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

Note: Eddie T.W. Yiu is a Chartered Surveyor who has 29 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I — Property interest held and occupied by the Target Company A in the PRC

No.	Property	Market value in existing state as at 31 March 2023 RMB
1.	Sichuan Winshare Vocational College (Dayi Campus) (四川文軒職業學院大邑校區) located at No. 9 Jinping Avenue, Jinyuan Town, Dayi County, Chengdu, Sichuan Province, the PRC	922,000,000 (Refer to note 1)
Sub-total:		<u>922,000,000</u>

Group II — Property interest held and occupied by the Target Company B in the PRC

No.	Property	Market value in existing state as at 31 March 2023 RMB
2.	Sichuan Winshare Vocational College (Daying Campus) (四川文軒職業學院大英校區) located at No. 9 Xuefu Avenue, Penglai Town, Daying County, Suining, Sichuan Province, the PRC	1,027,000,000 (Refer to note 2)
Sub-total:		<u>1,027,000,000</u>
Grand total:		<u>1,949,000,000</u>

Notes:

- As at the valuation date, the relevant Building Ownership Certificates of 51 buildings with a total gross floor area of approximately 59,574.23 sq.m. of property No. 1 had not been obtained. Therefore, we have attributed no commercial value to these buildings. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings as at the valuation date would be RMB157,000,000.
- As at the valuation date, the relevant Building Ownership Certificates of 14 buildings with a total gross floor area of approximately 96,879.81 sq.m. of property No. 2 had not been obtained. Therefore, we have attributed no commercial value to these buildings. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings as at the valuation date would be RMB285,000,000.

VALUATION CERTIFICATE

Group I — Property interest held and occupied by the Target Company A in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
1.	Sichuan Winshare Vocational College (Dayi Campus) (四川文軒職業學院大邑校區) located at No. 9 Jinping Avenue, Jinyuan Town, Dayi County, Chengdu, Sichuan Province, The PRC	<p>The property is located at No. 9 Jinping Avenue, Jinyuan Town, Dayi County of Chengdu. The locality is a newly developing area where public facilities such as municipal facilities and amenities are under further improvement.</p> <p>The property comprises a parcel of land with a site area of approximately 386,620.00 sq.m., 96 buildings and various structures erected thereon which were completed in various stages between 2009 and 2021.</p> <p>The property comprises 96 buildings with a total gross floor area of approximately 348,839.64 sq.m., which mainly include academic buildings, administrative office buildings, experiment buildings, gymnasiums, libraries, dormitories, canteens and ancillary buildings.</p> <p>The structures mainly include sports grounds, landscaped facilities, boundary walls and roads.</p> <p>The land use rights of the property have been granted for a term of 50 years with the expiry date on 27 December 2059 for educational, scientific research and design uses.</p>	As at the valuation date, the property was occupied by the Target Group A for educational and ancillary purposes.	922,000,000 (Refer to note 4)

Notes:

- Pursuant to a State-owned Land Use Rights Certificate — Da Yi Guo Yong (2013) Di No. 423, the land use rights of a parcel of land with a site area of approximately 386,620.00 sq.m. have been granted to Sichuan Winshare Vocational College (四川文軒職業學院, the “**Vocational College**”, wholly-owned by the Target Company A) for a term of 50 years expiring on 27 December 2059 for educational, scientific research and design uses.
- Pursuant to 4 Construction Work Commencement Permits — Nos. 510129201504290101, 510129201712250101, 510129201504290102 and 510129201504290103 in favour of the Vocational College, permission by the relevant local authority was given to commence the construction of academic building No. 6, student dormitory No. 8, student dormitory No. 32, student dormitory No. 33, academic building No. 7, academic building No. 8 and an office building with a total gross floor area of approximately 30,106.89 sq.m. As at the valuation date, the application of Building Ownership Certificates of these 7 buildings was under processing.

3. Pursuant to 2 Building Ownership Certificates — Da Fang Quan Zheng Jian Zheng Zi Di Nos. 0196235 and 0210233, 45 buildings with a total gross floor area of approximately 289,265.41 sq.m. are owned by the Vocational College for academic buildings, administrative office buildings, experiment buildings, libraries, dormitories and canteens uses.
4. As at the valuation date, the relevant Building Ownership Certificates of 51 buildings with a total gross floor area of approximately 59,574.23 sq.m. of the property had not been obtained. Therefore, we have attributed no commercial value to these buildings. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings as at the valuation date would be RMB157,000,000.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. The Vocational College, as the sole owner, has legally obtained the land use rights of the property and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land, and the land use rights of the property are not found subject to dispute, sequestration, distraint, auction and other mandatory measures or any other encumbrances;
 - b. The Vocational College, as the sole owner, has legally obtained the building ownership rights under the Building Ownership Certificates mentioned in note 3 and is entitled to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the aforesaid buildings within the applicable period specified in the Building Ownership Certificates. The usage of the buildings are consistent with the corresponding land planning use; and
 - c. The 51 buildings mentioned in note 4 have been completed and put into use. Because the planning and construction of 22 buildings had not been applied and reported according to the regulations, the Building Ownership Certificates of these 22 buildings with a total gross floor area of approximately 24,469.25 sq.m. cannot be obtained. The other 29 buildings with a total gross floor area of approximately 35,104.98 sq.m. have been gone through the application and reporting procedure for construction. But the construction audit and completion acceptance of these 29 buildings have not been conducted, and the issuance of Building Ownership Certificates is currently pending. It is uncertain when the building ownership will be determined.

VALUATION CERTIFICATE

Group II — Property interest held and occupied by the Target Company B in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
2.	Sichuan Winshare Vocational College (Daying Campus) (四川文軒職業學院大英校區) located at No. 9 Xuefu Avenue, Penglai Town, Daying County, Suining, Sichuan Province, The PRC	<p>The property is located at No. 9 Xuefu Avenue, Penglai Town, Daying County of Chengdu. The locality is a newly developing area where public facilities such as municipal facilities and amenities and public transportation network are under further improvement.</p> <p>The property comprises 9 parcels of land with a total site area of approximately 547,574.14 sq.m., 35 buildings and various structures erected thereon which were completed in various stages between 2018 and 2022.</p> <p>The property comprises 35 buildings with a total gross floor area of approximately 308,092.61 sq.m., which mainly include academic buildings, administrative office buildings, experiment buildings, gymnasiums, conference centers, libraries, dormitories, canteens and ancillary buildings.</p> <p>The structures mainly include sports grounds, landscaped facilities, boundary walls and roads.</p> <p>The land use rights of the property have been granted for a term of 50 years expiring on 23 January 2063 and 12 September 2071 for educational use.</p>	As at the valuation date, the property was occupied by the Target Company B for educational and ancillary purposes.	1,027,000,000 (Refer to note 10)

Notes:

1. Pursuant to 10 State-owned Construction Land Use Rights Grant Contracts — 510803-2020-21, 510803-2020-22, 510803-2020-23, 510803-2020-35, 510803-2021-21, 510803-2021-22, 510803-2021-23, 510803-2021-24, 510803-2021-25 and 510803-2021-26 dated 7 July 2020, 15 July 2020, 25 November 2020 and 25 August 2021, the land use rights of portion of the property with a site area of approximately 390,266.13 sq.m. were contracted to be granted to the Target Company B for a term of 50 years for educational use. The total land premium was RMB163,909,200. As advised by the Target Company B, the land premium has been fully paid as at the valuation date.
2. Pursuant to a Transaction Confirmation dated 21 April 2020 — 3 parcels of land with a total site area of approximately 129,136.84 sq.m. and the construction work under development erected thereon have been granted to the Target Company B by foreclosure auction. The total transaction price was RMB97,900,000.00. As advised by the Target Company B, the auction premium has been fully paid as at the valuation date.
3. Pursuant to 2 Execution Rulings — (2018) Chuan 0923 Zhi Hui Nos. 73 Zhi Yi and Zhi Si dated 22 April 2020 and 10 June 2020, the land use rights of 3 parcels of land with a total site area of approximately 129,136.84 sq.m. have been granted to the Target Company B.
4. Pursuant to a Public Bidding Contract for Related Assets of Taiji Primary School in Penglai Town, Daying County dated 1 April 2021, the land use rights of 2 parcels of land with a total site area of approximately 28,169.03 sq.m. and 3 buildings with a total gross floor area of approximately 8,028.52 sq.m. and various structures erected on the land parcels, have been acquired by the Target Company B through public bidding. The total transaction price was RMB39,200,000.
5. Pursuant to 17 Real Estate Title Certificates — Chuan (2020) Da Ying Xian Bu Dong Chan Quan Di Nos. 0004739, 0004740, 0005254, 0005255, 0005256, 0005269 and 0010930, Chuan (2021) Da Ying Xian Bu Dong Chan Quan Di Nos. 0007766, 0007763, 0007764, 0007765, 0018206, 0018207, 0018208, 0018209, 0018210 and 0018211, the land use rights of 15 parcels of land with a total site area of approximately 547,574.13 sq.m. have been granted to the Target Company B for a term expiring on 23 January 2063 and 12 September 2071 for educational use.
6. Pursuant to 7 Real Estate Title Certificates — Chuan (2021) Da Ying Xian Bu Dong Chan Quan Di Nos. 0007763, 0007764, 0007766 and 0018209, Chuan (2022) Da Ying Xian Bu Dong Chan Quan Di Nos. 0000867, 0000868 and 0000869, the land use rights of 9 parcels of land with a total site area of approximately 547,574.14 sq.m. have been granted to the Target Company B for a term expiring on 23 January 2063 and 12 September 2071 for educational use. The 15 parcels of land mentioned in note 5 have been combined into 9 parcels after these 7 Real Estate Title Certificates have been obtained by the Target Company B.
7. Pursuant to 3 Construction Land Planning Permits — Di Zi Di Nos. 510923202000014, 510923202000018 and 510923202000020, permissions towards the planning of the land parcels with a total site area of approximately 496,335.47 sq.m. have been granted to the Target Company B.
8. Pursuant to 4 Construction Work Planning Permits — Jian Zi Di Nos. (2020) 0028, (2020) 0045, (2020) 510923202100027 and 510923202200012, the construction works of portion of the property with a total gross floor area of approximately 296,843.14 sq.m. have been approved for construction.
9. Pursuant to 4 Construction Work Commencement Permits — Nos. 510923202109300101, 510923202010140101, 510923202212140101 and 510923202303310101 in favour of the Target Company B, permissions by the relevant local authority were given to commence the construction of Sichuan Winshare Vocational College Daying Campus (Phase I) and Sichuan Winshare Vocational College Daying Campus (Phase II) with a total gross floor area of approximately 296,843.14 sq.m.
10. Pursuant to 23 Construction Work Completion and Inspection Acceptance Reports — the building construction of portion of the property with a total gross floor area of approximately 236,821.31 sq.m. together with the decoration work of another portion of the property with a total gross floor area of approximately 60,288.50 sq.m. have been completed and passed the inspection acceptance.

11. Pursuant to 6 Real Estate Title Certificates — Chuan (2021) Da Ying Xian Bu Dong Chan Quan Di Nos. 0007763, 0007764 and 0007766, Chuan (2022) Da Ying Xian Bu Dong Chan Quan Di Nos. 0000867, 0000868 and 0000869, 21 buildings for educational, medical, health and research uses with a total gross floor area of approximately 211,212.80 sq.m., are owned by the Target Company B.
12. As at the valuation date, the relevant Building Ownership Certificates of 14 buildings with a total gross floor area of approximately 96,879.81 sq.m. of the property had not been obtained. Therefore, we have attributed no commercial value to these buildings. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings as at the valuation date would be RMB285,000,000.
13. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal adviser, which contains, inter alia, the following:
 - a. The Target Company B, as the sole owner, has legally obtained the land use rights of the property mentioned in note 6 and is entitled to legally occupy, use, transfer, lease, inject capital, mortgage or otherwise dispose of the aforesaid land within the applicable period specified in the ownership certificate. The land use is consistent with the planned use;
 - b. The Target Company B, as the sole owner, has legally obtained the real estate ownership rights of the buildings under the Real Estate Title Certificates mentioned in note 11 and is entitled to legally occupy, use, lease, transfer, mortgage or otherwise dispose of the buildings within the applicable period specified in the Real Estate Title Certificates;
 - c. 6 buildings of the 14 buildings mentioned in note 12 with a total gross floor area of approximately 2,287.83 sq.m. have been completed and put into use. Because the planning and construction of the buildings had not been applied and reported according to the regulations, the Building Ownership Certificates of these 6 buildings cannot be obtained; and
 - d. The other 8 buildings of the 14 buildings mentioned in note 12 with a total gross floor area of approximately 94,591.98 sq.m., have been completed and put into use. The application for the Real Estate Title Certificates of these 8 buildings to the local real estate administrative department can be carried out after the completion acceptance of fire engineering has been passed, the Engineering Fire Safety Certificates, Planning Acceptance Certificates together with the Engineering Quality Acceptance (Qualified) Filing Certificates of the whole project have been obtained.

This report is prepared in Chinese without official English version. The English translation is for reference only, and the Chinese version will prevail in the event of any inconsistency.



仲量聯行

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2 November 2021

The Board of Directors
Bojun Education Company Limited
21st Floor, CCB Tower, 3 Connaught Road Central, Hong Kong
Hong Kong, the PRC

Dear Sirs,

In accordance with the instructions of Bojun Education Company Limited (“**Bojun Education**” or the “**Company**”), we have undertaken a valuation of the fair value of 100% equity interest in Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) (“**Zhengzhuo Education**” or the “**Target Company**”) as at 31 August 2021 (the “**Valuation Date**”). This report will contain our findings of our investigation and our opinion on the valuation of Zhengzhuo Education. The report which follows is dated 2 November 2021.

The purpose of this valuation is to express an independent opinion of the fair value of 100% equity interest in Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) as at the Valuation Date for circular reference.

We have conducted our valuation in accordance with the requirements for appraisals under the HKIS Valuation Standards and Hong Kong Financial Reporting Standards, and collected sufficient relevant information as a basis for our opinion in the valuation process. Furthermore, we believe that a series of valuation procedures we have performed also provide a reasonable basis for our opinion.

In conducting our valuation, we have reviewed information from various sources, and engaged in discussions with the senior management of the Company. In addition, we have conducted a study based on various publicly available information and publications to verify the reasonableness of the data obtained.

The conclusion of this valuation was based on the requirements for appraisals under the HKIS Valuation Standards and Hong Kong Financial Reporting Standards and dependent to a greater extent on certain assumptions made after taking into account various factors relating to the business operations. In the meantime, we have also considered a number of risk factors that may have a potential impact on the business operations. Jones Lang LaSalle Corporate Appraisal and Advisory Limited will not express any opinions on any legal or other professional issues other than the regular work carried out by the valuers.

Following the appropriate investigation and analysis based on the methods above, we are of the opinion that the fair value of 100% equity interest in Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) as at the Valuation Date (31 August 2021) is as follows:

Valuation Date	Fair Value of 100% Equity Interest (RMB'000)
31 August 2021	694,360

The following pages outline the valuation methods and assumptions employed and factors considered in the valuation for determining the fair value of 100% equity interest in Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) as at the Valuation Date.

All opinions expressed in this report are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Executive Director

INTRODUCTION

In accordance with the instructions of Bojun Education Company Limited (“**Bojun Education**”), we have undertaken a valuation of the fair value of 100% equity interest in Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) (“**Zhengzhuo Education**” or the “**Target Company**”) as at 31 August 2021 (the “**Valuation Date**”). This report will contain the findings of our investigation and our opinion on the valuation of Zhengzhuo Education. The report which follows is dated 2 November 2021.

PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion of the fair value of 100% equity interest in Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) as at the Valuation Date for circular reference.

PRINCIPLES OF VALUATION

Under the Hong Kong Financial Reporting Standards, fair value is defined as “*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*”.

We have conducted our valuation in accordance with the requirements for appraisals under the HKIS Valuation Standards and Hong Kong Financial Reporting Standards, and collected sufficient relevant information as a basis for our opinion in the valuation process. Furthermore, we believe that a series of valuation procedures we have performed also provide a reasonable basis for our opinion.

BASIS OF VALUATION

We have conducted our valuation in accordance with the requirements for appraisals under the HKIS Valuation Standards and Hong Kong Financial Reporting Standards, and collected sufficient relevant information as a basis for our opinion in the valuation process. Furthermore, we believe that a series of valuation procedures we have performed also provide a reasonable basis for our opinion. The valuation procedures employed include a review of the assets being valued, key assumptions, estimates, and representations made by the proprietor or the operator of the assets appraised. All matters 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:

- Fairness and reasonableness of assumptions about the market in relation to the assets being valued;
- Consideration and analysis of macroeconomic and microeconomic aspects;
- Analysis of the Company's development measures, management levels and the potential synergies of the underlying assets; and
- Examination of the assets being valued.

We have obtained all the information and data we considered necessary in order to be able to adequately express our opinion of valuation and believe that the valuation procedures for this work provides a reasonable basis for the opinion of valuation to be expressed.

BACKGROUND INFORMATION

Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投资有限公司)

Sichuan Zhengzhuo Education Investment has a wealth of experience in running schools, and the core members of its operation and teaching management come from the founding team of Winshare College. Established in February 2013, Sichuan Winshare Vocational College is a privately-run higher vocational school offering 31 majors including, among others, construction engineering technology, accounting, pre-school education and healthcare, with over 18,700 students enrolled. After 6 years of hard work, it has become a first-class school in private higher vocational education in Sichuan, and has developed a unique curriculum, established a superior management team and trained a group of excellent teachers.

REFERENCE DOCUMENTS

In the process of valuation, we have reviewed various related information, including but not limited to:

- Background and operational information of the Target Company;
- Financial data of the Target Company as at 31 August 2021.

We have discussed with the management of Bojun Education about the operations and business processes of the Target Company. We have also conducted surveys and studies on the relevant industry to confirm the reasonableness of the information obtained. We believe that such information is reasonable and reliable.

Valuation Methodologies

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

Market Approach

It 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

It 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 asset.

Income Approach

It 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.

SELECTION OF VALUATION METHODOLOGY

In our opinion, the income approach and cost approach are inappropriate for valuing the target asset. Firstly, the income approach represents a discounted cash flow method to devolve the future value of the business into a present fair value. However, Zhengzhuo Education has been experiencing a profit deficit in recent years, and it is difficult to accurately measure risks and income in the coming years. Secondly, the cost approach does not directly incorporate information about the economic benefits contributed by the underlying assets. Therefore, we rely solely on the market approach in determining our value. We determine the target company's fair value by using financial ratios (P/S, P/B multiples) of comparable companies and taking into account the discount for lack of market liquidity.

MAJOR ASSUMPTIONS

The assumptions that have a significant impact on this valuation have been fully considered and verified to ensure the accuracy and rationality of this valuation.

In order to determine the fair value of the equity held by Zhengzhuo Education's shareholders, we have made the following major assumptions:

- We have assumed that the target company will continue to operate;
- We have assumed that there will be no material changes in the current political, legal, technological, financial or economic conditions that could adversely affect the target company's business;
- We have assumed that the operational and contractual terms of relevant contracts and agreements will be fulfilled;
- We have assumed that there are no hidden or unexpected circumstances associated with the assets being appraised that could adversely affect reported values. In addition, we will not be liable for any changes in market conditions after the Valuation Date.

SUMMARY OF MARKET APPROACH**Comparable Listed Companies**

Comparable Company	Ticker
Edvantage Group Holdings Limited	0382 HK EQUITY
Chen Lin Education Group Holdings Limited	1593 HK EQUITY
Top Education Group Limited	1752 HK EQUITY
Hope Education Group Limited	1765 HK EQUITY
China Kepei Education Group Limited	1890 HK EQUITY
JH Educational Technology INC.	1935 HK EQUITY

Financial ratios of comparable listed companies on Valuation Date

Comparable Company	P/B Multiple	P/S Multiple
Edvantage Group Holdings Limited	2.11	5.02
Chen Lin Education Group Holdings Limited	2.29	6.70
Top Education Group Limited	1.40	2.36
Hope Education Group Limited	1.29	4.34
China Kepei Education Group Limited	2.29	7.08
JH Educational Technology INC.	1.63	4.79

Financial Information of the Target Company

	P/B Multiple	P/S Multiple
	Net Assets	Revenue
Financial Figures (RMB'000)	513,268	175,372

DISCOUNT FOR LACK OF MARKETABILITY

A factor to be considered in valuing non-listing companies is the marketability of such interests. Marketability is defined as the ability to convert the interest into cash quickly, with minimum transaction costs, and with a high degree of certainty as to the amount of proceeds. Buying and selling of interests in private companies generally involves relatively higher transaction costs, because there is no established market of readily-available buyers and sellers. All other factors being equal, an interest in a publicly traded company is worth more because it is readily marketable. Conversely, an interest in a private-held company is worth less because no established market exists. A discount for lack of marketability (DLOM) is a method used to calculate the value for non-listing companies and restricted shares. The theory behind DLOM is that difference exist between the value of a company's marketable stock and not marketable stock, which generates the DLOM. Therefore, a value reduction will apply.

The target company does not have an initial public offering plan as at the Valuation Date. Therefore, we refer to the article "2020 EDITION Stout Restricted Stock Study Companion Guide" to derive the DLOM. In reference with the expected income of Zhengzhuo Education in 2021, discount of 24.00% is used as a proxy for DLOM as at the Valuation Date.

DESCRIPTION OF THE VALUATION EXERCISE

We confirm that we have conducted surveys and inquiries related to this valuation and obtained the corresponding information. We have considered the information provided by the Company on Zhengzhuo Education as a reference for our valuation work.

The conclusion of this valuation was based on the HKIS Valuation Standards and Hong Kong Financial Reporting Standards after taking into account various uncertainties. Moreover, not all assumptions and uncertainties can be easily quantified or determined. We consider the assessment assumptions as set forth herein to be reasonable. However, these assumptions are subject to various uncertainties in the business environment, economic development and market competition to a great extent, which are beyond the control or foresight of Bojun Education, Zhengzhou Education and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

CONCLUSION OF VALUATION

Based on the abovementioned methodology and the results of our investigation and analysis, we believe that the fair value of 100% equity interest of Sichuan Zhengzhuo Education Investment Company Limited*(四川正卓教育投资有限公司) on the Valuation Date of 31 August 2021 is as follows:

Valuation Date	Fair value of 100% Equity Interest (RMB'000)
31 August 2021	694,360

LIMITING CONDITIONS

This report and the valuation opinions are subject to the limiting conditions contained in Exhibit I.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Executive Director

EXHIBIT I — LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties 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 reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
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 management and the Board of the Company/engagement parties have reviewed and agreed on the report 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 specialized expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal 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 assets valued.

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/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties 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 client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference 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 party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree 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/engagement parties 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 the 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/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties 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.

EXHIBIT II — VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The under mentioned persons provided professional assistance in the compilation of this report:

Simon M. K. Chan
Executive Director

Michael Q. Ding
Senior Director

Li Linhong
Project Manager

EXHIBIT III — VALUATION MODEL

Client	Bojun Education Company Limited
Valuation Subject	Sichuan Zhengzhuo Education Investment Company Limited
Valuation Date	31/08/2021

Comparable Company	Ticker	P/B Multiple	P/S Multiple
Edvantage Group Holdings Limited	0382 HK EQUITY	2.11	5.02
Chen Lin Education Group Holdings Limited	1593 HK EQUITY	2.29	6.70
Top Education Group Limited	1752 HK EQUITY	1.40	2.36
Hope Education Group Limited	1765 HK EQUITY	1.29	4.34
China Kepei Education Group Limited	1890 HK EQUITY	2.29	7.08
JH Educational Technology INC.	1935 HK EQUITY	1.63	4.79

Multiples	P/B Multiple	P/S Multiple
MAX	2.29	7.08
MEAN	1.84	5.05
MEDIAN	1.87	4.91
QUARTILE	1.46	4.45
MIN	1.29	2.36

Mean multiples of P/B and P/S of comparable companies are adopted to determine 100% equity value.

	P/B Multiple	P/S Multiple
Financial Figures (RMB'000)	Net Assets	Revenue
	<u>513,268</u>	<u>175,372</u>
Multiples (MEAN)	1.84	5.05
Target Company 100% equity value (Before DL0M)	941,945	885,320
DL0M 24.00%	226,067	212,477
Target Company Fair Value (RMB'000)	<u>715,878</u>	<u>672,843</u>
100% Equity Value RMB'000	<u><u>715,878</u></u>	<u><u>672,843</u></u>
Average (RMB'000)		<u><u>694,360</u></u>

This report is prepared in Chinese without official English version. The English translation is for reference only, and the Chinese version will prevail in the event of any inconsistency.



仲量聯行

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Company Licence No.: C-030171

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電話 +852 2846 5000 傳真 +852 2169 6001
公司牌照號碼：C-030171

2 November 2021

The Board of Directors
Bojun Education Company Limited
21st Floor, CCB Tower, 3 Connaught Road Central, Central, Hong Kong
Hong Kong, the PRC

Dear Sirs,

In accordance with the instructions of Bojun Education Company Limited (“**Bojun Education**” or the “**Company**”), we have undertaken a valuation of the fair value of 100% equity interest in Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) (“**Gaojiao Investment**” or the “**Target Company**”) as at 31 August 2021 (the “**Valuation Date**”). This report will contain our findings of our investigation and our opinion on the valuation of Gaojiao Investment. The report which follows is dated 2 November 2021.

The purpose of this valuation is to express an independent opinion of the fair value of 100% equity interest in Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) as at the Valuation Date for circular reference.

We have conducted our valuation in accordance with the requirements for appraisals under the HKIS Valuation Standards and Hong Kong Financial Reporting Standards, and collected sufficient relevant information as a basis for our opinion in the valuation process. Furthermore, we believe that a series of valuation procedures we have performed also provide a reasonable basis for our opinion.

In conducting our valuation, we have reviewed information from various sources, and engaged in discussions with the senior management of the Company. In addition, we have conducted a study based on various publicly available information and publications to verify the reasonableness of the data obtained.

The conclusion of this valuation was based on the requirements for appraisals under the HKIS Valuation Standards and Hong Kong Financial Reporting Standards and dependent to a greater extent on certain assumptions made after taking into account various factors relating to the business operations. In the meantime, we have also considered a number of risk factors that may have a potential impact on the business operations. Jones Lang LaSalle Corporate Appraisal and Advisory Limited will not express any opinions on any legal or other professional issues other than the regular work carried out by the valuers.

Following the appropriate investigation and analysis based on the methods above, we are of the opinion that the fair value of 100% equity interest in Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) as at the Valuation Date (31 August 2021) is as follows:

Valuation Date	Fair Value of 100% Equity Interest (RMB'000)
31 August 2021	59,843

The following pages outline the valuation methods and assumptions employed and factors considered in the valuation for determining the fair value of 100% equity interest in Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) as at the Valuation Date.

All opinions expressed in this report are subject to the assumptions and limiting conditions contained therein.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M.K. Chan

Executive Director

INTRODUCTION

In accordance with the instructions of Bojun Education Company Limited (“**Bojun Education**”), we have undertaken a valuation of the fair value of 100% equity interest in Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) (“**Gaojiao Investment**” or the “**Target Company**”) as at 31 August 2021 (the “**Valuation Date**”). This report will contain the findings of our investigation and our opinion on the valuation of Gaojiao Investment. The report which follows is dated 2 November 2021.

PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion of the fair value of 100% equity interest in Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) as at the Valuation Date for circular reference.

PRINCIPLES OF VALUATION

Under the Hong Kong Financial Reporting Standards, fair value is defined as “*the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date*”.

We have conducted our valuation in accordance with the requirements for appraisals under the HKIS Valuation Standards and Hong Kong Financial Reporting Standards, and collected sufficient relevant information as a basis for our opinion in the valuation process. Furthermore, we believe that a series of valuation procedures we have performed also provide a reasonable basis for our opinion.

BASIS OF VALUATION

We have conducted our valuation in accordance with the requirements for appraisals under the HKIS Valuation Standards and Hong Kong Financial Reporting Standards, and collected sufficient relevant information as a basis for our opinion in the valuation process. Furthermore, we believe that a series of valuation procedures we have performed also provide a reasonable basis for our opinion. The valuation procedures employed include a review of the assets being valued, key assumptions, estimates, and representations made by the proprietor or the operator of the assets appraised. All matters 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:

- Fairness and reasonableness of assumptions about the market in relation to the assets being valued;
- Consideration and analysis of macroeconomic and microeconomic aspects;
- Analysis of the Company's development measures, management levels and the potential synergies of the underlying assets; and
- Examination of the assets being valued.

We have obtained all the information and data we considered necessary in order to be able to adequately express our opinion of valuation and believe that the valuation procedures for this work provides a reasonable basis for the opinion of valuation to be expressed.

BACKGROUND INFORMATION

Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司)

Gaojiao Investment is currently investing into the construction of Sichuan Winshare Vocational College (Daying Campus) Project:

On 6 January 2020, Sichuan Zhengzhuo Industrial Company Limited* (四川正卓實業有限公司) entered into the Sichuan Winshare College (Daying Campus) Project Investment Agreement with People's Government of Daying County, pursuant to which Sichuan Zhengzhuo Industrial Company Limited* (四川正卓實業有限公司) has agreed to invest RMB8.0 billion into the construction of Sichuan Winshare College (Daying Campus) Project. The Project has 2,000 mu (Chinese unit of land measurement that is commonly 666.7 square metres), with approximately 1,500 mu for education and research purpose, 500 mu for forestry and other non-construction purposes and 130 mu for commercial and residential area exclusive of the Project. On 5 March 2020, a project company namely, Gaojiao Investment, was established to assume the rights and obligations of Party B to the Sichuan Winshare College (Daying Campus) Project Investment Agreement.

On 15 May 2020, Gaojiao Investment made a registration filing on the environmental impacts of Sichuan Winshare Vocational College (Daying Campus) Project (filing number: 202051092300000065).

On 9 September 2020, Gaojiao Investment made an application to Daying County Development and Reform Bureau for a fixed asset investment project filing (Project name: Sichuan Winshare Vocational College (Daying Campus); Project type: Infrastructure (development & reform); Nature of construction: Newly constructed; Industry: Education; Location of construction: Huojing Village, Penglai Town (蓬萊鎮火井村); Total investment amounts and source of funding of the Project: Total investment amount of the Project was RMB8.0 billion; Proposed work commencement date: September 2020 & proposed completion date: June 2025; Primary contents and scale of construction: A newly constructed academic

building, a student dormitory, a teaching staff dormitory, a training base (with an ancillary hospital, etc.), a library, an office building, a theatre, a conference centre, a sports ground, a canteen, with gross floor area of approximately 900,000 sq.m. On 10 September 2020, the Daying County Development and Reform Bureau agreed with and confirmed the filing of the Project.

REFERENCE DOCUMENTS

In the process of valuation, we have reviewed various related information, including but not limited to:

- Background and operational information of the Target Company;
- Financial data of the Target Company as at 31 August 2021.

We have discussed with the management of Bojun Education about the operations and business processes of the Target Company. We have also conducted surveys and studies on the relevant industry to confirm the reasonableness of the information obtained. We believe that such information is reasonable and reliable.

Valuation Methodologies

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

Market Approach

It 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.

Asset-based approach (Cost Approach)

It 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 asset.

Income Approach

It 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.

SELECTION OF VALUATION METHODOLOGY

In this valuation report, we have adopted the asset-based approach (cost approach) in valuing the fair value of the assets and liabilities of Gaojiao Investment respectively, taking into account the nature and conditions of each class of assets and liabilities and adopting an appropriate valuation methodology for each of them.

Assets	Valuation Methodology
Monetary fund, prepayments, other receivables, other current assets, other non-current assets	Based on the financial figures provided by the Company.
Fixed assets	For fixed assets, we have used the positive addition approach to value fixed assets. The cost approach, which measures the replacement cost and depreciation of target property at the point in time of value, is used to obtain the value or price of the target property by subtracting the depreciation from the replacement cost.
Intangible assets — land use rights	For land use rights, we have adopted the direct comparison approach to value the land use rights. Under the direct comparison approach, certain comparables would be selected and made comparison with the subject of valuation, and the transaction price differences between the comparables and the subject would be processed to obtain the value or price of the subject of the valuation.

Liabilities**Valuation methodology**

Taxes payable, other payables

Based on the management accounts figures provided by the Company.

Carrying Value

The following is the management account of Gaojiao Investment as at 31 August 2021.

*Currency unit: RMB***Carrying value****Assets****Liabilities**

Monetary fund	1,769,272	Tax payable	1,439
Prepayments	53,380,000	Other payables	444,565,901
Other receivables	321,304		
Other current assets	14,607,469		
Fixed assets	124,533		
Construction in progress	166,410,680		
Intangible assets	44,624,431		
Other non-current assets	<u>163,118,633</u>		
Total	<u>444,356,321</u>	Total	<u>444,567,340</u>
		Net asset value	<u>(211,019)</u>

Value Appraisal

The following is the appraised values of the identifiable assets and liabilities of Gaojiao Investment as at 31 August 2021:

Currency unit: RMB

Appraised value			
Assets		Liabilities	
Monetary fund	1,769,272	Tax payable	1,439
Other receivables	321,304	Other payables	444,565,901
Other current assets	14,607,469		
Fixed assets	<u>487,711,919</u>		
Total	<u>504,409,964</u>	Total	<u>444,567,340</u>
		Net asset value	<u>59,842,624</u>

Affecting Factors

This valuation required consideration of relevant factors affecting the operations of the Company and was completed in accordance with the requirements of the International Valuation Standards for valuation exercises. The factors we have taken into account in the valuation process include the following, amongst others:

- the general economic outlook;
- the business nature of Gaojiao Investment's business and history of the operations;
- financial position of Gaojiao Investment;
- projected operating costs and overheads;
- impact of micro- and macro-economic factors on the subject asset;
- the substantial plan, management level and synergies of the subject asset; and
- the leverage and liquidity of the subject asset.

DESCRIPTION OF THE VALUATION EXERCISE

We confirm that we have conducted surveys and inquiries related to this valuation and obtained the corresponding information. We have considered the information provided by the Company on Gaojiao Investment as a reference for our valuation work.

The conclusion of this valuation was based on the HKIS Valuation Standards and Hong Kong Financial Reporting Standards after taking into account various uncertainties. Moreover, not all assumptions and uncertainties can be easily quantified or determined. We consider the assessment assumptions as set forth herein to be reasonable. However, these assumptions are subject to various uncertainties in the business environment, economic development and market competition to a great extent, which are beyond the control or foresight of Bojun Education, Gaojiao Investment and Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

CONCLUSION OF VALUATION

Based on the abovementioned methodology and the results of our investigation and analysis, we believe that the fair value of 100% equity interest of Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) on the Valuation Date of 31 August 2021 is as follows:

Valuation Date	Fair Value of 100% Equity Interest (RMB'000)
31 August 2021	59,843

LIMITING CONDITIONS

This report and the valuation opinions are subject to the limiting conditions contained in Exhibit I.

Yours faithfully,

For and on behalf of

Jones Lang LaSalle Corporate Appraisal and Advisory Limited

Simon M. K. Chan

Executive Director

EXHIBIT I — LIMITING CONDITIONS

1. In the preparation of our reports, we relied on the accuracy, completeness and reasonableness of the financial information, forecast, assumptions and other data provided to us by the Company/engagement parties 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 reports were used as part of the Company's/engagement parties' analysis in reaching their conclusion of value and due to the above reasons, the ultimate responsibility of the derived value of the subject property rests solely with the Company/engagement parties.
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 management and the Board of the Company/engagement parties have reviewed and agreed on the report 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 specialized expertise, which is out of valuers' capacity.
7. The use of and/or the validity of the report is subject to the terms of engagement letter/proposal 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 assets valued.

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/Reference Date. We cannot provide assurance on the achievability of the results forecasted by the Company/engagement parties 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 client and the calculation of values expressed herein is valid only for the purpose stated in the engagement letter/or proposal as of the Valuation/Reference 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 party/parties interested in the assets valued, we are entitled to rely on that representation without further investigation into the veracity of the representation.
13. You agree 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/engagement parties 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 the 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/engagement parties and other sources. Actual transactions involving the subject assets/business might be concluded at a higher or lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivation of the buyers and sellers at that time.
17. The management or staff of the Company/engagement parties and/or its representatives have confirmed to us that the transaction or themselves or the parties involved in the pertained assets or transaction are independent to our firm and JLL in this valuation or calculation exercise. Should there be any conflict of interest or potential independence issue that may affect our independency in our work, the Company/engagement parties 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.

EXHIBIT II — VALUERS' PROFESSIONAL DECLARATION

The following valuers certify, to the best of their knowledge and belief, that:

- Information has been obtained from sources that are believed to be reliable. All facts which have a bearing on the value concluded have been considered by the valuers and no important facts have been intentionally disregarded.
- The reported analyses, opinions, and conclusions are subject to the assumptions as stated in the report and based on the valuers' personal, unbiased professional analyses, opinions, and conclusions. The valuation exercise is also bounded by the limiting conditions.
- The reported analyses, opinions, and conclusions are independent and objective.
- The valuers have no present or prospective interest in the asset that is the subject of this report, and have no personal interest or bias with respect to the parties involved.
- The valuers' compensation is not contingent upon the amount of the value estimate, the attainment of a stipulated result, the occurrence of a subsequent event, or the reporting of a predetermined value or direction in value that favours the cause of the client.
- The under mentioned persons provided professional assistance in the compilation of this report:

Li Linhong
Project Manager

Simon M. K. Chan
Executive Director

Michael Q. Ding
Senior Director

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. INTERESTS OF DIRECTORS

(a) Interests of Directors in the Shares, underlying shares and debentures of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares and share options of the Company and its associated corporations (within the meaning of Part XV of the SFO which are required (a) 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 are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code for Securities Transactions by Directors of Listed Companies adopted by the Company (the “**Model Code**”) to be notified to the Company and the Stock Exchange were as follows:

Long positions in the Shares

Name of Director	Capacity	Long position/ Short position	Number of Shares held	Approximate percentage of issued share capital of the Company
Mr. Wang Jinglei ⁽¹⁾ (Executive Director)	Interest of controlled corporation	Long position	233,920,000	28.46% ⁽²⁾
Mr. Wu Jiwei (Non-executive Director)	Beneficial interest	Long position	46,000	0.01% ⁽²⁾

Notes:

- Act Glory Global Limited is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Act Best Global Limited, which is solely and beneficially owned by Mr. Wang Jinglei. Therefore, Mr. Wang Jinglei and Act Best Global Limited are deemed to be interested in the 233,920,000 Shares held by Act Glory Global Limited by virtue of SFO.
- Based on 821,856,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above and other than certain nominee Shares in subsidiaries held by Directors in trust for the Company or its subsidiaries, as at the Latest Practicable Date, none of the Company's Directors, chief executive nor their associates had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) as 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 he is taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Substantial Shareholders

As at the Latest Practicable Date, the following persons, other than the interest disclosed in the section headed "2. Disclosure of interests — (a) Interests of Directors and chief executive in the Shares, underlying shares and debentures of the Company", having interest 5% or more in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO have notified to the Company and have been recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under section 336 of Part XV of the SFO:

Name of shareholder	Capacity	Number of issued ordinary shares held	Long position/ Short position	Approximate percentage of issued share capital of the Company ⁽⁷⁾
Act Glory Global Limited ⁽¹⁾	Beneficial owner	233,920,000	Long position	28.46%
Act Best Global Limited ⁽¹⁾	Interest of controlled corporation	233,920,000	Long position	28.46%
Ms. Duan Ling ⁽²⁾	Interest of spouse	233,920,000	Long position	28.46%
Cosmic City Holdings Limited ⁽³⁾	Beneficial owner	82,853,550	Long position	10.08%
Mr. Xiong Tao ⁽³⁾	Interest of controlled corporation	82,853,550	Long position	10.08%
Wuxi FC ⁽⁴⁾	Beneficial owner	140,000,000	Long position	17.03%
FC Equity ⁽⁴⁾	Interest in a controlled corporation	140,000,000	Long position	17.03%
Sunrise Asset ⁽⁴⁾	Interest in a controlled corporation	140,000,000	Long position	17.03%
Sunrise Capital ⁽⁴⁾	Interest in a controlled corporation	140,000,000	Long position	17.03%
China First Capital Group Limited ⁽⁴⁾	Interest in a controlled corporation	140,000,000	Long position	17.03%
Chen Junchao ⁽⁵⁾	Interest in a controlled corporation	10,000,000	Long position	1.22%

Name of shareholder	Capacity	Number of issued ordinary shares held	Long position/ Short position	Approximate percentage of issued share capital of the Company ⁽⁷⁾
Shenzhen Jingxi Ruihe Investment Development Company limited* (深圳經世瑞合投資發展有限公司) ⁽⁵⁾	Interest in a controlled corporation	10,000,000	Long position	1.22%
Honesty Virtue International Limited ⁽⁵⁾	Beneficial owner	10,000,000	Long position	1.22%
Zhongyuan Bank Co., Ltd.* (中原銀行有限公司) ⁽⁶⁾	Interest in a controlled corporation	140,000,000	Long position	17.03%

Notes:

1. Act Glory Global Limited is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Act Best Global Limited, which is solely and beneficially owned by Mr. Wang Jinglei. Therefore, Mr. Wang Jinglei and Act Best Global Limited are deemed to be interested in the 233,920,000 Shares held by Act Glory Global Limited by virtue of SFO.
2. Ms. Duan Ling is the wife of Mr. Wang Jingle, and is therefore deemed to be interested in the 233,920,000 Shares indirectly held by Mr. Wang Jinglei through Act Best Global Limited and Act Glory Global Limited by virtue of the SFO.
3. Cosmic City Holdings Limited is an investment holding company incorporated in the BVI, and is solely and beneficially owned by Mr. Xiong Tao. Therefore, Mr. Xiong Tao is deemed to be interested in the 82,853,550 Shares held by Cosmic City Holdings Limited Mr. Xiong Tao passed away on 18 August 2020.
4. Wuxi FC is a limited partnership established in the PRC and its general partner is FC Equity, a limited liability company established in the PRC, which is wholly owned by Sunrise Asset, a limited liability company established in Hong Kong. Sunrise Asset is wholly-owned by Sunrise Capital, a limited liability company established in the British Virgin Islands, which is wholly-owned by CFC, a limited liability company incorporated in the Cayman Islands and the issued shares of which are listed on the Stock Exchange (stock code: 1269). Thus, Wuxi FC, FC Equity, Sunrise Asset, Sunrise Capital and CFC are deemed to be interested in the Shares held by Wuxi FC under the SFO.
5. On 24 September 2020, Wuxi FC, as mortgagor, executed a deed of share mortgage in favour of Zhongyuan Bank Co., Ltd., as mortgagee, pursuant to which Wuxi FC agreed to mortgage the 150,000,000 Shares it then held in favour of Zhongyuan Bank Co., Ltd.
6. Based on 821,856,000 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other person, other than the interest disclosed in the section headed “2. Disclosure of interests — (a) Interests of Directors and chief executive in the Shares, underlying, underlying shares and debentures of the Company”, having interest 5% or

more in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO who have notified to the Company and have been recorded in the register of substantial shareholders' interests in shares and short positions required to be kept under section 336 of Part XV of the SFO.

(c) Interests of Directors in the assets of the Company

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which had, since 31 August 2022, being the date of the latest published audited financial statements of the Company, been acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to any member of the Group.

(d) Interests of Directors in contracts

There was no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director is materially interested in and which is significant to the business of the Group.

3. DIRECTORS' SERVICE CONTRACTS

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

4. DIRECTORS' INTERESTS IN COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, the controlling Shareholder and their respective associates is considered by the Company to have interests in business which compete with, or might compete with, either directly or indirectly, with the business of the Group.

5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 August 2022, the date to which the latest published audited accounts of the Company were made up.

6. EXPERTS' QUALIFICATION AND CONSENT

The following are the qualifications of the experts who have been named in this circular or has given opinion or advice contained in this circular:

Name	Qualifications
ZHONGHUI ANDA CPA Limited	Certified public accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Qualified surveyors
Beijing Deheng (Chengdu) Law Firm	PRC lawyers

As at the Latest Practicable Date, each of the experts named above has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter or report and reference to its name, in the form and context in which they are included.

As at the Latest Practicable Date, each of the experts named above did not have any shareholding in any member of the Group and did not have the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any members of the Group.

Letters and reports from the experts named above as set out in this circular were given for incorporation in this circular.

As at the Latest Practicable Date, each of the experts named above did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 August 2022, being the date to which the latest published audited consolidated financial statements of the Company were made up.

7. LITIGATION

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

8. MATERIAL CONTRACTS

Set out below are summary of the principal contents of the material contracts (not being contracts entered into in the ordinary course of business) entered into by any members of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the Structured Contracts;
- (b) the agreement dated 25 August 2021 entered into among Chengdu Bojun, the Initial Shareholder and the Target Company, pursuant to which the due date of refunding the Prepayment to Chengdu Bojun was extended to 25 November 2021. The Initial Shareholder guaranteed the refund of the prepayment on an unlimited joint liability basis. Late refund of the prepayment would attract a default interest of 6% per annum on the amount of prepayment and a penalty for breach of contract calculated at 0.05% of the outstanding amount on a daily basis;
- (c) the termination agreement dated 27 August 2021 entered into among Sichuan Yunmao, Sichuan Hongde Guanghua Education Management Company Limited* (四川弘德光華教育管理有限公司), Pengzhou Bojun School* (彭州市博駿學校), Chengdu Qizheng Corporate Management Company Limited* (成都啓正企業管理有限公司) and Mr. Chen Lung* (陳龍) in relation to the Sichuan Yunmao's disposal of 51% equity interest in Pengzhou Bojun School with refund of total investment fund of RMB41,164,941.29 contributed by the Group to such school upon establishment;
- (d) the Equity Transfer Agreements entered into among (i) Shenzhen Hongyuan, Zhengzhuo Industrial, Sichuan Yunmao, Chengdu Bomao, Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司), the Company and Chengdu Bojun and (ii) Shenzhen Hongyuan, Zhengzhuo Industrial, Sichuan Yunmao, Chengdu Bomao, Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司), the Company and Chengdu Bojun on 8 December 2021; and
- (e) the Amended Agreements (as amended and supplemented by the respective Supplemental Agreements).

9. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Lam Wai Kei, who is a practising member of The Hong Kong Institute of Certified Public Accountants.
- (b) The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (c) The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (d) The principal place of business in Hong Kong of the Company is situated at 2206–19 Jardine House, 1 Connaught Place, Central, Hong Kong.
- (e) The head office of the Company is at No. 209 Sanse Road, Jinjiang District, Chengdu, Sichuan Province, the PRC.
- (f) The English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS ON DISPLAY

Copies of the following documents will be on the websites of the Company and the Stock Exchange for the period of 14 days commencing from the date of this circular:

- (a) the accountants' report of the Target Group A, the text of which is set out in Appendix II to this circular;
- (b) the accountants' report of the Target Group B, the text of which is set out in Appendix III to this circular;
- (c) the report from the reporting accountants, ZHONGHUI ANDA CPA Limited, on unaudited pro forma financial information of the enlarged Group, the text of which is set out in Appendix IV to this circular;
- (d) the Capital Injection Agreement (as amended and supplemented by supplemental agreements);
- (e) the Equity Transfer Agreements;
- (f) the Amended Agreements (as amended and supplemented by the respective Supplemental Agreements);
- (g) the valuation report on the property interests owned by the Target Groups as prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited as set out in Appendix VI to this circular;
- (h) the written consent of the experts referred to in the paragraph headed "6. Experts' qualification and consent" of this appendix;

- (i) the valuation reports of equity interests of the Target Companies as prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited as set out in Appendices VII and VIII to this circular;
- (j) legal opinions in relation to the Structured Contracts as prepared by Beijing Deheng (Chengdu) Law Firm;
- (k) the loan agreement dated 28 July 2020 entered into between the Vocational College and the Target Company and its amended and the amended loan agreement dated 10 April 2023 entered to amend and renew the said loan agreement to 31 December 2024; and
- (l) the Structured Contracts.

Details of the proposed amendments to the Articles of Association are set out as follows:

The Companies Law Act (As Revised)
Exempted Company Limited by Shares

SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

Bojun Education Company Limited
博駿教育有限公司

(Conditionally adopted by a special resolution dated 12 July 2018 with effect from the listing of shares of the Company on The Stock Exchange of Hong Kong Limited and with effect from 31 July 2018 Adopted by way of special resolution at a general meeting held on [•] 2023)

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THE COMPANIES ~~LAW~~ACT (AS REVISED)
EXEMPTED COMPANY LIMITED BY SHARES

SECOND AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

Bojun Education Company Limited
博駿教育有限公司

(Conditionally adopted by a special resolution dated 12 July 2018 with effect from the listing of shares of the Company on The Stock Exchange of Hong Kong Limited and with effect from 31 July 2018 ~~Adopted by way of special resolution at a general meeting held on [•]~~ 2023)

TABLE A

1. The regulations in Table A in the Schedule to the Companies ~~Law~~Act (~~Revised~~As defined in Article 2) do not apply to the Company.

INTERPRETATION

2. (1) In these Articles, unless the context otherwise requires, the words standing in the first column of the following table shall bear the meaning set opposite them respectively in the second column.

<u>WORD</u>	<u>MEANING</u>
<u>“Act”</u>	<u>the Companies Act, Cap. 22 of the Cayman Islands and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.</u>
<u>“announcement”</u>	<u>an official publication of a Notice or document of the Company, including a publication, subject to and to such extent permitted by the Listing Rules, by electronic communication or by advertisement published in the newspapers or in such manner or means ascribed and permitted by the Listing Rules and applicable laws.</u>
<u>“Articles”</u>	these Articles in their present form or as supplemented or amended or substituted from time to time.

“Auditor”	the auditor of the Company for the time being and may include any individual or partnership.
“Board” or “Directors”	the board of directors of the Company or the directors present at a meeting of directors of the Company at which a quorum is present.
“ business day ”	shall mean a day on which the Designated Stock Exchange generally is open for the business of dealing in securities in Hong Kong. For the avoidance of doubt, where the Designated Stock Exchange is closed for the business of dealing in securities in Hong Kong on a business day for the reason of a Number 8 or higher Typhoon Signal, Black Rainstorm Warning or other similar event, such day shall for the purposes of these Articles be counted as a business day.
“capital”	the share capital of the Company from time to time.
“clear days”	in relation to the period of a notice that period excluding the day when the notice is given or deemed to be given and the day for which it is given or on which it is to take effect.
“clearing house”	a clearing house recognised by the laws of the jurisdiction in which the shares of the Company are listed or quoted on a stock exchange in such jurisdiction.
“close associate”	in relation to any Director, shall have the same meaning as defined in the rules of the Designated Stock Exchange (“Listing Rules”) as modified from time to time, except that for purposes of Article 100 where the transaction or arrangement to be approved by the Board is a connected transaction referred to in the Listing Rules, it shall have the same meaning as that ascribed to “associate” in the Listing Rules.
“Company”	Bojun Education Company Limited 博駿教育有限公司
“competent regulatory authority”	a competent regulatory authority in the territory where the shares of the Company are listed or quoted on a stock exchange in such territory.
“debenture” and “debenture holder”	include debenture stock and debenture stockholder respectively.
“Designated Stock Exchange”	a stock exchange in respect of which the shares of the Company are listed or quoted and where such stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company.

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“dollars” and “\$”	dollars, the legal currency of Hong Kong.
<u>“electronic communication”</u>	<u>a communication sent, transmitted, conveyed and received by wire, by radio, by optical means or by other similar means in any form through any medium.</u>
<u>“electronic meeting”</u>	<u>a general meeting held and conducted wholly and exclusively by virtual attendance and participation by Members and/or proxies by means of electronic facilities.</u>
“head office”	such office of the Company as the Directors may from time to time determine to be the principal office of the Company.
“Law”	The Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
<u>“hybrid meeting”</u>	<u>a general meeting convened for the (i) physical attendance by Members and/or proxies at the Principal Meeting Place and where applicable, one or more Meeting Locations and (ii) virtual attendance and participation by Members and/or proxies by means of electronic facilities.</u>
<u>“Listing Rules”</u>	<u>the rules and regulations of the Designated Stock Exchange.</u>
<u>“Meeting Location”</u>	<u>has the meaning given to it in Article 64A.</u>
“Member”	a duly registered holder from time to time of the shares in the capital of the Company.
“month”	a calendar month.
“Notice”	written notice unless otherwise specifically stated and as further defined in these Articles.
“Office”	the registered office of the Company for the time being.

“ordinary resolution”	a resolution shall be an ordinary resolution when it has been passed by a simple majority of votes cast by such Members as, being entitled so to do, vote in person or, in the case of any Member being a corporation, by its duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which Notice has been duly given in accordance with Article 59.
“paid up”	paid up or credited as paid up.
“ <u>physical meeting</u> ”	<u>a general meeting held and conducted by physical attendance and participation by Members and/or proxies at the Principal Meeting Place and/or where applicable, one or more Meeting Locations.</u>
“ <u>Principal Meeting Place</u> ”	<u>shall have the meaning given to it in Article 59(2).</u>
“Register”	the principal register and where applicable, any branch register of Members to be maintained at such place within or outside the Cayman Islands as the Board shall determine from time to time.
“Registration Office”	in respect of any class of share capital such place as the Board may from time to time determine to keep a branch register of Members in respect of that class of share capital and where (except in cases where the Board otherwise directs) the transfers or other documents of title for such class of share capital are to be lodged for registration and are to be registered.
“Seal”	common seal or any one or more duplicate seals of the Company (including a securities seal) for use in the Cayman Islands or in any place outside the Cayman Islands.
“Secretary”	any person, firm or corporation appointed by the Board to perform any of the duties of secretary of the Company and includes any assistant, deputy, temporary or acting secretary.

- “special resolution” a resolution shall be a special resolution when it has been passed by a majority of not less than three-fourths of votes cast by such Members as, being entitled so to do, vote in person or, in the case of such Members as are corporations, by their respective duly authorised representative or, where proxies are allowed, by proxy at a general meeting of which Notice has been duly given in accordance with Article 59.
- a special resolution shall be effective for any purpose for which an ordinary resolution is expressed to be required under any provision of these Articles or the Statutes.
- “Statutes” the ~~Law~~Act and every other law of the Legislature of the Cayman Islands for the time being in force applying to or affecting the Company, its memorandum of association and/or these Articles.
- “Subsidiary and — Holding Company” ~~has the meanings attributed to them in the rules of the Designated Stock Exchange.~~
- “substantial shareholder” a person who is entitled to exercise, or to control the exercise of, 10% or more (or such other percentage as may be prescribed by the ~~rules of the Designated Stock Exchange~~Listing Rules from time to time) of the voting power at any general meeting of the Company.
- “year” a calendar year.
- (2) In these Articles, unless there be something within the subject or context inconsistent with such construction:
- (a) words importing the singular include the plural and vice versa;
 - (b) words importing a gender include both gender and the neuter;
 - (c) words importing persons include companies, associations and bodies of persons whether corporate or not;
 - (d) the words:
 - (i) “may” shall be construed as permissive;
 - (ii) “shall” or “will” shall be construed as imperative;

- (e) expressions referring to writing shall, unless the contrary intention appears, be construed as including printing, lithography, photography and other modes of representing or reproducing words or figures in a legible and non-transitory form or, to the extent permitted by and in accordance with the Statutes and other applicable laws, rules and regulations, any visible substitute for writing (including an electronic communication), or modes of representing or reproducing words partly in one visible form and partly in another visible form, and including where the representation takes the form of electronic display, provided that both the mode of service of the relevant document or ~~notice~~Notice and the Member's election comply with all applicable Statutes, rules and regulations;
- (f) references to any law, ordinance, statute or statutory provision shall be interpreted as relating to any statutory modification or re-enactment thereof for the time being in force;
- (g) save as aforesaid words and expressions defined in the Statutes shall bear the same meanings in these Articles if not inconsistent with the subject in the context;
- (h) references to a document (including, but without limitation, a resolution in writing) being signed or executed include references to it being signed or executed under hand or under seal or by electronic signature or by electronic communication or by any other method and references to a ~~notice~~Notice or document include a ~~notice~~Notice or document recorded or stored in any digital, electronic, electrical, magnetic or other retrievable form or medium and information in visible form whether having physical substance or not;
- (i) Section 8 and Section 19 of the Electronic Transactions ~~Law (2003)~~Act of the Cayman Islands, as amended from time to time, shall not apply to these Articles to the extent it imposes obligations or requirements in addition to those set out in these Articles;
- (j) references to the right of a Member to speak at an electronic meeting or a hybrid meeting shall include the right to raise questions or make statements to the chairman of the meeting, verbally or in written form, by means of electronic facilities. Such a right shall be deemed to have been duly exercised if the questions or statements may be heard or seen by all or only some of the persons present at the meeting (or only by the chairman of the meeting) in which event the chairman of the meeting shall relay the questions raised or the statements made verbatim to all persons present at the meeting, either orally or in writing using electronic facilities;

- (k) a reference to a meeting: (a) shall mean a meeting convened and held in any manner permitted by these Articles and any Member or Director attending and participating at a meeting by means of electronic facilities shall be deemed to be present at that meeting for all purposes of the Statutes and these Articles, and attend, participate, attending, participating, attendance and participation shall be construed accordingly, and (b) shall, where the context is appropriate, include a meeting that has been postponed by the Board pursuant to Article 64E;
- (l) references to a person's participation in the business of a general meeting include without limitation and as relevant the right (including, in the case of a corporation, through a duly authorised representative) to speak or communicate, vote, be represented by a proxy and have access in hard copy or electronic form to all documents which are required by the Statutes or these Articles to be made available at the meeting, and participate and participating in the business of a general meeting shall be construed accordingly;
- (m) references to electronic facilities include, without limitation, website addresses, webinars, webcast, video or any form of conference call systems (telephone, video, web or otherwise); and
- (n) where a Member is a corporation, any reference in these Articles to a Member shall, where the context requires, refer to a duly authorised representative of such Member.

SHARE CAPITAL

3. (1) The share capital of the Company at the date on which these Articles come into effect shall be divided into shares of a par value of \$0.01 each. App-39
- (2) Subject to the ~~Law~~Act, the Company's Memorandum and Articles of Association and, where applicable, the Listing Rules and/or the rules and regulations of any Designated Stock Exchange and/or any competent regulatory authority, the Company shall have the power to purchase or otherwise acquire its own shares and such power shall be exercisable by the Board in such manner, upon such terms and subject to such conditions as it in its absolute discretion thinks fit and any determination by the Board of the manner of purchase shall be deemed authorised by these Articles for purposes of the ~~Law~~Act. The Company is hereby authorised to make payments in respect of the purchase of its shares out of capital or out of any other account or fund which can be authorised for this purpose in accordance with the ~~Law~~Act.

- (3) Subject to compliance with the Listing Rules and the rules and regulations of the ~~Designated Stock Exchange and~~ any other relevant competent regulatory authority, the Company may give financial assistance for the purpose of or in connection with a purchase made or to be made by any person of any shares in the Company.
- (4) The Board may accept the surrender for no consideration of any fully paid share.
- (5) No share shall be issued to bearer.

ALTERATION OF CAPITAL

4. The Company may from time to time by ordinary resolution in accordance with the ~~Law~~Act alter the conditions of its Memorandum of Association to:
- (a) increase its capital by such sum, to be divided into shares of such amounts, as the resolution shall prescribe;
- (b) consolidate and divide all or any of its capital into shares of larger amount than its existing shares;
- (c) divide its shares into several classes and without prejudice to any special rights previously conferred on the holders of existing shares attach thereto respectively any preferential, deferred, qualified or special rights, privileges, conditions or such restrictions which in the absence of any such determination by the Company in general meeting, as the Directors may determine provided always that where the Company issues shares which do not carry voting rights, the words “non-voting” shall appear in the designation of such shares and where the equity capital includes shares with different voting rights, the designation of each class of shares, other than those with the most favourable voting rights, must include the words “restricted voting” or “limited voting”;
- (d) sub-divide its shares, or any of them, into shares of smaller amount than is fixed by the Company’s Memorandum of Association (subject, nevertheless, to the ~~Law~~Act), and may by such resolution determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred, deferred or other rights or be subject to any such restrictions as compared with the other or others as the Company has power to attach to unissued or new shares;
- (e) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person, and diminish the amount of its capital by the amount of the shares so cancelled or, in the case of shares, without par value, diminish the number of shares into which its capital is divided.

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5. The Board may settle as it considers expedient any difficulty which arises in relation to any consolidation and division under the last preceding Article and in particular but without prejudice to the generality of the foregoing may issue certificates in respect of fractions of shares or arrange for the sale of the shares representing fractions and the distribution of the net proceeds of sale (after deduction of the expenses of such sale) in due proportion amongst the Members who would have been entitled to the fractions, and for this purpose the Board may authorise some person to transfer the shares representing fractions to their purchaser or resolve that such net proceeds be paid to the Company for the Company's benefit. Such purchaser will not be bound to see to the application of the purchase money nor will his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.
6. The Company may from time to time by special resolution, subject to any confirmation or consent required by the LawAct, reduce its share capital or any capital redemption reserve or other undistributable reserve in any manner permitted by law.
7. Except so far as otherwise provided by the conditions of issue, or by these Articles, any capital raised by the creation of new shares shall be treated as if it formed part of the original capital of the Company, and such shares shall be subject to the provisions contained in these Articles with reference to the payment of calls and instalments, transfer and transmission, forfeiture, lien, cancellation, surrender, voting and otherwise.

SHARE RIGHTS

- 8.(1) Subject to the provisions of the LawAct and the Company's Memorandum and Articles of Association and to any special rights conferred on the holders of any shares or class of shares, any share in the Company (whether forming part of the present capital or not) may be issued with or have attached thereto such rights or restrictions whether in regard to dividend, voting, return of capital or otherwise as the Board may determine. App-3
8(1)
8(2)
- 9.(2) Subject to the provisions of the LawAct, the ~~rules of any Designated Stock Exchange Listing Rules~~ and the Memorandum and Articles of Association of the Company, and to any special rights conferred on the holders of any shares or attaching to any class of shares, shares may be issued on the terms that they may be, or at the option of the Company or the holder are, liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.
9. ~~Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender shall be limited to a maximum price as may from time to time be determined by the Company in general meeting, either generally or with regard to specific purchases. If purchases are by tender, tenders shall be available to all Members alike.~~ App-3
8(1)
8(2)

VARIATION OF RIGHTS

10. Subject to the ~~Law~~Act and without prejudice to Article 8, all or any of the special rights for the time being attached to the shares or any class of shares may, unless otherwise provided by the terms of issue of the shares of that class, from time to time (whether or not the Company is being wound up) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting all the provisions of these Articles relating to general meetings of the Company shall, *mutatis mutandis*, apply, but so that:
- (a) the necessary quorum (~~other than~~including at an adjourned meeting) shall be two persons (or in the case of a Member being a corporation, its duly ~~authorized~~authorised representative) holding or representing by proxy not less than one-third in nominal value of the issued shares of that class ~~and at any adjourned meeting of such holders, two holders present in person or (in the case of a Member being a corporation) its duly authorized representative or by proxy (whatever the number of shares held by them) shall be a quorum;~~ and
- (b) every holder of shares of the class shall be entitled to one vote for every such share held by him.
11. The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied, modified or abrogated by the creation or issue of further shares ranking *pari passu* therewith.

SHARES

12. (1) Subject to the ~~Law~~Act, these Articles, any direction that may be given by the Company in general meeting and, where applicable, the ~~rules of any Designated Stock Exchange~~Listing Rules and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, the unissued shares of the Company (whether forming part of the original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may in its absolute discretion determine but so that no shares shall be issued at a discount to their nominal value. Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to Members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the Board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of ~~members~~Members for any purpose whatsoever.

- (2) The Board may issue warrants or convertible securities or securities of similar nature conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may from time to time determine.
13. The Company may in connection with the issue of any shares exercise all powers of paying commission and brokerage conferred or permitted by the LawAct. Subject to the LawAct, the commission may be satisfied by the payment of cash or by the allotment of fully or partly paid shares or partly in one and partly in the other.
14. Except as required by law, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any fractional part of a share or (except only as otherwise provided by these Articles or by law) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
15. Subject to the LawAct and these Articles, the Board may at any time after the allotment of shares but before any person has been entered in the Register as the holder, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of a share a right to effect such renunciation upon and subject to such terms and conditions as the Board considers fit to impose.

SHARE CERTIFICATES

16. Every share certificate shall be issued under the Seal or a facsimile thereof or with the Seal printed thereon and shall specify the number and class and distinguishing numbers (if any) of the shares to which it relates, and the amount paid up thereon and may otherwise be in such form as the Directors may from time to time determine. The seal of the Company may only be affixed or imprinted to a share certificate with the authority of the Directors, or be executed under the signature of appropriate officials with statutory authority, unless otherwise determined by the Directors. No certificate shall be issued representing shares of more than one class. The Board may by resolution determine, either generally or in any particular case or cases, that any signatures on any such certificates (or certificates in respect of other securities) need not be autographic but may be affixed to such certificates by some mechanical means or may be printed thereon.

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17. (1) In the case of a share held jointly by several persons, the Company shall not be bound to issue more than one certificate therefor and delivery of a certificate to one of several joint holders shall be sufficient delivery to all such holders.
- (2) Where a share stands in the names of two or more persons, the person first named in the Register shall as regards service of ~~notices~~Notices and, subject to the provisions of these Articles, all or any other matters connected with the Company, except the transfer of the shares, be deemed the sole holder thereof.
18. Every person whose name is entered, upon an allotment of shares, as a Member in the Register shall be entitled, without payment, to receive one certificate for all such shares of any one class or several certificates each for one or more of such shares of such class upon payment for every certificate after the first of such reasonable out-of-pocket expenses as the Board from time to time determines.
19. Share certificates shall be issued within the relevant time limit as prescribed by the ~~Law~~Act or as the Designated Stock Exchange may from time to time determine, whichever is the shorter, after allotment or, except in the case of a transfer which the Company is for the time being entitled to refuse to register and does not register, after lodgment of a transfer with the Company.
20. (1) Upon every transfer of shares the certificate held by the transferor shall be given up to be cancelled, and shall forthwith be cancelled accordingly, and a new certificate shall be issued to the transferee in respect of the shares transferred to him at such fee as is provided in paragraph (2) of this Article. If any of the shares included in the certificate so given up shall be retained by the transferor a new certificate for the balance shall be issued to him at the aforesaid fee payable by the transferor to the Company in respect thereof.
- (2) The fee referred to in paragraph (1) above shall be an amount not exceeding the relevant maximum amount as the Designated Stock Exchange may from time to time determine provided that the Board may at any time determine a lower amount for such fee.
21. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed a new certificate representing the same shares may be issued to the relevant Member upon request and on payment of such fee as the Designated Stock Exchange may determine to be the maximum fee payable or such lesser sum as the Board may determine and, subject to compliance with such terms (if any) as to evidence and indemnity and to payment of the costs and reasonable out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of damage or defacement, on delivery of the old certificate to the Company provided always that where share warrants have been issued, no new share warrant shall be issued to replace one that has been lost unless the Directors are satisfied beyond reasonable doubt that the original has been destroyed.

LIEN

22. The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys (whether presently payable or not) called or payable at a fixed time in respect of that share. The Company shall also have a first and paramount lien on every share (not being a fully paid share) registered in the name of a Member (whether or not jointly with other Members) for all amounts of money presently payable by such Member or his estate to the Company whether the same shall have been incurred before or after notice to the Company of any equitable or other interest of any person other than such ~~member~~Member, and whether the period for the payment or discharge of the same shall have actually arrived or not, and notwithstanding that the same are joint debts or liabilities of such Member or his estate and any other person, whether a Member or not. The Company's lien on a share shall extend to all dividends or other moneys payable thereon or in respect thereof. The Board may at any time, generally or in any particular case, waive any lien that has arisen or declare any share exempt in whole or in part, from the provisions of this Article. ^{App-3}₍₂₎
23. Subject to these Articles, the Company may sell in such manner as the Board determines any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged nor until the expiration of fourteen (14) clear days after a ~~notice~~Notice in writing, stating and demanding payment of the sum presently payable, or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving ~~notice~~Notice of the intention to sell in default, has been served on the registered holder for the time being of the share or the person entitled thereto by reason of his death or bankruptcy.
24. The net proceeds of the sale shall be received by the Company and applied in or towards payment or discharge of the debt or liability in respect of which the lien exists, so far as the same is presently payable, and any residue shall (subject to a like lien for debts or liabilities not presently payable as existed upon the share prior to the sale) be paid to the person entitled to the share at the time of the sale. To give effect to any such sale the Board may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares so transferred and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale.

CALLS ON SHARES

25. Subject to these Articles and to the terms of allotment, the Board may from time to time make calls upon the Members in respect of any moneys unpaid on their shares (whether on account of the nominal value of the shares or by way of premium), and each Member shall (subject to being given at least fourteen (14) clear days' Notice specifying the time and place of payment) pay to the Company as required by such ~~notice~~Notice the amount called on his shares. A call may be extended, postponed or revoked in whole or in part as the Board determines but no Member shall be entitled to any such extension, postponement or revocation except as a matter of grace and favour.
26. A call shall be deemed to have been made at the time when the resolution of the Board authorising the call was passed and may be made payable either in one lump sum or by instalments.
27. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the shares in respect of which the call was made. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect thereof or other moneys due in respect thereof.
28. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the amount unpaid from the day appointed for payment thereof to the time of actual payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board may determine, but the Board may in its absolute discretion waive payment of such interest wholly or in part.
29. No Member shall be entitled to receive any dividend or bonus or to be present and vote (save as proxy for another Member) at any general meeting either personally or by proxy, or be reckoned in a quorum, or exercise any other privilege as a Member until all calls or instalments due by him to the Company, whether alone or jointly with any other person, together with interest and expenses (if any) shall have been paid.
30. On the trial or hearing of any action or other proceedings for the recovery of any money due for any call, it shall be sufficient to prove that the name of the Member sued is entered in the Register as the holder, or one of the holders, of the shares in respect of which such debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of such call was duly given to the Member sued, in pursuance of these Articles; and it shall not be necessary to prove the appointment of the Directors who made such call, nor any other matters whatsoever, but the proof of the matters aforesaid shall be conclusive evidence of the debt.
31. Any amount payable in respect of a share upon allotment or at any fixed date, whether in respect of nominal value or premium or as an instalment of a call, shall be deemed to be a call duly made and payable on the date fixed for payment and if it is not paid the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call duly made and notified.

32. On the issue of shares the Board may differentiate between the allottees or holders as to the amount of calls to be paid and the times of payment.
33. The Board may, if it thinks fit, receive from any Member willing to advance the same, and either in money or money's worth, all or any part of the moneys uncalled and unpaid or instalments payable upon any shares held by him and upon all or any of the moneys so advanced (until the same would, but for such advance, become presently payable) pay interest at such rate (if any) as the Board may decide. The Board may at any time repay the amount so advanced upon giving to such Member not less than one (1) month's Notice of its intention in that behalf, unless before the expiration of such notice the amount so advanced shall have been called up on the shares in respect of which it was advanced. Such payment in advance shall not entitle the holder of such share or shares to participate in respect thereof in a dividend subsequently declared.

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FORFEITURE OF SHARES

34. (1) If a call remains unpaid after it has become due and payable the Board may give to the person from whom it is due not less than fourteen (14) clear days' Notice:
- (a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment; and
 - (b) stating that if the Notice is not complied with the shares on which the call was made will be liable to be forfeited.
- (2) If the requirements of any such Notice are not complied with, any share in respect of which such Notice has been given may at any time thereafter, before payment of all calls and interest due in respect thereof has been made, be forfeited by a resolution of the Board to that effect, and such forfeiture shall include all dividends and bonuses declared in respect of the forfeited share but not actually paid before the forfeiture.
35. When any share has been forfeited, ~~notice~~Notice of the forfeiture shall be served upon the person who was before forfeiture the holder of the share. No forfeiture shall be invalidated by any omission or neglect to give such Notice.
36. The Board may accept the surrender of any share liable to be forfeited hereunder and, in such case, references in these Articles to forfeiture will include surrender.

37. Any share so forfeited shall be deemed the property of the Company and may be sold, re-allotted or otherwise disposed of to such person, upon such terms and in such manner as the Board determines, and at any time before a sale, re-allotment or disposition the forfeiture may be annulled by the Board on such terms as the Board determines.
38. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares but nevertheless shall remain liable to pay the Company all moneys which at the date of forfeiture were presently payable by him to the Company in respect of the shares, with (if the Directors shall in their discretion so require) interest thereon from the date of forfeiture until payment at such rate (not exceeding twenty per cent. (20%) per annum) as the Board determines. The Board may enforce payment thereof if it thinks fit, and without any deduction or allowance for the value of the forfeited shares, at the date of forfeiture, but his liability shall cease if and when the Company shall have received payment in full of all such moneys in respect of the shares. For the purposes of this Article any sum which, by the terms of issue of a share, is payable thereon at a fixed time which is subsequent to the date of forfeiture, whether on account of the nominal value of the share or by way of premium, shall notwithstanding that time has not yet arrived be deemed to be payable at the date of forfeiture, and the same shall become due and payable immediately upon the forfeiture, but interest thereon shall only be payable in respect of any period between the said fixed time and the date of actual payment.
39. A declaration by a Director or the Secretary that a share has been forfeited on a specified date shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share, and such declaration shall (subject to the execution of an instrument of transfer by the Company if necessary) constitute a good title to the share, and the person to whom the share is disposed of shall be registered as the holder of the share and shall not be bound to see to the application of the consideration (if any), nor shall his title to the share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, sale or disposal of the share. When any share shall have been forfeited, notice of the declaration shall be given to the Member in whose name it stood immediately prior to the forfeiture, and an entry of the forfeiture, with the date thereof, shall forthwith be made in the register, but no forfeiture shall be in any manner invalidated by any omission or neglect to give such notice or make any such entry.
40. Notwithstanding any such forfeiture as aforesaid the Board may at any time, before any shares so forfeited shall have been sold, re-allotted or otherwise disposed of, permit the shares forfeited to be bought back upon the terms of payment of all calls and interest due upon and expenses incurred in respect of the share, and upon such further terms (if any) as it thinks fit.
41. The forfeiture of a share shall not prejudice the right of the Company to any call already made or instalment payable thereon.

42. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the nominal value of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

REGISTER OF MEMBERS

43. (1) The Company shall keep in one or more books a Register of its Members and shall enter therein the following particulars, that is to say:
- (a) the name and address of each Member, the number and class of shares held by him and the amount paid or agreed to be considered as paid on such shares;
 - (b) the date on which each person was entered in the Register; and
 - (c) the date on which any person ceased to be a Member.
- (2) The Company may keep an overseas or local or other branch register of Members resident in any place, and the Board may make and vary such regulations as it determines in respect of the keeping of any such register and maintaining a Registration Office in connection therewith.

44. The Register and branch register of Members maintained in Hong Kong, as the case may be, shall be open to inspection for at least two (2) hours during business hours by Members without charge or by any other person, upon a maximum payment of \$2.50 or such lesser sum specified by the Board, at the Office or such other place at which the Register is kept in accordance with the ~~Law~~Act or, if appropriate, upon a maximum payment of \$1.00 or such lesser sum specified by the Board at the Registration Office. The Register including any overseas or local or other branch register of Members may, after notice has been given by advertisement in an appointed newspaper or any other newspapers in accordance with the requirements of any Designated Stock Exchange or by any electronic means in such manner as may be accepted by the Designated Stock Exchange to that effect, be closed in accordance with the terms equivalent to the relevant section of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) at such times or for such periods not exceeding in the whole thirty (30) days in each year as the Board may determine and either generally or in respect of any class of shares. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by the Members by ordinary resolution.

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RECORD DATES

45. Subject to the ~~rules of any Designated Stock Exchange Listing~~Listing Rules, notwithstanding any other provision of these Articles the Company or the Directors may fix any date as the record date for:

- (a) determining the Members entitled to receive any dividend, distribution, allotment or issue ~~and such record date may be on, or at any time not more than thirty (30) days before or after, any date on which such dividend, distribution, allotment or issue is declared, paid or made;~~
- (b) determining the Members entitled to receive ~~notice~~Notice of and to vote at any general meeting of the Company.

TRANSFER OF SHARES

46. (1) Subject to these Articles, any Member may transfer all or any of his shares by an instrument of transfer in the usual or common form or in a form prescribed by the Designated Stock Exchange or in any other form approved by the Board and may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.
- (2) Notwithstanding the provisions of subparagraph (1) above, for so long as any shares are listed on the Designated Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares. The register of members of the Company in respect of its listed shares (whether the Register or a branch register) may be kept by recording the particulars required by Section 40 of the Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the Listing Rules that are or shall be applicable to such listed shares.
47. The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case which it thinks fit in its discretion to do so. Without prejudice to the last preceding Article, the Board may also resolve, either generally or in any particular case, upon request by either the transferor or transferee, to accept mechanically executed transfers. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Register in respect thereof. Nothing in these Articles shall preclude the Board from recognising a renunciation of the allotment or provisional allotment of any share by the allottee in favour of some other person.
48. (1) The Board may, in its absolute discretion, and without giving any reason therefor, ^{App-3} refuse to register a transfer of any share (not being a fully paid up share) to a person of ⁺⁽²⁾ whom it does not approve, or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may also, without prejudice to the foregoing generality, refuse to register a transfer of any share to more than four (4) joint holders or a transfer of any share (not being a fully paid up share) on which the Company has a lien.
- (2) No transfer shall be made to an infant or to a person of unsound mind or under other legal disability.

- (3) The Board in so far as permitted by any applicable law may, in its absolute discretion, at any time and from time to time transfer any share upon the Register to any branch register or any share on any branch register to the Register or any other branch register. In the event of any such transfer, the shareholder requesting such transfer shall bear the cost of effecting the transfer unless the Board otherwise determines.
- (4) Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time determine, and which agreement the Board shall, without giving any reason therefor, be entitled in its absolute discretion to give or withhold), no shares upon the Register shall be transferred to any branch register nor shall shares on any branch register be transferred to the Register or any other branch register and all transfers and other documents of title shall be lodged for registration, and registered, in the case of any shares on a branch register, at the relevant Registration Office, and, in the case of any shares on the Register, at the Office or such other place at which the Register is kept in accordance with the LawAct. ^{App-3}₊₊
49. Without limiting the generality of the last preceding Article, the Board may decline to recognise any instrument of transfer unless:-
- (a) a fee of such maximum sum as the Designated Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof; ^{App-3}₊₊
- (b) the instrument of transfer is in respect of only one class of share;
- (c) the instrument of transfer is lodged at the Office or such other place at which the Register is kept in accordance with the LawAct or the Registration Office (as the case may be) accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and, if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do); and
- (d) if applicable, the instrument of transfer is duly and properly stamped.
50. If the Board refuses to register a transfer of any share, it shall, within two (2) months after the date on which the transfer was lodged with the Company, send to each of the transferor and transferee notice of the refusal.

51. The registration of transfers of shares or of any class of shares may, after notice has been given by announcement or by electronic communication or by advertisement in any newspapers or by any other means in accordance with the requirements of any Designated Stock Exchange to that effect be suspended at such times and for such periods (not exceeding in the whole thirty (30) days in any year) as the Board may determine. The period of thirty (30) days may be extended for a further period or periods not exceeding thirty (30) days in respect of any year if approved by the Members by ordinary resolution.

TRANSMISSION OF SHARES

52. If a Member dies, the survivor or survivors where the deceased was a joint holder, and his legal personal representatives where he was a sole or only surviving holder, will be the only persons recognised by the Company as having any title to his interest in the shares; but nothing in this Article will release the estate of a deceased Member (whether sole or joint) from any liability in respect of any share which had been solely or jointly held by him.
53. Any person becoming entitled to a share in consequence of the death or bankruptcy or winding-up of a Member may, upon such evidence as to his title being produced as may be required by the Board, elect either to become the holder of the share or to have some person nominated by him registered as the transferee thereof. If he elects to become the holder he shall notify the Company in writing either at the Registration Office or Office, as the case may be, to that effect. If he elects to have another person registered he shall execute a transfer of the share in favour of that person. The provisions of these Articles relating to the transfer and registration of transfers of shares shall apply to such notice or transfer as aforesaid as if the death or bankruptcy of the Member had not occurred and the notice or transfer were a transfer signed by such Member.
54. A person becoming entitled to a share by reason of the death or bankruptcy or winding-up of a Member shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share. However, the Board may, if it thinks fit, withhold the payment of any dividend payable or other advantages in respect of such share until such person shall become the registered holder of the share or shall have effectually transferred such share, but, subject to the requirements of Article 72(2) being met, such a person may vote at meetings.

UNTRACEABLE MEMBERS

55. (1) Without prejudice to the rights of the Company under paragraph (2) of this Article, the Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. App-3
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- (2) The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a Member who is untraceable, but no such sale shall be made unless: App-3
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- (a) all cheques or warrants in respect of dividends of the shares in question, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Articles have remained uncashed;
- (b) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the Member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law; and
- (c) the Company, if so required by the ~~rules governing the listing of shares on the Designated Stock Exchange~~Listing Rules, has given notice of its intention to sell such shares to, and caused advertisement ~~both in newspapers~~daily newspaper and in a newspaper circulating in the area of the last known address of such Member or any person entitled to the share under Article 54 and where applicable, in each case in accordance with the requirements of, ~~the Designated Stock Exchange to be made of its intention to sell such shares in the manner required by~~ the Designated Stock Exchange, and a period of three (3) months or such shorter period as may be allowed by the Designated Stock Exchange has elapsed since the date of such advertisement.

For the purpose of the foregoing, the “relevant period” means the period commencing twelve (12) years before the date of publication of the advertisement referred to in paragraph (c) of this Article and ending at the expiry of the period referred to in that paragraph.

- (3) To give effect to any such sale the Board may authorise some person to transfer the said shares and an instrument of transfer signed or otherwise executed by or on behalf of such person shall be as effective as if it had been executed by the registered holder or the person entitled by transmission to such shares, and the purchaser shall not be bound to see to the application of the purchase money nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings relating to the sale. The net proceeds of the sale will belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former Member for an amount equal to such net proceeds. No trust shall be created in respect of such debt and no interest shall be payable in respect of it and the Company shall not be required to account for any money earned from the net proceeds which may be employed in the business of the Company or as it thinks fit. Any sale under this Article shall be valid and effective notwithstanding that the Member holding the shares sold is dead, bankrupt or otherwise under any legal disability or incapacity.

GENERAL MEETINGS

56. An annual general meeting of the Company shall be held ~~in for~~ each year other than the financial year of the Company's adoption of these Articles (within a period of not more than fifteen (15) months after the holding of the last preceding and such annual general meeting or not more than eighteen must be held within six (186) months after the date end of adoption of these Articles, the Company's financial year (unless a longer period would not infringe the rules of the Designated Stock Exchange, if any) at such time and place as may be determined by the Board Listing Rules, if any). App. 13B
3(3)
14(2)1
57. Each general meeting, other than an annual general meeting, shall be called an extraordinary general meeting. ~~General~~ All general meetings (including an annual general meeting, any adjourned meeting or postponed meeting) may be held as a physical meeting in any part of the world and at one or more locations as provided in Article 64A, as a hybrid meeting or as an electronic meeting, as may be determined by the Board:
58. ~~The Board may whenever it thinks fit call extraordinary general meetings. Any one or more Members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company in its absolute discretion.~~

58. The Board may whenever it thinks fit call extraordinary general meetings. Any one or more Member(s) holding as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company, on a one vote per share basis, shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may convene a physical meeting at only one location which will be the Principal Meeting Place, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company. App. 3
14(5)

NOTICE OF GENERAL MEETINGS

59. (1) An annual general meeting must be called by Notice of not less than twenty-one (21) clear days ~~and not less than twenty (20) clear business days~~. All other general meetings (including an extraordinary general meeting) must be called by Notice of not less than fourteen (14) clear days ~~and not less than ten (10) clear business days~~ but if permitted by the ~~rules of the Designated Stock Exchange Listing Rules~~, a general meeting may be called by shorter notice, subject to the ~~Law Act~~, if it is so agreed: App. 13B
3(+)
14(2)
- (a) in the case of a meeting called as an annual general meeting, by all the Members entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the Members having the right to attend and vote at the meeting, being a majority together representing not less than ninety-five per cent. (95%) of the total voting rights at the meeting of all the Members.
- (2) ~~The notice~~ Notice shall specify ~~(a) the time and place~~ date of the meeting ~~and, (b) save for an electronic meeting, the place of the meeting and if there is more than one meeting location as determined by the Board pursuant to Article 64A, the principal place of the meeting (the "Principal Meeting Place"), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the Notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting or where such details will be made available by the Company prior to the meeting, and (d) particulars of resolutions to be considered at the meeting and, in case of special business, the general nature of the business.~~ The ~~notice~~ Notice convening an annual general meeting shall specify the meeting as such. Notice of every general meeting shall be given to all Members other than to such Members as, under the provisions of these Articles or the terms of issue of the shares they hold, are not entitled to receive such ~~notices~~ Notices from the Company, to all persons entitled to a share in consequence of the death or bankruptcy or winding-up of a Member and to each of the Directors and the Auditors.

60. The accidental omission to give Notice of a meeting or (in cases where instruments of proxy are sent out with the Notice) to send such instrument of proxy to, or the non-receipt of such Notice or such instrument of proxy by, any person entitled to receive such Notice shall not invalidate any resolution passed or the proceedings at that meeting.

PROCEEDINGS AT GENERAL MEETINGS

61. (1) All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of:
- (a) the declaration and sanctioning of dividends;
 - (b) consideration and adoption of the accounts and balance sheet and the reports of the Directors and Auditors and other documents required to be annexed to the balance sheet;
 - (c) the election of Directors whether by rotation or otherwise in the place of those retiring;
 - (d) appointment of Auditors (where special notice of the intention for such appointment is not required by the LawAct) and other officers; and
 - (e) the fixing of the remuneration of the Auditors, and the voting of remuneration or extra remuneration to the Directors;
 - (f) ~~the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares in the capital of the Company representing not more than twenty per cent. (20%) in nominal value of its existing issued share capital; and~~
 - (g) ~~the granting of any mandate or authority to the Directors to repurchase securities of the Company.~~
- (2) No business other than the appointment of a chairman of a meeting shall be transacted at any general meeting unless a quorum is present at the commencement of the business. Two (2) Members entitled to vote and present in person or by proxy or, ~~(in the case of a Member being a corporation) by its duly~~ for quorum purposes only, two persons appointed by the clearing house as authorised representative or proxy shall form a quorum for all purposes.

62. If within thirty (30) minutes (or such longer time not exceeding one hour as the chairman of the meeting may determine to wait) after the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week at the same time and (where applicable) same place(s) or to such time and (where applicable) such place as(s) and in such form and manner referred to in Article 57 as the chairman of the meeting (or in default, the Board) may absolutely determine. If at such adjourned meeting a quorum is not present within half an hour from the time appointed for holding the meeting, the meeting shall be dissolved.
63. (1) The chairman of the Company or if there is more than one chairman, any one of them as may be agreed amongst themselves or failing such agreement, any one of them elected by all the Directors present shall preside as chairman at a general meeting. If at any meeting no chairman, is present within fifteen (15) minutes after the time appointed for holding the meeting, or is willing to act as chairman, the deputy chairman of the Company or if there is more than one deputy chairman, any one of them as may be agreed amongst themselves or failing such agreement, any one of them elected by all the Directors present shall preside as chairman. If no chairman or deputy chairman is present or is willing to act as chairman of the meeting, the Directors present shall choose one of their number to act, or if one Director only is present he shall preside as chairman if willing to act. If no Director is present, or if each of the Directors present declines to take the chair, or if the chairman chosen shall retire from the chair, the Members present in person or ~~(in the case of a Member being a corporation) by its duly authorised representative or~~ by proxy and entitled to vote shall elect one of their number to be chairman of the meeting.
- (2) If the chairman of a general meeting is participating in the general meeting using an electronic facility or facilities and becomes unable to participate in the general meeting using such electronic facility or facilities, another person (determined in accordance with Article 63(1) above) shall preside as chairman of the meeting unless and until the original chairman of the meeting is able to participate in the general meeting using the electronic facility or facilities.
64. ~~The~~Subject to Article 64C, the chairman may, with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time (or indefinitely) and/or from place to place(s) and/or from one form to another (a physical meeting, a hybrid meeting or an electronic meeting) as the meeting shall determine, but no business shall be transacted at any adjourned meeting other than the business which might lawfully have been transacted at the meeting had the adjournment not taken place. When a meeting is adjourned for fourteen (14) days or more, at least seven (7) clear days' ~~notice~~Notice of the adjourned meeting shall be given specifying the ~~time and place of the adjourned meeting~~details set out in Article 59(2) but it shall not be necessary to specify in such ~~notice~~Notice the nature of the business to be transacted at the adjourned meeting and the general nature of the business to be transacted. Save as aforesaid, it shall be unnecessary to give ~~notice~~Notice of an adjournment.

- 64A.(1) The Board may, at its absolute discretion, arrange for persons entitled to attend a general meeting to do so by simultaneous attendance and participation by means of electronic facilities at such location or locations (“Meeting Location(s)”) determined by the Board at its absolute discretion. Any Member or any proxy attending and participating in such way or any Member or proxy attending and participating in an electronic meeting or a hybrid meeting by means of electronic facilities is deemed to be present at and shall be counted in the quorum of the meeting.
- (2) All general meetings are subject to the following and, where appropriate, all references to a “Member” or “Members” in this sub-paragraph (2) shall include a proxy or proxies respectively:
- (a) where a Member is attending a Meeting Location and/or in the case of a hybrid meeting, the meeting shall be treated as having commenced if it has commenced at the Principal Meeting Place;
 - (b) Members present in person or by proxy at a Meeting Location and/or Members attending and participating in an electronic meeting or a hybrid meeting by means of electronic facilities shall be counted in the quorum for and entitled to vote at the meeting in question, and that meeting shall be duly constituted and its proceedings valid provided that the chairman of the meeting is satisfied that adequate electronic facilities are available throughout the meeting to ensure that Members at all Meeting Locations and Members participating in an electronic meeting or a hybrid meeting by means of electronic facilities are able to participate in the business for which the meeting has been convened;
 - (c) where Members attend a meeting by being present at one of the Meeting Locations and/or where Members participating in an electronic meeting or a hybrid meeting by means of electronic facilities, a failure (for any reason) of the electronic facilities or communication equipment, or any other failure in the arrangements for enabling those in a Meeting Location other than the Principal Meeting Place to participate in the business for which the meeting has been convened or in the case of an electronic meeting or a hybrid meeting, the inability of one or more Members or proxies to access, or continue to access, the electronic facilities despite adequate electronic facilities having been made available by the Company, shall not affect the validity of the meeting or the resolutions passed, or any business conducted there or any action taken pursuant to such business provided that there is a quorum present throughout the meeting; and
 - (d) if any of the Meeting Locations is not in the same jurisdiction as the Principal Meeting Place and/or in the case of a hybrid meeting, the provisions of these Articles concerning the service and giving of Notice for the meeting, and the time for lodging proxies, shall apply by reference to the Principal Meeting Place; and in the case of an electronic meeting, the time for lodging proxies shall be as stated in the Notice for the meeting.

64B. The Board and, at any general meeting, the chairman of the meeting may from time to time make arrangements for managing attendance and/or participation and/or voting at the Principal Meeting Place, any Meeting Location(s) and/or participation in an electronic meeting or a hybrid meeting by means of electronic facilities (whether involving the issue of tickets or some other means of identification, passcode, seat reservation, electronic voting or otherwise) as it shall in its absolute discretion consider appropriate, and may from time to time change any such arrangements, provided that a Member who, pursuant to such arrangements, is not entitled to attend, in person or by proxy, at any Meeting Location shall be entitled so to attend at one of the other Meeting Locations; and the entitlement of any Member so to attend the meeting or adjourned meeting or postponed meeting at such Meeting Location or Meeting Locations shall be subject to any such arrangement as may be for the time being in force and by the Notice of meeting or adjourned meeting or postponed meeting stated to apply to the meeting.

64C. If it appears to the chairman of the general meeting that:

- (a) the electronic facilities at the Principal Meeting Place or at such other Meeting Location(s) at which the meeting may be attended have become inadequate for the purposes referred to in Article 64A(1) or are otherwise not sufficient to allow the meeting to be conducted substantially in accordance with the provisions set out in the Notice of the meeting; or
- (b) in the case of an electronic meeting or a hybrid meeting, electronic facilities being made available by the Company have become inadequate; or
- (c) it is not possible to ascertain the view of those present or to give all persons entitled to do so a reasonable opportunity to communicate and/or vote at the meeting; or
- (d) there is violence or the threat of violence, unruly behaviour or other disruption occurring at the meeting or it is not possible to secure the proper and orderly conduct of the meeting;

then, without prejudice to any other power which the chairman of the meeting may have under these Articles or at common law, the chairman may, at his/her absolute discretion, without the consent of the meeting, and before or after the meeting has started and irrespective of whether a quorum is present, interrupt or adjourn the meeting (including adjournment for indefinite period). All business conducted at the meeting up to the time of such adjournment shall be valid.

64D. The Board and, at any general meeting, the chairman of the meeting may make any arrangement and impose any requirement or restriction the Board or the chairman of the meeting, as the case may be, considers appropriate to ensure the security and orderly conduct of a meeting (including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place, determining the number and frequency of and the time allowed for questions that may be raised at a meeting). Members shall also comply with all requirements or restrictions imposed by the owner of the premises at which the meeting is held. Any decision made under this Article shall be final and conclusive and a person who refuses to comply with any such arrangements, requirements or restrictions may be refused entry to the meeting or ejected (physically or electronically) from the meeting.

64E. If, after the sending of Notice of a general meeting but before the meeting is held, or after the adjournment of a meeting but before the adjourned meeting is held (whether or not Notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is inappropriate, impracticable, unreasonable or undesirable for any reason to hold the general meeting on the date or at the time or place or by means of electronic facilities specified in the Notice calling the meeting, they may change or postpone the meeting to another date, time and/or place and/or change the electronic facilities and/or change the form of the meeting (a physical meeting, an electronic meeting or a hybrid meeting) without approval from the Members. Without prejudice to the generality of the foregoing, the Directors shall have the power to provide in every Notice calling a general meeting the circumstances in which a postponement of the relevant general meeting may occur automatically without further notice, including without limitation where a number 8 or higher typhoon signal, black rainstorm warning or other similar event is in force at any time on the day of the meeting. This Article shall be subject to the following:

- (a) when a meeting is so postponed, the Company shall endeavour to post a Notice of such postponement on the Company's website as soon as practicable (provided that failure to post such a Notice shall not affect the automatic postponement of a meeting);
- (b) when only the form of the meeting or electronic facilities specified in the Notice are changed, the Board shall notify the Members of details of such change in such manner as the Board may determine;
- (c) when a meeting is postponed or changed in accordance with this Article, subject to and without prejudice to Article 64, unless already specified in the original Notice of the meeting, the Board shall fix the date, time, place (if applicable) and electronic facilities (if applicable) for the postponed or changed meeting and shall notify the Members of such details in such manner as the Board may determine; further all proxy forms shall be valid (unless revoked or replaced by a new proxy) if they are received as required by these Articles not less than 48 hours before the time of the postponed meeting; and

(d) Notice of the business to be transacted at the postponed or changed meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the postponed or changed meeting is the same as that set out in the original Notice of general meeting circulated to the Members.

64F. All persons seeking to attend and participate in an electronic meeting or a hybrid meeting shall be responsible for maintaining adequate facilities to enable them to do so. Subject to Article 64C, any inability of a person or persons to attend or participate in a general meeting by way of electronic facilities shall not invalidate the proceedings of and/or resolutions passed at that meeting.

64G. Without prejudice to other provisions in Article 64, a physical meeting may also be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.

65. If an amendment is proposed to any resolution under consideration but is in good faith ruled out of order by the chairman of the meeting, the proceedings on the substantive resolution shall not be invalidated by any error in such ruling. In the case of a resolution duly proposed as a special resolution, no amendment thereto (other than a mere clerical amendment to correct a patent error) may in any event be considered or voted upon.

VOTING

66. ~~(1) Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy or, in the case of a Member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every Member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For purposes of this Article, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its Members; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Members a reasonable opportunity to express their views.~~

66. (1) Subject to any special rights or restrictions as to voting for the time being attached to any shares by or in accordance with these Articles, at any general meeting on a poll every Member present in person or by proxy shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share. A resolution put to the vote of a meeting shall be decided by way of a poll save that in the case of a physical meeting, the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every Member present in or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a Member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands. For purposes of this Article, procedural and administrative matters are those that (i) are not on the agenda of the general meeting or in any supplementary circular that may be issued by the Company to its Members; and (ii) relate to the chairman's duties to maintain the orderly conduct of the meeting and/or allow the business of the meeting to be properly and effectively dealt with, whilst allowing all Members a reasonable opportunity to express their views. Votes (whether on a show of hands or by way of poll) may be cast by such means, electronic or otherwise, as the Directors or the chairman of the meeting may determine.
- (2) ~~Where~~In the case of a physical meeting where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded:
- (a) by at least three Members present in person ~~or in the case of a Member being a corporation by its duly authorised representative~~ or by proxy for the time being entitled to vote at the meeting; or
 - (b) by a Member or Members present in person ~~or in the case of a Member being a corporation by its duly authorised representative~~ or by proxy and representing not less than one-tenth of the total voting rights of all Members having the right to vote at the meeting; or
 - (c) by a Member or Members present in person ~~or in the case of a Member being a corporation by its duly authorised representative~~ or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all shares conferring that right.

A demand by a person as proxy for a Member ~~or in the case of a Member being a corporation by its duly authorised representative~~ shall be deemed to be the same as a demand by the Member.

67. Where a resolution is voted on by a show of hands, a declaration by the chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or not carried by a particular majority, or lost, and an entry to that effect made in the minute book of the Company, shall be conclusive evidence of the facts without proof of the number or proportion of the votes recorded for or against the resolution. The result of the poll shall be deemed to be the resolution of the meeting. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the ~~rules of the Designated Stock Exchange Listing Rules~~.
68. On a poll votes may be given either personally or by proxy.
69. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way.
70. All questions submitted to a meeting shall be decided by a simple majority of votes except where a greater majority is required by these Articles or by the ~~Law~~Act. In the case of an equality of votes, the chairman of such meeting shall be entitled to a second or casting vote in addition to any other vote he may have.
71. Where there are joint holders of any share any one of such joint holders may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at any meeting the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the joint holding. Several executors or administrators of a deceased Member in whose name any share stands shall for the purposes of this Article be deemed joint holders thereof.
72. (1) A Member who is a patient for any purpose relating to mental health or in respect of whom an order has been made by any court having jurisdiction for the protection or management of the affairs of persons incapable of managing their own affairs may vote, by his receiver, committee, *curator bonis* or other person in the nature of a receiver, committee or *curator bonis* appointed by such court, and such receiver, committee, *curator bonis* or other person may vote by proxy, and may otherwise act and be treated as if he were the registered holder of such shares for the purposes of general meetings, provided that such evidence as the Board may require of the authority of the person claiming to vote shall have been deposited at the Office, head office or Registration Office, as appropriate, not less than forty-eight (48) hours before the time appointed for holding the meeting, or adjourned meeting, or postponed meeting, as the case may be.
- (2) Any person entitled under Article 53 to be registered as the holder of any shares may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that forty-eight (48) hours at least before the time of the holding of the meeting or adjourned meeting or postponed meeting, as the case may be, at which he proposes to vote, he shall satisfy the Board of his entitlement to such shares, or the Board shall have previously admitted his right to vote at such meeting in respect thereof.

73. (1) No Member shall, unless the Board otherwise determines, be entitled to attend and vote and to be reckoned in a quorum at any general meeting unless he is duly registered and all calls or other sums presently payable by him in respect of shares in the Company have been paid.
- (2) All members shall have the right to (a) speak at a general meeting; and (b) vote at a general meeting except where a Member is required, by the Listing Rules, to abstain from voting to approve the matter under consideration. <sup>App.3
14(3)</sup>
- (3) Where the Company has knowledge that any Member is, under the ~~rules of the Designated Stock Exchange Listing Rules~~, <sup>App.3
14(4)</sup> required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.
74. If:
- (a) any objection shall be raised to the qualification of any voter; or
- (b) any votes have been counted which ought not to have been counted or which might have been rejected; or
- (c) any votes are not counted which ought to have been counted;

the objection or error shall not vitiate the decision of the meeting or adjourned meeting or postponed meeting on any resolution unless the same is raised or pointed out at the meeting or, as the case may be, the adjourned meeting or postponed meeting at which the vote objected to is given or tendered or at which the error occurs. Any objection or error shall be referred to the chairman of the meeting and shall only vitiate the decision of the meeting on any resolution if the chairman decides that the same may have affected the decision of the meeting. The decision of the chairman on such matters shall be final and conclusive.

PROXIES

75. Any Member entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person as his/its proxy to attend and vote instead of ~~him~~such Member. A <sup>App. 3
18
App. 3B
2(2)
19</sup> Member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a Member. In addition, a proxy or proxies representing either a Member who is an individual or a Member which is a corporation shall be entitled to exercise the same powers on behalf of the Member which he or they represent as such Member could exercise.

76. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same. In the case of an instrument of proxy purporting to be signed on behalf of a corporation by an officer thereof it shall be assumed, unless the contrary appears, that such officer was duly authorised to sign such instrument of proxy on behalf of the corporation without further evidence of the facts.
77. (1) The Company may, at its absolute discretion, provide an electronic address for the receipt of any document or information relating to proxies for a general meeting (including any instrument of proxy or invitation to appoint a proxy, any document necessary to show the validity of, or otherwise relating to, an appointment of proxy (whether or not required under these Articles) and notice of termination of the authority of a proxy). If such an electronic address is provided, the Company shall be deemed to have agreed that any such document or information (relating to proxies as aforesaid) may be sent by electronic means to that address, subject as hereafter provided and subject to any other limitations or conditions specified by the Company when providing the address. Without limitation, the Company may from time to time determine that any such electronic address may be used generally for such matters or specifically for particular meetings or purposes and, if so, the Company may provide different electronic addresses for different purposes. The Company may also impose any conditions on the transmission of and its receipt of such electronic communications including, for the avoidance of doubt, imposing any security or encryption arrangements as may be specified by the Company. If any document or information required to be sent to the Company under this Article is sent to the Company by electronic means, such document or information is not treated as validly delivered to or deposited with the Company if the same is not received by the Company at its designated electronic address provided in accordance with this Article or if no electronic address is so designated by the Company for the receipt of such document or information.

- (2) The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to such place or one of such places (if any) as may be specified for that purpose in or by way of note to or in any document accompanying the ~~notice~~Notice convening the meeting (or, if no place is so specified at the Registration Office or the Office, as may be appropriate), or if the Company has provided an electronic address in accordance with the preceding paragraph, shall be received at the electronic address specified, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting or postponed meeting at which the person named in the instrument proposes to vote. No instrument appointing a proxy shall be valid after the expiration of twelve (12) months from the date named in it as the date of its execution, except at an adjourned meeting or postponed meeting in cases where the meeting was originally held within twelve (12) months from such date. Delivery of an instrument appointing a proxy shall not preclude a Member from attending and voting ~~in person~~ at the meeting convened and in such event, the instrument appointing a proxy shall be deemed to be revoked.
78. Instruments of proxy shall be in any common form or in such other form as the Board may approve (provided that this shall not preclude the use of the two-way form) and the Board may, if it thinks fit, send out with the ~~notice~~Notice of any meeting forms of instrument of proxy for use at the meeting. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment or postponement of the meeting as for the meeting to which it relates. The Board may decide, either generally or in any particular case, to treat a proxy appointment as valid notwithstanding that the appointment or any of the information required under these Articles has not been received in accordance with the requirements of these Articles. Subject to aforesaid, if the proxy appointment and any of the information required under these Articles is not received in the manner set out in these Articles, the appointee shall not be entitled to vote in respect of the shares in question. ^{App-3} ₁₁₍₊₎
79. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal, or revocation of the instrument of proxy or of the authority under which it was executed, provided that no intimation in writing of such death, insanity or revocation shall have been received by the Company at the Office or the Registration Office (or such other place as may be specified for the delivery of instruments of proxy in the ~~notice~~Notice convening the meeting or other document sent therewith) two (2) hours at least before the commencement of the meeting or adjourned meeting or postponed meeting, at which the instrument of proxy is used.

80. Anything which under these Articles a Member may do by proxy he may likewise do by his duly appointed attorney and the provisions of these Articles relating to proxies and instruments appointing proxies shall apply *mutatis mutandis* in relation to any such attorney and the instrument under which such attorney is appointed.

CORPORATIONS ACTING BY REPRESENTATIVES

81. (1) Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of any class of Members. The person so authorised shall be entitled to exercise the same powers on behalf of such corporation as the corporation could exercise as if it were an individual Member and such corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting as if a person so authorised is present thereat. App.13B
2(2)
18
- (2) If a clearing house (or its nominee(s)), being a corporation, is a Member, it may authorise such persons as it thinks fit to act as its representatives, who enjoy rights equivalent to the rights of other Members, at any meeting of the Company or at any meeting of any class of Members provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such representative is so authorised. Each person so authorised under the provisions of this Article shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by the clearing house (or its nominee(s)) including, the right to speak and to vote and, where a show of hands is allowed, the right to vote individually on a show of hands. App.3
13B
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- (3) Any reference in these Articles to a duly authorised representative of a Member being a corporation shall mean a representative authorised under the provisions of this Article.

WRITTEN RESOLUTIONS OF MEMBERS

82. A resolution in writing signed (in such manner as to indicate, expressly or impliedly, unconditional approval) by or on behalf of all persons for the time being entitled to receive ~~notice~~Notice of and to attend and vote at general meetings of the Company shall, for the purposes of these Articles, be treated as a resolution duly passed at a general meeting of the Company and, where relevant, as a special resolution so passed. Any such resolution shall be deemed to have been passed at a meeting held on the date on which it was signed by the last Member to sign, and where the resolution states a date as being the date of his signature thereof by any Member the statement shall be prima facie evidence that it was signed by him on that date. Such a resolution may consist of several documents in the like form, each signed by one or more relevant Members.

BOARD OF DIRECTORS

83. (1) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two (2). There shall be no maximum number of Directors unless otherwise determined from time to time by the Members in general meeting. The Directors shall be elected or appointed in the first place by the subscribers to the Memorandum of Association or by a majority of them and thereafter in accordance with Article 84 called for such purpose and who shall hold office for such term as the Members may determine or, in the absence of such determination, in accordance with Article 84 or until their successors are elected or appointed or their office is otherwise vacated.
- (2) Subject to the Articles and the ~~Law~~Act, the Company may by ordinary resolution elect any person to be a Director either to fill a casual vacancy on the Board, or as an addition to the existing Board.
- (3) The Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director so appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of Members after his appointment and be subject to re-election at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following first annual general meeting of the Company after his appointment and shall then be eligible for re-election. App.3
4(2)
- (4) Neither a Director nor an alternate Director shall be required to hold any shares of the Company by way of qualification and a Director or alternate Director (as the case may be) who is not a Member shall be entitled to receive ~~notice~~Notice of and to attend and speak at any general meeting of the Company and of all classes of shares of the Company.
- (5) The Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove a Director (including a managing or other executive Director) at any time before the expiration of his ~~period~~term of office notwithstanding anything to the contrary in these Articles or in any agreement between the Company and such Director (but without prejudice to any claim for damages under any such agreement). App.3
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- (6) A vacancy on the Board created by the removal of a Director under the provisions of subparagraph (5) above may be filled by the election or appointment by ordinary resolution of the Members at the meeting at which such Director is removed.
- (7) The Company may from time to time in general meeting by ordinary resolution increase or reduce the number of Directors but so that the number of Directors shall never be less than two (2).

RETIREMENT OF DIRECTORS

84. (1) ~~Notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.~~
84. (1) Notwithstanding any other provisions in the Articles, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. ^{App.14}
_{B.2.2}
- (2) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.
85. No person other than a Director retiring at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a Notice signed by a Member (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a Notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the Registration Office provided that ~~the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that (if the Notices are submitted after the despatch of the notice of such Notices must be lodged with the Company at least fourteen (14) days prior to the date of the general meeting appointed for such of election) the period for lodgment of such Notice(s) shall commence on but no earlier than the day after the despatch of the notice~~ Notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. ^{AppCh.13}
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DISQUALIFICATION OF DIRECTORS

86. The office of a Director shall be vacated if the Director:
- (1) resigns his office by notice in writing delivered to the Company at the Office or tendered at a meeting of the Board;
 - (2) becomes of unsound mind or dies;
 - (3) without special leave of absence from the Board, is absent from meetings of the Board for six consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the Board resolves that his office be vacated;
 - (4) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;
 - (5) is prohibited by law from being a Director; or
 - (6) ceases to be a Director by virtue of any provision of the Statutes or is removed from office pursuant to these Articles.

EXECUTIVE DIRECTORS

87. The Board may from time to time appoint any one or more of its body to be a managing director, joint managing director or deputy managing director or to hold any other employment or executive office with the Company for such period (subject to their continuance as Directors) and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. Any such revocation or termination as aforesaid shall be without prejudice to any claim for damages that such Director may have against the Company or the Company may have against such Director. A Director appointed to an office under this Article shall be subject to the same provisions as to removal as the other Directors of the Company, and he shall (subject to the provisions of any contract between him and the Company) ipso facto and immediately cease to hold such office if he shall cease to hold the office of Director for any cause.
88. Notwithstanding Articles 93, 94, 95 and 96, an executive director appointed to an office under Article 87 hereof shall receive such remuneration (whether by way of salary, commission, participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time determine, and either in addition to or in lieu of his remuneration as a Director.

ALTERNATE DIRECTORS

89. Any Director may at any time by Notice delivered to the Office or head office or at a meeting of the Directors appoint any person (including another Director) to be his alternate Director. Any person so appointed shall have all the rights and powers of the Director or Directors for whom such person is appointed in the alternative provided that such person shall not be counted more than once in determining whether or not a quorum is present. An alternate Director may be removed at any time by the body which appointed him and, subject thereto, the office of alternate Director shall continue until the happening of any event which, if he were a Director, would cause him to vacate such office or if his appointer ceases for any reason to be a Director. Any appointment or removal of an alternate Director shall be effected by Notice signed by the appointor and delivered to the Office or head office or tendered at a meeting of the Board. An alternate Director may also be a Director in his own right and may act as alternate to more than one Director. An alternate Director shall, if his appointor so requests, be entitled to receive notices of meetings of the Board or of committees of the Board to the same extent as, but in lieu of, the Director appointing him and shall be entitled to such extent to attend and vote as a Director at any such meeting at which the Director appointing him is not personally present and generally at such meeting to exercise and discharge all the functions, powers and duties of his appointor as a Director and for the purposes of the proceedings at such meeting the provisions of these Articles shall apply as if he were a Director save that as an alternate for more than one Director his voting rights shall be cumulative.
90. An alternate Director shall only be a Director for the purposes of the ~~Law~~Act and shall only be subject to the provisions of the ~~Law~~Act insofar as they relate to the duties and obligations of a Director when performing the functions of the Director for whom he is appointed in the alternative and shall alone be responsible to the Company for his acts and defaults and shall not be deemed to be the agent of or for the Director appointing him. An alternate Director shall be entitled to contract and be interested in and benefit from contracts or arrangements or transactions and to be repaid expenses and to be indemnified by the Company to the same extent *mutatis mutandis* as if he were a Director but he shall not be entitled to receive from the Company any fee in his capacity as an alternate Director except only such part, if any, of the remuneration otherwise payable to his appointor as such appointor may by Notice to the Company from time to time direct.
91. Every person acting as an alternate Director shall have one vote for each Director for whom he acts as alternate (in addition to his own vote if he is also a Director). If his appointor is for the time being absent from Hong Kong or otherwise not available or unable to act, the signature of an alternate Director to any resolution in writing of the Board or a committee of the Board of which his appointor is a member shall, unless the notice of his appointment provides to the contrary, be as effective as the signature of his appointor.

92. An alternate Director shall ipso facto cease to be an alternate Director if his appointor ceases for any reason to be a Director, however, such alternate Director or any other person may be re-appointed by the Directors to serve as an alternate Director PROVIDED always that, if at any meeting any Director retires but is re-elected at the same meeting, any appointment of such alternate Director pursuant to these Articles which was in force immediately before his retirement shall remain in force as though he had not retired.

DIRECTORS' FEES AND EXPENSES

93. The ordinary remuneration of the Directors shall from time to time be determined by the Company in general meeting and shall (unless otherwise directed by the resolution by which it is voted) be divided amongst the Board in such proportions and in such manner as the Board may agree or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of remuneration related to the period during which he has held office. Such remuneration shall be deemed to accrue from day to day.
94. Each Director shall be entitled to be repaid or prepaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.
95. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.
96. The Board shall obtain the approval of the Company in general meeting before making any payment to any Director or past Director of the Company by way of compensation for loss of office, or as consideration for or in connection with his retirement from office (not being payment to which the Director is contractually entitled).

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DIRECTORS' INTERESTS

97. A Director may:
- (a) hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine. Any remuneration (whether by way of salary, commission, participation in profits or otherwise) paid to any Director in respect of any such other office or place of profit shall be in addition to any remuneration provided for by or pursuant to any other Article;

- (b) act by himself or his firm in a professional capacity for the Company (otherwise than as Auditor) and he or his firm may be remunerated for professional services as if he were not a Director;
- (c) continue to be or become a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of any other company promoted by the Company or in which the Company may be interested as a vendor, shareholder or otherwise and (unless otherwise agreed) no such Director shall be accountable for any remuneration, profits or other benefits received by him as a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer or member of or from his interests in any such other company. Subject as otherwise provided by these Articles the Directors may exercise or cause to be exercised the voting powers conferred by the shares in any other company held or owned by the Company, or exercisable by them as Directors of such other company in such manner in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of them directors, managing directors, joint managing directors, deputy managing directors, executive directors, managers or other officers of such company) or voting or providing for the payment of remuneration to the director, managing director, joint managing director, deputy managing director, executive director, manager or other officers of such other company and any Director may vote in favour of the exercise of such voting rights in manner aforesaid notwithstanding that he may be, or about to be, appointed a director, managing director, joint managing director, deputy managing director, executive director, manager or other officer of such a company, and that as such he is or may become interested in the exercise of such voting rights in manner aforesaid.
98. Subject to the ~~Law~~Act and to these Articles, no Director or proposed or intending Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the Members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established provided that such Director shall disclose the nature of his interest in any contract or arrangement in which he is interested in accordance with Article 99 herein.
99. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first considered, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested. For the purposes of this Article, a general Notice to the Board by a Director to the effect that:
- (a) he is a member or officer of a specified company or firm and is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with that company or firm; or

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- (b) he is to be regarded as interested in any contract or arrangement which may after the date of the Notice be made with a specified person who is connected with him;

shall be deemed to be a sufficient declaration of interest under this Article in relation to any such contract or arrangement, provided that no such Notice shall be effective unless either it is given at a meeting of the Board or the Director takes reasonable steps to secure that it is brought up and read at the next Board meeting after it is given.

100. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his close associates is materially interested, but this prohibition shall not apply to any of the following matters namely: AppCh.13:
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- (i) ~~any contract or arrangement for the giving of any security or indemnity either:-~~
- (a) ~~to such~~the Director or his close associate(s) ~~any security or indemnity~~ in respect of money lent ~~by him or any of his close associate(s)~~ or obligations incurred or undertaken by him or any of his close associate(s) ~~them~~ at the request of or for the benefit of the Company or any of its subsidiaries; ~~or~~
- (b) (ii) ~~any contract or arrangement for the giving of any security or indemnity to~~ a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/ themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) ~~any contract or arrangement~~proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub=underwriting of the offer;

- (iv) ~~any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or~~
- (viii) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:
- (a) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme, under which the Director or his close associate(s) may benefit; or
- (b) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors or the Director, his close associate(s) and to employees employee(s) of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally accorded to the class of persons to which such scheme or fund relates;
- (iv) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.
- (2) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.

GENERAL POWERS OF THE DIRECTORS

101. (1) The business of the Company shall be managed and conducted by the Board, which may pay all expenses incurred in forming and registering the Company and may exercise all powers of the Company (whether relating to the management of the business of the Company or otherwise) which are not by the Statutes or by these Articles required to be exercised by the Company in general meeting, subject nevertheless to the provisions of the Statutes and of these Articles and to such regulations being not inconsistent with such provisions, as may be prescribed by the Company in general meeting, but no regulations made by the Company in general meeting shall invalidate any prior act of the Board which would have been valid if such regulations had not been made. The general powers given by this Article shall not be limited or restricted by any special authority or power given to the Board by any other Article.
- (2) Any person contracting or dealing with the Company in the ordinary course of business shall be entitled to rely on any written or oral contract or agreement or deed, document or instrument entered into or executed as the case may be by any two of the Directors acting jointly on behalf of the Company and the same shall be deemed to be validly entered into or executed by the Company as the case may be and shall, subject to any rule of law, be binding on the Company.
- (3) Without prejudice to the general powers conferred by these Articles it is hereby expressly declared that the Board shall have the following powers:
- (a) to give to any person the right or option of requiring at a future date that an allotment shall be made to him of any share at par or at such premium as may be agreed;
 - (b) to give to any Directors, officers or servants of the Company an interest in any particular business or transaction or participation in the profits thereof or in the general profits of the Company either in addition to or in substitution for a salary or other remuneration; and
 - (c) to resolve that the Company be deregistered in the Cayman Islands and continued in a named jurisdiction outside the Cayman Islands subject to the provisions of the Law Act.

- (4) The Company shall not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong. App-13B
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Article 101(4) shall only have effect for so long as the shares of the Company are listed on The Stock Exchange of Hong Kong Limited.

102. The Board may establish any regional or local boards or agencies for managing any of the affairs of the Company in any place, and may appoint any persons to be members of such local boards, or any managers or agents, and may fix their remuneration (either by way of salary or by commission or by conferring the right to participation in the profits of the Company or by a combination of two or more of these modes) and pay the working expenses of any staff employed by them upon the business of the Company. The Board may delegate to any regional or local board, manager or agent any of the powers, authorities and discretions vested in or exercisable by the Board (other than its powers to make calls and forfeit shares), with power to sub-delegate, and may authorise the members of any of them to fill any vacancies therein and to act notwithstanding vacancies. Any such appointment or delegation may be made upon such terms and subject to such conditions as the Board may think fit, and the Board may remove any person appointed as aforesaid, and may revoke or vary such delegation, but no person dealing in good faith and without notice of any such revocation or variation shall be affected thereby.
103. The Board may by power of attorney appoint under the Seal any company, firm or person or any fluctuating body of persons, whether nominated directly or indirectly by the Board, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretions (not exceeding those vested in or exercisable by the Board under these Articles) and for such period and subject to such conditions as it may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit, and may also authorise any such attorney to sub-delegate all or any of the powers, authorities and discretions vested in him. Such attorney or attorneys may, if so authorised under the Seal of the Company, execute any deed or instrument under their personal seal with the same effect as the affixation of the Company's Seal.
104. The Board may entrust to and confer upon a managing director, joint managing director, deputy managing director, an executive director or any Director any of the powers exercisable by it upon such terms and conditions and with such restrictions as it thinks fit, and either collaterally with, or to the exclusion of, its own powers, and may from time to time revoke or vary all or any of such powers but no person dealing in good faith and without notice of such revocation or variation shall be affected thereby.

105. All cheques, promissory notes, drafts, bills of exchange and other instruments, whether negotiable or transferable or not, and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Board shall from time to time by resolution determine. The Company's banking accounts shall be kept with such banker or bankers as the Board shall from time to time determine.
106. (1) The Board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's moneys to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any of its subsidiary companies) and ex-employees of the Company and their dependants or any class or classes of such person.
- (2) The Board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependants, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependants are or may become entitled under any such scheme or fund as mentioned in the last preceding paragraph. Any such pension or benefit may, as the Board considers desirable, be granted to an employee either before and in anticipation of or upon or at any time after his actual retirement.

BORROWING POWERS

107. The Board may exercise all the powers of the Company to raise or borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and, subject to the ~~Law Act~~, to issue debentures, bonds and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
108. Debentures, bonds and other securities may be made assignable free from any equities between the Company and the person to whom the same may be issued.
109. Any debentures, bonds or other securities may be issued at a discount (other than shares), premium or otherwise and with any special privileges as to redemption, surrender, drawings, allotment of shares, attending and voting at general meetings of the Company, appointment of Directors and otherwise.

110. (1) Where any uncalled capital of the Company is charged, all persons taking any subsequent charge thereon shall take the same subject to such prior charge, and shall not be entitled, by notice to the Members or otherwise, to obtain priority over such prior charge.
- (2) The Board shall cause a proper register to be kept, in accordance with the provisions of the ~~Law~~Act, of all charges specifically affecting the property of the Company and of any series of debentures issued by the Company and shall duly comply with the requirements of the ~~Law~~Act in regard to the registration of charges and debentures therein specified and otherwise.

PROCEEDINGS OF THE DIRECTORS

111. The Board may meet for the despatch of business, adjourn or postpone and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of any equality of votes the chairman of the meeting shall have an additional or casting vote.
112. A meeting of the Board may be convened by the Secretary on request of a Director or by any Director. The Secretary shall convene a meeting of the Board whenever he shall be required so to do by any Director. Notice of a meeting of the Board shall be deemed to be duly given to a Director if it is given to such Director in writing or verbally (including in person or by telephone) or ~~viab~~y electronic mail means to an electronic address from time to time notified to the Company by such Director or (if the recipient consents to it being made available on a website) by making it available on a website or by telephone or in such other manner as the Board may from time to time determine ~~whenever he shall be required so to do by any Director~~.
113. (1) The quorum necessary for the transaction of the business of the Board may be fixed by the Board and, unless so fixed at any other number, shall be two (2). An alternate Director shall be counted in a quorum in the case of the absence of a Director for whom he is the alternate provided that he shall not be counted more than once for the purpose of determining whether or not a quorum is present.
- (2) Directors may participate in any meeting of the Board by means of a conference telephone, electronic or other communications equipment through which all persons participating in the meeting can communicate with each other simultaneously and instantaneously and, for the purpose of counting a quorum, such participation shall constitute presence at a meeting as if those participating were present in person.
- (3) Any Director who ceases to be a Director at a Board meeting may continue to be present and to act as a Director and be counted in the quorum until the termination of such Board meeting if no other Director objects and if otherwise a quorum of Directors would not be present.

114. The continuing Directors or a sole continuing Director may act notwithstanding any vacancy in the Board but, if and so long as the number of Directors is reduced below the minimum number fixed by or in accordance with these Articles, the continuing Directors or Director, notwithstanding that the number of Directors is below the number fixed by or in accordance with these Articles as the quorum or that there is only one continuing Director, may act for the purpose of filling vacancies in the Board or of summoning general meetings of the Company but not for any other purpose.
115. The Board may elect one or more chairman and one or more deputy chairman of its meetings and determine the period for which they are respectively to hold such office. If no chairman or deputy chairman is elected, or if at any meeting no chairman or deputy chairman is present within five (5) minutes after the time appointed for holding the same, the Directors present may choose one of their number to be chairman of the meeting.
116. A meeting of the Board at which a quorum is present shall be competent to exercise all the powers, authorities and discretions for the time being vested in or exercisable by the Board.
117. (1) The Board may delegate any of its powers, authorities and discretions to committees, consisting of such Director or Directors and other persons as it thinks fit, and they may, from time to time, revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes. Any committee so formed shall, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations which may be imposed on it by the Board.
- (2) All acts done by any such committee in conformity with such regulations, and in fulfilment of the purposes for which it was appointed, but not otherwise, shall have like force and effect as if done by the Board, and the Board shall have power, with the consent of the Company in general meeting, to remunerate the members of any such committee, and charge such remuneration to the current expenses of the Company.
118. The meetings and proceedings of any committee consisting of two or more members shall be governed by the provisions contained in these Articles for regulating the meetings and proceedings of the Board so far as the same are applicable and are not superseded by any regulations imposed by the Board under the last preceding Article.

119. A resolution in writing signed by all the Directors except such as are temporarily unable to act through ill-health or disability, and all the alternate Directors, if appropriate, whose appointors are temporarily unable to act as aforesaid shall (provided that such number is sufficient to constitute a quorum and further provided that a copy of such resolution has been given or the contents thereof communicated to all the Directors for the time being entitled to receive notices of Board meetings in the same manner as notices of meetings are required to be given by these Articles) be as valid and effectual as if a resolution had been passed at a meeting of the Board duly convened and held. A notification of consent to such resolution given by a Director in writing to the Board by any means (including by means of electronic communication) shall be deemed to be his/her signature to such resolution in writing for the purpose of this Article. Such resolution may be contained in one document or in several documents in like form each signed by one or more of the Directors or alternate Directors and for this purpose a facsimile signature of a Director or an alternate Director shall be treated as valid. Notwithstanding the foregoing, a resolution in writing shall not be passed in lieu of a meeting of the Board for the purposes of considering any matter or business in which a substantial shareholder of the Company or a Director has a conflict of interest and the Board has determined that such conflict of interest to be material.
120. All acts bona fide done by the Board or by any committee or by any person acting as a Director or members of a committee, shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any member of the Board or such committee or person acting as aforesaid or that they or any of them were disqualified or had vacated office, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or member of such committee.

MANAGERS

121. The Board may from time to time appoint a general manager, a manager or managers of the Company and may fix his or their remuneration either by way of salary or commission or by conferring the right to participation in the profits of the Company or by a combination of two or more of these modes and pay the working expenses of any of the staff of the general manager, manager or managers who may be employed by him or them upon the business of the Company.
122. The appointment of such general manager, manager or managers may be for such period as the Board may decide, and the Board may confer upon him or them all or any of the powers of the Board as they may think fit.
123. The Board may enter into such agreement or agreements with any such general manager, manager or managers upon such terms and conditions in all respects as the Board may in their absolute discretion think fit, including a power for such general manager, manager or managers to appoint an assistant manager or managers or other employees whatsoever under them for the purpose of carrying on the business of the Company.

OFFICERS

124. (1) The officers of the Company shall consist of at least one chairman, the Directors and Secretary and such additional officers (who may or may not be Directors) as the Board may from time to time determine, all of whom shall be deemed to be officers for the purposes of the LawAct and these Articles.
- (2) The Directors shall, as soon as may be after each appointment or election of Directors, elect amongst the Directors a chairman and if more than one (1) Director is proposed for this office, the Directors may elect more than one chairman in such manner as the Directors may determine.
- (3) The officers shall receive such remuneration as the Directors may from time to time determine.
125. (1) The Secretary and additional officers, if any, shall be appointed by the Board and shall hold office on such terms and for such period as the Board may determine. If thought fit, two (2) or more persons may be appointed as joint Secretaries. The Board may also appoint from time to time on such terms as it thinks fit one or more assistant or deputy Secretaries.
- (2) The Secretary shall attend all meetings of the Members and shall keep correct minutes of such meetings and enter the same in the proper books provided for the purpose. He shall perform such other duties as are prescribed by the LawAct or these Articles or as may be prescribed by the Board.
126. The officers of the Company shall have such powers and perform such duties in the management, business and affairs of the Company as may be delegated to them by the Directors from time to time.
127. A provision of the LawAct or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as or in place of the Secretary.

REGISTER OF DIRECTORS AND OFFICERS

128. The Company shall cause to be kept in one or more books at its Office a Register of Directors and Officers in which there shall be entered the full names and addresses of the Directors and Officers and such other particulars as required by the LawAct or as the Directors may determine. The Company shall send to the Registrar of Companies in the Cayman Islands a copy of such register, and shall from time to time notify to the said Registrar of any change that takes place in relation to such Directors and Officers as required by the LawAct.

MINUTES

129. (1) The Board shall cause minutes to be duly entered in books provided for the purpose:
- (a) of all elections and appointments of officers;
 - (b) of the names of the Directors present at each meeting of the Directors and of any committee of the Directors;
 - (c) of all resolutions and proceedings of each general meeting of the Members, meetings of the Board and meetings of committees of the Board and where there are managers, of all proceedings of meetings of the managers.
- (2) Minutes shall be kept by the Secretary at the head office.

SEAL

130. (1) The Company shall have one or more Seals, as the Board may determine. For the purpose of sealing documents creating or evidencing securities issued by the Company, the Company may have a securities seal which is a facsimile of the Seal of the Company with the addition of the word "Securities" on its face or in such other form as the Board may approve. The Board shall provide for the custody of each Seal and no Seal shall be used without the authority of the Board or of a committee of the Board authorised by the Board in that behalf. Subject as otherwise provided in these Articles, any instrument to which a Seal is affixed shall be signed autographically by one Director and the Secretary or by two Directors or by such other person (including a Director) or persons as the Board may appoint, either generally or in any particular case, save that as regards any certificates for shares or debentures or other securities of the Company the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature. Every instrument executed in manner provided by this Article shall be deemed to be sealed and executed with the authority of the Board previously given.

- (2) Where the Company has a Seal for use abroad, the Board may by writing under the Seal appoint any agent or committee abroad to be the duly authorised agent of the Company for the purpose of affixing and using such Seal and the Board may impose restrictions on the use thereof as may be thought fit. Wherever in these Articles reference is made to the Seal, the reference shall, when and so far as may be applicable, be deemed to include any such other Seal as aforesaid.

AUTHENTICATION OF DOCUMENTS

131. Any Director or the Secretary or any person appointed by the Board for the purpose may authenticate any documents affecting the constitution of the Company and any resolution passed by the Company or the Board or any committee, and any books, records, documents and accounts relating to the business of the Company, and to certify copies thereof or extracts therefrom as true copies or extracts, and if any books, records, documents or accounts are elsewhere than at the Office or the head office the local manager or other officer of the Company having the custody thereof shall be deemed to be a person so appointed by the Board. A document purporting to be a copy of a resolution, or an extract from the minutes of a meeting, of the Company or of the Board or any committee which is so certified shall be conclusive evidence in favour of all persons dealing with the Company upon the faith thereof that such resolution has been duly passed or, as the case may be, that such minutes or extract is a true and accurate record of proceedings at a duly constituted meeting.

DESTRUCTION OF DOCUMENTS

132. (1) The Company shall be entitled to destroy the following documents at the following times:
- (a) any share certificate which has been cancelled at any time after the expiry of one (1) year from the date of such cancellation;
 - (b) any dividend mandate or any variation or cancellation thereof or any notification of change of name or address at any time after the expiry of two (2) years from the date such mandate, variation, cancellation or notification was recorded by the Company;
 - (c) any instrument of transfer of shares which has been registered at any time after the expiry of seven (7) years from the date of registration;
 - (d) any allotment letters after the expiry of seven (7) years from the date of issue thereof; and

- (e) copies of powers of attorney, grants of probate and letters of administration at any time after the expiry of seven (7) years after the account to which the relevant power of attorney, grant of probate or letters of administration related has been closed;

and it shall conclusively be presumed in favour of the Company that every entry in the Register purporting to be made on the basis of any such documents so destroyed was duly and properly made and every share certificate so destroyed was a valid certificate duly and properly cancelled and that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and that every other document destroyed hereunder was a valid and effective document in accordance with the recorded particulars thereof in the books or records of the Company. Provided always that: (1) the foregoing provisions of this Article shall apply only to the destruction of a document in good faith and without express notice to the Company that the preservation of such document was relevant to a claim; (2) nothing contained in this Article shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any case where the conditions of proviso (1) above are not fulfilled; and (3) references in this Article to the destruction of any document include references to its disposal in any manner.

- (2) Notwithstanding any provision contained in these Articles, the Directors may, if permitted by applicable law, authorise the destruction of documents set out in subparagraphs (a) to (e) of paragraph (1) of this Article and any other documents in relation to share registration which have been microfilmed or electronically stored by the Company or by the share registrar on its behalf provided always that this Article shall apply only to the destruction of a document in good faith and without express notice to the Company and its share registrar that the preservation of such document was relevant to a claim.

DIVIDENDS AND OTHER PAYMENTS

133. Subject to the ~~Law~~Act, the Company in general meeting may from time to time declare dividends in any currency to be paid to the Members but no dividend shall be declared in excess of the amount recommended by the Board.

134. Dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the Directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the ~~Law~~Act.

135. Except in so far as the rights attaching to, or the terms of issue of, any share otherwise provide:

- (a) all dividends shall be declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated for the purposes of this Article as paid up on the share; and
- (b) all dividends shall be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid.

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136. The Board may from time to time pay to the Members such interim dividends as appear to the Board to be justified by the profits of the Company and in particular (but without prejudice to the generality of the foregoing) if at any time the share capital of the Company is divided into different classes, the Board may pay such interim dividends in respect of those shares in the capital of the Company which confer on the holders thereof deferred or non-preferential rights as well as in respect of those shares which confer on the holders thereof preferential rights with regard to dividend and provided that the Board acts bona fide the Board shall not incur any responsibility to the holders of shares conferring any preference for any damage that they may suffer by reason of the payment of an interim dividend on any shares having deferred or non-preferential rights and may also pay any fixed dividend which is payable on any shares of the Company half-yearly or on any other dates, whenever such profits, in the opinion of the Board, justifies such payment.

137. The Board may deduct from any dividend or other moneys payable to a Member by the Company on or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

138. No dividend or other moneys payable by the Company on or in respect of any share shall bear interest against the Company.

139. Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address or, in the case of joint holders, addressed to the holder whose name stands first in the Register in respect of the shares at his address as appearing in the Register or addressed to such person and at such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the Register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.
140. All dividends or bonuses unclaimed for one (1) year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend or bonuses unclaimed after a period of six (6) years from the date of declaration shall be forfeited and shall revert to the Company. The payment by the Board of any unclaimed dividend or other sums payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof. ^{App-3}₃₍₂₎
141. Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind and in particular of paid up shares, debentures or warrants to subscribe securities of the Company or any other company, or in any one or more of such ways, and where any difficulty arises in regard to the distribution the Board may settle the same as it thinks expedient, and in particular may issue certificates in respect of fractions of shares, disregard fractional entitlements or round the same up or down, and may fix the value for distribution of such specific assets, or any part thereof, and may determine that cash payments shall be made to any Members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Board and may appoint any person to sign any requisite instruments of transfer and other documents on behalf of the persons entitled to the dividend, and such appointment shall be effective and binding on the Members. The Board may resolve that no such assets shall be made available to Members with registered addresses in any particular territory or territories where, in the absence of a registration statement or other special formalities, such distribution of assets would or might, in the opinion of the Board, be unlawful or impracticable and in such event the only entitlement of the Members aforesaid shall be to receive cash payments as aforesaid. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.

142. (1) Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on any class of the share capital of the Company, the Board may further resolve either:
- (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the Members entitled thereto will be entitled to elect to receive such dividend (or part thereof if the Board so determines) in cash in lieu of such allotment. In such case, the following provisions shall apply:
 - (i) the basis of any such allotment shall be determined by the Board;
 - (ii) the Board, after determining the basis of allotment, shall give not less than two (2) weeks' Notice to the holders of the relevant shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
 - (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
 - (iv) the dividend (or that part of the dividend to be satisfied by the allotment of shares as aforesaid) shall not be payable in cash on shares in respect whereof the cash election has not been duly exercised (“**the non-elected shares**”) and in satisfaction thereof shares of the relevant class shall be allotted credited as fully paid up to the holders of the non-elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserves or other special account, share premium account, capital redemption reserve other than the Subscription Rights Reserve (as defined below)) as the Board may determine, such sum as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and amongst the holders of the non-elected shares on such basis; or
 - (b) that the Members entitled to such dividend shall be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. In such case, the following provisions shall apply:
 - (i) the basis of any such allotment shall be determined by the Board;

- (ii) the Board, after determining the basis of allotment, shall give not less than two (2) weeks' Notice to the holders of the relevant shares of the right of election accorded to them and shall send with such notice forms of election and specify the procedure to be followed and the place at which and the latest date and time by which duly completed forms of election must be lodged in order to be effective;
 - (iii) the right of election may be exercised in respect of the whole or part of that portion of the dividend in respect of which the right of election has been accorded; and
 - (iv) the dividend (or that part of the dividend in respect of which a right of election has been accorded) shall not be payable in cash on shares in respect whereof the share election has been duly exercised (“**the elected shares**”) and in lieu thereof shares of the relevant class shall be allotted credited as fully paid up to the holders of the elected shares on the basis of allotment determined as aforesaid and for such purpose the Board shall capitalise and apply out of any part of the undivided profits of the Company (including profits carried and standing to the credit of any reserves or other special account, share premium account, capital redemption reserve other than the Subscription Rights Reserve (as defined below)) as the Board may determine, such sum as may be required to pay up in full the appropriate number of shares of the relevant class for allotment and distribution to and amongst the holders of the elected shares on such basis.
- (2) (a) The shares allotted pursuant to the provisions of paragraph (1) of this Article shall rank *pari passu* in all respects with shares of the same class (if any) then in issue save only as regards participation in the relevant dividend or in any other distributions, bonuses or rights paid, made, declared or announced prior to or contemporaneously with the payment or declaration of the relevant dividend unless, contemporaneously with the announcement by the Board of their proposal to apply the provisions of sub-paragraph (a) or (b) of paragraph (1) of this Article in relation to the relevant dividend or contemporaneously with their announcement of the distribution, bonus or rights in question, the Board shall specify that the shares to be allotted pursuant to the provisions of paragraph (1) of this Article shall rank for participation in such distribution, bonus or rights.

- (b) The Board may do all acts and things considered necessary or expedient to give effect to any capitalisation pursuant to the provisions of paragraph (1) of this Article, with full power to the Board to make such provisions as it thinks fit in the case of shares becoming distributable in fractions (including provisions whereby, in whole or in part, fractional entitlements are aggregated and sold and the net proceeds distributed to those entitled, or are disregarded or rounded up or down or whereby the benefit of fractional entitlements accrues to the Company rather than to the Members concerned). The Board may authorise any person to enter into on behalf of all Members interested, an agreement with the Company providing for such capitalisation and matters incidental thereto and any agreement made pursuant to such authority shall be effective and binding on all concerned.
- (3) The Company may upon the recommendation of the Board by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the provisions of paragraph (1) of this Article a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.
- (4) The Board may on any occasion determine that rights of election and the allotment of shares under paragraph (1) of this Article shall not be made available or made to any shareholders with registered addresses in any territory where, in the absence of a registration statement or other special formalities, the circulation of an offer of such rights of election or the allotment of shares would or might, in the opinion of the Board, be unlawful or impracticable, and in such event the provisions aforesaid shall be read and construed subject to such determination. Members affected as a result of the foregoing sentence shall not be or be deemed to be a separate class of Members for any purpose whatsoever.
- (5) Any resolution declaring a dividend on shares of any class, whether a resolution of the Company in general meeting or a resolution of the Board, may specify that the same shall be payable or distributable to the persons registered as the holders of such shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed, and thereupon the dividend shall be payable or distributable to them in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any such shares. The provisions of this Article shall *mutatis mutandis* apply to bonuses, capitalisation issues, distributions of realised capital profits or offers or grants made by the Company to the Members.

RESERVES

143. (1) The Board shall establish an account to be called the share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share in the Company. Unless otherwise provided by the provisions of these Articles, the Board may apply the share premium account in any manner permitted by the ~~Law~~Act. The Company shall at all times comply with the provisions of the ~~Law~~Act in relation to the share premium account.
- (2) Before recommending any dividend, the Board may set aside out of the profits of the Company such sums as it determines as reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied and pending such application may, also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit and so that it shall not be necessary to keep any investments constituting the reserve or reserves separate or distinct from any other investments of the Company. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to distribute.

CAPITALISATION

144. (1) The Company may, upon the recommendation of the Board, at any time and from time to time pass an ordinary resolution to the effect that it is desirable to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and capital redemption reserve and the profit and loss account) whether or not the same is available for distribution and accordingly that such amount be set free for distribution among the Members or any class of Members who would be entitled thereto if it were distributed by way of dividend and in the same proportions, on the footing that the same is not paid in cash but is applied either in or towards paying up the amounts for the time being unpaid on any shares in the Company held by such Members respectively or in paying up in full unissued shares, debentures or other obligations of the Company, to be allotted and distributed credited as fully paid up among such Members, or partly in one way and partly in the other, and the Board shall give effect to such resolution provided that, for the purposes of this Article, a share premium account and any capital redemption reserve or fund representing unrealised profits, may be applied only in paying up in full unissued shares of the Company to be allotted to such Members credited as fully paid.

(2) Notwithstanding any provisions in these Articles, the Board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Members at a general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the Members at a general meeting.

145. The Board may settle, as it considers appropriate, any difficulty arising in regard to any distribution under the last preceding Article and in particular may issue certificates in respect of fractions of shares or authorise any person to sell and transfer any fractions or may resolve that the distribution should be as nearly as may be practicable in the correct proportion but not exactly so or may ignore fractions altogether, and may determine that cash payments shall be made to any Members in order to adjust the rights of all parties, as may seem expedient to the Board. The Board may appoint any person to sign on behalf of the persons entitled to participate in the distribution any contract necessary or desirable for giving effect thereto and such appointment shall be effective and binding upon the Members.

SUBSCRIPTION RIGHTS RESERVE

146. The following provisions shall have effect to the extent that they are not prohibited by and are in compliance with the ~~Law~~Act:

- (1) If, so long as any of the rights attached to any warrants issued by the Company to subscribe for shares of the Company shall remain exercisable, the Company does any act or engages in any transaction which, as a result of any adjustments to the subscription price in accordance with the provisions of the conditions of the warrants, would reduce the subscription price to below the par value of a share, then the following provisions shall apply:
 - (a) as from the date of such act or transaction the Company shall establish and thereafter (subject as provided in this Article) maintain in accordance with the provisions of this Article a reserve (the “**Subscription Rights Reserve**”) the amount of which shall at no time be less than the sum which for the time being would be required to be capitalised and applied in paying up in full the nominal amount of the additional shares required to be issued and allotted credited as fully paid pursuant to sub- paragraph (c) below on the exercise in full of all the subscription rights outstanding and shall apply the Subscription Rights Reserve in paying up such additional shares in full as and when the same are allotted;
 - (b) the Subscription Rights Reserve shall not be used for any purpose other than that specified above unless all other reserves of the Company (other than share premium account) have been extinguished and will then only be used to make good losses of the Company if and so far as is required by law;
 - (c) upon the exercise of all or any of the subscription rights represented by any warrant, the relevant subscription rights shall be exercisable in respect of a nominal amount of shares equal to the amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be the relevant portion thereof in the event of a partial exercise of the subscription rights) and, in addition, there shall be allotted in respect of such subscription rights to the exercising warrant holder, credited as fully paid, such additional nominal amount of shares as is equal to the difference between:
 - (i) the said amount in cash which the holder of such warrant is required to pay on exercise of the subscription rights represented thereby (or, as the case may be, the relevant portion thereof in the event of a partial exercise of the subscription rights); and

- (ii) the nominal amount of shares in respect of which such subscription rights would have been exercisable having regard to the provisions of the conditions of the warrants, had it been possible for such subscription rights to represent the right to subscribe for shares at less than par and immediately upon such exercise so much of the sum standing to the credit of the Subscription Rights Reserve as is required to pay up in full such additional nominal amount of shares shall be capitalised and applied in paying up in full such additional nominal amount of shares which shall forthwith be allotted credited as fully paid to the exercising warrantholders; and
 - (d) if, upon the exercise of the subscription rights represented by any warrant, the amount standing to the credit of the Subscription Rights Reserve is not sufficient to pay up in full such additional nominal amount of shares equal to such difference as aforesaid to which the exercising warrantholder is entitled, the Board shall apply any profits or reserves then or thereafter becoming available (including, to the extent permitted by law, share premium account) for such purpose until such additional nominal amount of shares is paid up and allotted as aforesaid and until then no dividend or other distribution shall be paid or made on the fully paid shares of the Company then in issue. Pending such payment and allotment, the exercising warrantholder shall be issued by the Company with a certificate evidencing his right to the allotment of such additional nominal amount of shares. The rights represented by any such certificate shall be in registered form and shall be transferable in whole or in part in units of one share in the like manner as the shares for the time being are transferable, and the Company shall make such arrangements in relation to the maintenance of a register therefor and other matters in relation thereto as the Board may think fit and adequate particulars thereof shall be made known to each relevant exercising warrantholder upon the issue of such certificate.
- (2) Shares allotted pursuant to the provisions of this Article shall rank *pari passu* in all respects with the other shares allotted on the relevant exercise of the subscription rights represented by the warrant concerned. Notwithstanding anything contained in paragraph (1) of this Article, no fraction of any share shall be allotted on exercise of the subscription rights.
- (3) The provision of this Article as to the establishment and maintenance of the Subscription Rights Reserve shall not be altered or added to in any way which would vary or abrogate, or which would have the effect of varying or abrogating the provisions for the benefit of any warrantholder or class of warrantholders under this Article without the sanction of a special resolution of such warrantholders or class of warrantholders.

- (4) A certificate or report by the auditors for the time being of the Company as to whether or not the Subscription Rights Reserve is required to be established and maintained and if so the amount thereof so required to be established and maintained, as to the purposes for which the Subscription Rights Reserve has been used, as to the extent to which it has been used to make good losses of the Company, as to the additional nominal amount of shares required to be allotted to exercising warrant holders credited as fully paid, and as to any other matter concerning the Subscription Rights Reserve shall (in the absence of manifest error) be conclusive and binding upon the Company and all warrant holders and shareholders.

ACCOUNTING RECORDS

147. The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the ~~Law Act~~ or necessary to give a true and fair view of the Company's affairs and to explain its transactions. App-13B
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148. The accounting records shall be kept at the Office or, at such other place or places as the Board decides and shall always be open to inspection by the Directors. No Member (other than a Director) shall have any right of inspecting any accounting record or book or document of the Company except as conferred by law or authorised by the Board or the Company in general meeting.
149. Subject to Article 150, a printed copy of the Directors' report, accompanied by the balance sheet and profit and loss account, including every document required by law to be annexed thereto, made up to the end of the applicable financial year and containing a summary of the assets and liabilities of the Company under convenient heads and a statement of income and expenditure, together with a copy of the Auditors' report, shall be sent to each person entitled thereto at least twenty-one (21) days before the date of the general meeting and at the same time as the notice of annual general meeting and laid before the Company at the annual general meeting held in accordance with Article 56 provided that this Article shall not require a copy of those documents to be sent to any person whose address the Company is not aware of or to more than one of the joint holders of any shares or debentures. App-3
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150. Subject to due compliance with all applicable Statutes, rules and regulations, including, without limitation, the ~~rules of the Designated Stock Exchange~~Listing Rules, and to obtaining all necessary consents, if any, required thereunder, the requirements of Article 149 shall be deemed satisfied in relation to any person by sending to the person in any manner not prohibited by the Statutes, summarised financial statements derived from the Company's annual accounts and the directors' report which shall be in the form and containing the information required by applicable laws and regulations, provided that any person who is otherwise entitled to the annual financial statements of the Company and the directors' report thereon may, if he so requires by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.
151. The requirement to send to a person referred to in Article 149 the documents referred to in that article or a summary financial report in accordance with Article 150 shall be deemed satisfied where, in accordance with all applicable Statutes, rules and regulations, including, without limitation, the ~~rules of the Designated Stock Exchange~~Listing Rules, the Company publishes copies of the documents referred to in Article 149 and, if applicable, a summary financial report complying with Article 150, on the Company's computer network or in any other permitted manner (including by sending any form of electronic communication), and that person has agreed or is deemed to have agreed to treat the publication or receipt of such documents in such manner as discharging the Company's obligation to send to him a copy of such documents.

AUDIT

152. (1) At the annual general meeting or at a subsequent extraordinary general meeting in each year, the Members shall by ordinary resolution appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Such auditor may be a Member but no Director or officer or employee of the Company shall, during his continuance in office, be eligible to act as an auditor of the Company.

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- (2) The Members may, at any general meeting convened and held in accordance with these Articles, by ordinary resolution remove the Auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another Auditor in his stead for the remainder of his term. ^{App.3B}
4(2)17
- ~~(2) The Members may, at any general meeting convened and held in accordance with these Articles, by special resolution remove the Auditor at any time before the expiration of his term of office and shall by ordinary resolution at that meeting appoint another Auditor in his stead for the remainder of his term.~~
153. Subject to the ~~Law~~Act the accounts of the Company shall be audited at least once in every year. ^{App.13B}
4(2)
- ~~154. The remuneration of the Auditor shall be fixed by the Company in general meeting or in such manner as the Members may determine.~~
154. The remuneration of the Auditor shall be fixed by an ordinary resolution passed at a general meeting or in such manner as the Members may by ordinary resolution determine. ^{App.3}
17
- ~~155. If~~The Directors may fill any casual vacancy in the office of auditor becomes vacant by the resignation or death of the Auditor but while any such vacancy continues the surviving or continuing Auditor; or Auditors, if any, may act. Subject to compliance with the Listing Rules, the remuneration of any Auditor appointed by his becoming incapable of acting by reason of illness or other disability at a time when his services are required, the Directors shall fill the vacancy and fix thethe Directors under this Article may be fixed by the Board. Subject to Article 152(2) and compliance with the Listing Rules, an Auditor appointed under this Article shall hold office until the next following annual general meeting of the Company and shall then be subject to appointment by the Members under Article 152(1) at such remuneration of to be determined by the Auditor so appointed Members under Article 154.
156. The Auditor shall at all reasonable times have access to all books kept by the Company and to all accounts and vouchers relating thereto; and he may call on the Directors or officers of the Company for any information in their possession relating to the books or affairs of the Company.

157. The statement of income and expenditure and the balance sheet provided for by these Articles shall be examined by the Auditor and compared by him with the books, accounts and vouchers relating thereto; and he shall make a written report thereon stating whether such statement and balance sheet are drawn up so as to present fairly the financial position of the Company and the results of its operations for the period under review and, in case information shall have been called for from Directors or officers of the Company, whether the same has been furnished and has been satisfactory. The financial statements of the Company shall be audited by the Auditor in accordance with generally accepted auditing standards. The Auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the Auditor shall be submitted to the Members in general meeting. The generally accepted auditing standards referred to herein may be those of a country or jurisdiction other than the Cayman Islands. If so, the financial statements and the report of the Auditor should disclose this fact and name such country or jurisdiction.

NOTICES

158. (1) Any Notice or document (including any “corporate communication” within the meaning ascribed thereto under the ~~rules of the Designated Stock Exchange Listing Rules~~<sup>App-3
7(1)
7(2)
7(3)</sup>), whether or not, to be given or issued under these Articles from the Company to ~~a Member~~ shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or electronic communication and any such Notice and document may be ~~served~~given or ~~delivered~~issued by the Company ~~on or to any Member either following means:~~
- (a) ~~by serving it personally or on the relevant person;~~
 - (b) by sending it through the post in a prepaid envelope addressed to such Member at his registered address as appearing in the Register or at any other address supplied by him to the Company for the purpose ~~or, as the case may be, by transmitting;~~
 - (c) ~~by delivering or leaving it to any at such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website supplied by him to the Company for the giving of Notice to him or which the person transmitting the notice reasonably and bona fide believes at the relevant time will result in the Notice being duly received by the Member or may also be served by as aforesaid;~~
 - (d) by placing an advertisement in appropriate newspapers or other publication and where applicable, in accordance with the requirements of the Designated Stock Exchange or, to the extent permitted by the applicable laws, by placing;

- (e) by sending or transmitting it as an electronic communication to the relevant person at such electronic address as he may provide under Article 158(5), subject to the Company complying with the Statutes and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person;
- (f) by publishing it on the Company's website ~~or to which the website of the Designated Stock Exchange,~~ relevant person may have access, subject to the Company complying with the Statutes and any other applicable laws, rules and regulations from time to time in force with regard to any requirements for the obtaining of consent (or deemed consent) from such person and/or for giving notification to the member a notice any such person stating that the notice ~~or other,~~ document or publication is available ~~thereon~~ the Company's computer network website (a "notice of availability"); or
- (g) by sending or otherwise making it available to such person through such other means to the extent permitted by and in accordance with the Statutes and other applicable laws, rules and regulations.
- (2) The notice of availability may be given ~~to the Member~~ by any of the means set out above other than by posting it on a website.
- (3) In the case of joint holders of a share all notices shall be given to that one of the joint holders whose name stands first in the Register and notice so given shall be deemed a sufficient service on or delivery to all the joint holders.
- (4) Every person who, by operation of law, transfer, transmission, or other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share, which, previously to his name and address (including electronic address) being entered in the Register as the registered holder of such share, shall have been duly given to the person from whom he derives title to such share.
- (5) Every Member or a person who is entitled to receive notice from the Company under the provisions of the Statutes or these Articles may register with the Company an electronic address to which notices can be served upon him.
- (6) Subject to any applicable laws, rules and regulations and the terms of these Articles, any notice, document or publication, including but not limited to the documents referred to in Articles, 149, 150 and 158 may be given in the English language only or in both the English language and the Chinese language or, with the consent of or election by any member, in the Chinese language only to such member.

159. Any Notice or other document:

- (a) if served or delivered by post, shall where appropriate be sent by airmail and shall be deemed to have been served or delivered on the day following that on which the envelope containing the same, properly prepaid and addressed, is put into the post; in proving such service or delivery it shall be sufficient to prove that the envelope or wrapper containing the notice or document was properly addressed and put into the post and a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board that the envelope or wrapper containing the Notice or other document was so addressed and put into the post shall be conclusive evidence thereof;
- (b) if sent by electronic communication, shall be deemed to be given on the day on which it is transmitted from the server of the Company or its agent. A Notice placed on the Company's website or the website of the Designated Stock Exchange, is deemed given by the Company to a Member on the day following that on which a notice of availability is deemed served on the Member;
- (c) ~~if published on the Company's website or the website of the Designated Stock Exchange, shall be deemed to have been served on the day on which the notice, document or publication first so appears on the Company's website or the website of the Designated Stock Exchange to which the relevant person may have access or the day on which the notice of availability is deemed to have been served or delivered to such person under these Articles, whichever is later;~~
- (d) if served or delivered in any other manner contemplated by these Articles, shall be deemed to have been served or delivered at the time of personal service or delivery or, as the case may be, at the time of the relevant despatch or transmission; and in proving such service or delivery a certificate in writing signed by the Secretary or other officer of the Company or other person appointed by the Board as to the act and time of such service, delivery, despatch or transmission shall be conclusive evidence thereof; and
- (e) ~~if published as an advertisement in a newspaper or other publication permitted under these Articles, shall be deemed to have been served on the day on which the advertisement first so appears.~~
- (d) ~~may be given to a Member either in the English language or the Chinese language, subject to due compliance with all applicable Statutes, rules and regulations.~~

160. (1) Any Notice or other document delivered or sent by post to or left at the registered address of any Member in pursuance of these Articles shall, notwithstanding that such Member is then dead or bankrupt or that any other event has occurred, and whether or not the Company has notice of the death or bankruptcy or other event, be deemed to have been duly served or delivered in respect of any share registered in the name of such Member as sole or joint holder unless his name shall, at the time of the service or delivery of the Notice or document, have been removed from the Register as the holder of the share, and such service or delivery shall for all purposes be deemed a sufficient service or delivery of such Notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.
- (2) A Notice may be given by the Company to the person entitled to a share in consequence of the death, mental disorder or bankruptcy of a Member by sending it through the post in a prepaid letter, envelope or wrapper addressed to him by name, or by the title of representative of the deceased, or trustee of the bankrupt, or by any like description, at the address, if any, supplied for the purpose by the person claiming to be so entitled, or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death, mental disorder or bankruptcy had not occurred.
- (3) Any person who by operation of law, transfer or other means whatsoever shall become entitled to any share shall be bound by every Notice in respect of such share which prior to his name and address being entered on the Register shall have been duly given to the person from whom he derives his title to such share.

SIGNATURES

161. For the purposes of these Articles, a facsimile or electronic transmission message purporting to come from a holder of shares or, as the case may be, a Director or alternate Director, or, in the case of a corporation which is a holder of shares from a director or the secretary thereof or a duly appointed attorney or duly authorised representative thereof for it and on its behalf, shall in the absence of express evidence to the contrary available to the person relying thereon at the relevant time be deemed to be a document or instrument in writing signed by such holder or Director or alternate Director in the terms in which it is received. The signature to any Notice or document to be given by the Company may be written, printed or in electronic form.

WINDING UP

162. (1) ~~The~~Subject to Article 162(2), the Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up.
- (2) ~~A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.~~
- (2) Unless otherwise provided by the Act, a resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution. ^{App.3}₂₁
163. (1) Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares (i) if the Company shall be wound up and the assets available for distribution amongst the Members shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such ~~members~~Members in proportion to the amount paid up on the shares held by them respectively and (ii) if the Company shall be wound up and the assets available for distribution amongst the Members as such shall be insufficient to repay the whole of the paid-up capital such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the Members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.
- (2) If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the ~~Law~~Act, divide among the Members in specie or kind the whole or any part of the assets of the Company and whether or not the assets shall consist of properties of one kind or shall consist of properties to be divided as aforesaid of different kinds, and may for such purpose set such value as he deems fair upon any one or more class or classes of property and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of the Members as the liquidator with the like authority shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

- (3) ~~In the event of winding-up of the Company in Hong Kong, every Member who is not for the time being in Hong Kong shall be bound, within fourteen (14) days after the passing of an effective resolution to wind up the Company voluntarily, or the making of an order for the winding-up of the Company, to serve notice in writing on the Company appointing some person resident in Hong Kong and stating that person's full name, address and occupation upon whom all summonses, notices, process, orders and judgements in relation to or under the winding-up of the Company may be served, and in default of such nomination the liquidator of the Company shall be at liberty on behalf of such Member to appoint some such person, and service upon any such appointee, whether appointed by the Member or the liquidator, shall be deemed to be good personal service on such Member for all purposes, and, where the liquidator makes any such appointment, he shall with all convenient speed give notice thereof to such Member by advertisement as he shall deem appropriate or by a registered letter sent through the post and addressed to such Member at his address as appearing in the register, and such notice shall be deemed to be service on the day following that on which the advertisement first appears or the letter is posted.~~

INDEMNITY

164. (1) ~~The Directors, Secretary and other officers and every Auditor for the time being of the Company at any time, whether at present or in the past, and the liquidator or trustees (if any) for the time being acting or who have acted in relation to any of the affairs of the Company and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of the other or others of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of or belonging to the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; PROVIDED THAT this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of said persons.~~
- (2) Each Member agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; PROVIDED THAT such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

FINANCIAL YEAR

165. Unless otherwise determined by the Directors, the financial year of the Company shall end on the 31st day of August in each year.

AMENDMENT TO MEMORANDUM AND ARTICLES OF ASSOCIATION
AND NAME OF COMPANY

1656. No Article shall be rescinded, altered or amended and no new Article shall be made until the same has been approved by a special resolution of the Members. A special resolution shall be required to alter the provisions of the memorandum of association or to change the name of the Company. App.13B
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INFORMATION

1667. No Member shall be entitled to require discovery of or any information respecting any detail of the Company's trading or any matter which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Directors it will be inexpedient in the interests of the ~~members of the Company~~ Members to communicate to the public.

NOTICE OF EXTRAORDINARY GENERAL MEETING



Bojun Education Company Limited 博駿教育有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1758)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Bojun Education Company Limited (the “Company”) will be held at Meeting Room, 2/F., Bojun Education Company Limited, 209 Sanshe Road, Jinjiang District, Chengdu, Sichuan Province, the PRC on Thursday, 20 July 2023 at 10:00 a.m. for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions to be proposed as ordinary resolutions of the Company:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the amended and restated equity transfer agreement dated 10 April 2023 (the “**Amended Equity Transfer Agreement A**”), a copy of which is marked “A” and signed by the chairman of the Meeting for the purposes of identification, entered into by the Company, Chengdu Tianfu Bojun Education Management Company Limited* (成都天府博駿教育管理有限公司) (“**Chengdu Bojun**”), Chengdu Bomao Education Management Company Limited* (成都博懋教育管理有限公司) (“**Chengdu Bomao**”), Sichuan Yunmao Education Management Company Limited* (四川云懋教育管理有限公司) (“**Sichuan Yunmao**”), Sichuan Zhengzhuo Education Investment Company Limited* (四川正卓教育投資有限公司) (the “**Target Company A**”), Shenzhen Hongyuan Education Investment Company Limited* (深圳弘遠教育投資有限公司) (“**Shenzhen Hongyuan**”) and Sichuan Zhengzhuo Industry Company Limited* (四川正卓實業有限公司) (“**Sichuan Zhengzhuo**”), pursuant to which Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase and Sichuan Zhengzhuo and Shenzhen Hongyuan conditionally agreed to transfer 26.5% and 24.5% of equity interest in the Target Company A, respectively, for an aggregate consideration of RMB283,050,000, with (i) the earnest money of RMB73,500,000 used to set off part of the Consideration A to Shenzhen Hongyuan and (ii) partial consideration of RMB51,810,044.22 being settled by allotment and issue of consideration shares of the Company, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (b) the amended and restated equity transfer agreement dated 10 April 2023 (the “**Amended Equity Transfer Agreement B**”, together with the Amended Equity Transfer Agreement A, the “**Amended Agreements**”), a copy of which is marked “B” and signed by the chairman of the Meeting for the purposes of identification, entered into by the Company, Sichuan Yunmao, Chengdu Bomao, Sichuan Zhengzhuo, Shenzhen Hongyuan and Sichuan Gaojiao Investment Company Limited* (四川高教投資有限公司) (the “**Target Company B**”), pursuant to which Sichuan Yunmao and Chengdu Bomao conditionally agreed to purchase and Sichuan Zhengzhuo and Shenzhen Hongyuan conditionally agreed to each transfer 25.5% of equity interest in the Target Company B for an aggregate consideration of the amount of RMB26,010,000, out of which partial consideration of RMB4,760,922.98 shall be settled by allotment and issue of consideration shares of the Company, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (c) conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in 81,282,460 shares of the Company (“**Consideration Shares**”) at the issue price of HK\$0.85 per Consideration Share (the “**Issue Price**”), the directors of the Company be and are hereby granted a specific mandate (the “**Specific Mandate**”) to allot and issue the Consideration Shares at the Issue Price pursuant to the terms and conditions of the Amended Agreements and the articles of association of the Company, provided that this Specific Mandate shall be in addition to, and shall not prejudice or revoke any existing or such other general or special mandates which may from time to time be granted to the directors of the Company prior to the passing of this resolution; and
- (d) any one or more directors of the Company (the “**Directors**”) be and are hereby authorised to execute all documents and do all such things and take all such steps which, in his opinion, may be necessary, appropriate, desirable or expedient to implement and/or give effect to the terms of, or the transactions contemplated in and for the completion of the Amended Agreements and to agree to such variation, amendment or waiver in relation thereto.”

SPECIAL RESOLUTION

To consider and, if thought fit, pass the following resolution as a special resolution:

2. “**THAT** the second amended and restated articles of association of the Company (the “**Amended and Restated Articles of Association**”) (a copy of which has been produced to this meeting and marked “C” and initialled by the chairman of this meeting for the purpose of identification) be and are hereby approved and adopted in substitution for and to the exclusion of the existing amended and restated articles of

NOTICE OF EXTRAORDINARY GENERAL MEETING

association of the Company with immediate effect after the close of this meeting and that any director, officer, company secretary or registered office provider of the Company be and is hereby authorised to do all things necessary to implement the adoption of the Amended and Restated Articles of Association including filings with Registrar of Companies in Cayman Islands and Hong Kong.”

By Order of the Board
Bojun Education Company Limited
Wang Jinglei
Chairman and Chief Executive Officer

28 June 2023

Notes:

- (1) Any shareholder of the Company (the “**Shareholder(s)**”) entitled to attend and vote at the EGM is entitled to appoint another person as his proxy to attend and vote instead of him. A Shareholder who is the holder of two or more shares of the Company (the “**Shares**”) may appoint more than one proxy to attend on the same occasion. A proxy need not be a Shareholder.
- (2) In order to be valid, a form of proxy and the power of attorney (if any) or other authority (if any) under which it is signed, or a certified copy of such power or authority, must be deposited at the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjournment thereof.
- (3) Delivery of the form of proxy will not preclude a Shareholder from attending and voting in person at the EGM convened and in such event, the form of proxy shall be deemed to be revoked.
- (4) In the case of joint registered holders of any Share, any one of such joint registered holders may vote at the EGM, either in person or by proxy, in respect of such Share as if he was solely entitled thereto, but if more than one of such joint registered holders be present at the EGM, the vote of the senior who tenders a vote either personally or by proxy shall be accepted to the exclusion of the votes of the other joint registered holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding.
- (5) For the purpose of ascertaining shareholders who are entitled to attend and vote at the Meeting, the register of members of the Company will be closed from Monday, 17 July 2023 to Thursday, 20 July 2023 (both days inclusive). In order to qualify for the right to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates should be lodged with the Company’s Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, of 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on Friday, 14 July 2023.
- (6) As at the date of this notice, the executive Director is Mr. Wang Jinglei; the non-executive Director is Mr. Wu Jiwei; and the independent non-executive Directors are Mr. Cheng Tai Kwan Sunny, Mr. Mao Daowei, Ms. Luo Yunping and Mr. Yang Yuan.

* *for identification purposes only*