

## HISTORY AND DEVELOPMENT

### OVERVIEW OF OUR GROUP'S HISTORY

Our history can be traced back to October 2002 when our founders, Mr. Liu and Ms. Li, established Guangdong Guangzheng to engage in the provision of private education in the PRC. Please refer to the section headed "Directors and Senior Management" of this document for further details of the experience and qualifications of Mr. Liu and Ms. Li.

Guangdong Guangzheng established our first school, namely Dongguan Guangming School, in April 2003 in Dongguan, Guangdong province, offering middle school and high school education. After one year of operation, our second school, Dongguan Guangming Primary School, was established in August 2004 in the same campus of Dongguan Guangming School, offering primary school education.

In August 2013, in view of the rising demand for private fundamental education in the PRC and the increasing number of student applying to our schools, we acquired Dongguan Guangzheng Preparatory School from an Independent Third Party. Dongguan Guangzheng Preparatory School was established in Dongguan, Guangdong province in 2004 under the name H.S. Kama International School (東莞市華南師大嘉瑪學校). Taking into account the then existing infrastructure of the school available to our Group after the acquisition, we considered the acquisition would enable us to expand our school network and student capacity in a relatively short timeframe.

Leveraging on our established education model in Dongguan, we further expanded our school network to other cities in the PRC. In April 2014, we established Huizhou Guangzheng Preparatory School in Huizhou, Guangdong province, offering primary, middle and high school education. In September 2014, we also established and enrolled students in Panjin Guangzheng Preparatory School in Panjin, Liaoning province, offering primary, middle and high school education. We expect Weifang Guangzheng Preparatory School, our new school in Weifang, Shandong province in the Bohai Economic Rim economic zone, to commence operations in September 2016. The school will offer primary and middle school education for the 2016/2017 school year and may also offer high school education and international programmes in the future.

### KEY MILESTONES

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

Year	Event
2003	Dongguan Guangming School was established.
2004	Dongguan Guangming Primary School was established.
2012	We established our international programmes in Dongguan Guangming School and entered into cooperation agreements with an Independent Third Party in relation to the operation of the international programmes.
2013	We acquired H.S. Kama International School (東莞市華南師大嘉瑪學校), the name of which was later changed to Dongguan Guangzheng Preparatory School.
2014	Huizhou Guangzheng Preparatory School was established. Panjin Guangzheng Preparatory School commenced schooling.
2015	We entered into a cooperation agreement with the local government of Weifang, Shandong province to establish the Weifang Guangzheng Preparatory School.
2016	We entered into a cooperation agreement with the local government of Guang'an, Sichuan province to establish the Guang'an Guangzheng Preparatory School.  Weifang Guangzheng Preparatory School was established. The school is expected to commence operations in September 2016.

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### OUR CONSOLIDATED AFFILIATED ENTITIES

Our Consolidated Affiliated Entities are the major entities which principally affected the results, assets or liabilities of our Group. The following table sets out the details of our Consolidated Affiliated Entities as at the Latest Practicable Date:

Company	Date of establishment/ commencement of schooling (Note 1)	Registered capital	Principal business activities
Guangdong Guangzheng	10 October 2002	RMB83,400,000	Education investment
Huizhou Guangzheng	23 July 2009	RMB2,000,000	Education investment
Panjin Guangzheng	13 March 2013	RMB80,000,000	Education investment
Dongguan Wenhui	6 August 2015	RMB5,000,000 (Note 2)	Education investment
Weifang Guangzheng	9 October 2015	RMB30,000,000 (Note 2)	Education investment
Guang'an Guangzheng	8 April 2016	RMB30,000,000 (Note 2)	Education investment
Dongguan Guangming School	9 April 2003	RMB232,524,000 (Note 3)	Provision of high school and middle school full time education
Dongguan Guangming Primary School	25 August 2004	RMB85,912,900 (Note 3)	Provision of primary school full time education
Dongguan Guangzheng Preparatory School	1 July 2004	RMB50,434,793.86	Provision of high school, middle school and primary school full time education
Huizhou Guangzheng Preparatory School	10 April 2014	RMB5,000,000	Provision of high school, middle school and primary school full time education
Panjin Guangzheng Preparatory School	1 September 2014 (Note 1)	N/A (Note 1)	Provision of high school, middle school and primary school full time education
Weifang Guangzheng Preparatory School	28 July 2016	RMB20,000,000	Provision of middle school and primary school full time education

*Notes:*

- (1) This date refers to the date of establishment of our Consolidated Affiliated Entities, except that, in the case of Panjin Guangzheng Preparatory School, which has not obtained the registration certificate for private non-enterprise entities as at the Latest Practicable Date, the date refers to the date of commencement of schooling. With Panjin Guangzheng as its school sponsor, Panjin Guangzheng Preparatory School commenced schooling in September 2014. Please refer to the section headed "Business – Legal proceedings and compliance" in this document for further details.
- (2) The registered capital of Dongguan Wenhui, Guang'an Guangzheng and Weifang Guangzheng has not been contributed as at the Latest Practicable Date.

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- (3) The capital of Dongguan Guangming School was increased from RMB5 million to approximately RMB232 million in October 2014, contributed by way of injection of land and property from Guangdong Guangzheng. The capital of Dongguan Guangming Primary School was increased from RMB5 million to approximately RMB86 million in November 2014, contributed by way of injection of land and property from Guangdong Guangzheng. The registration of the transfer of the said land and property to Dongguan Guangming School and Dongguan Guangming Primary School has not been completed as at the Latest Practicable Date.

### **Guangdong Guangzheng**

Guangdong Guangzheng was established by Mr. Liu and Ms. Li, with a registered capital of RMB15 million contributed by Mr. Liu as to 51% and by Ms. Li as to 49% respectively through their own financial resources.

Guangdong Guangzheng underwent a series of capital injections and transfers of equity interests from July 2005 to December 2011. During the Track Record Period and up to the Latest Practicable Date, the registered capital was legally held by Ms. Li as to 98.8% and Mr. SP Liu (the father of Mr. Liu) as to 1.2% and, as at the Latest Practicable Date, the registered capital was increased to RMB83.4 million, which was legally held by Ms. Li as to 98.8% and Mr. SP Liu as to 1.2%. On 22 November 2011, Ms. Li and Mr. SP Liu agreed to hold 68.8% and 1.2% equity interest in Guangdong Guangzheng on trust for Mr. Liu, respectively, until the termination of such trust arrangement. Subsequently, on 24 June 2016, Mr. Liu agreed to transfer the beneficial ownership in 8% equity interest in Guangdong Guangzheng to Ms. Li. Accordingly, Mr. Liu and Ms. Li confirmed that each of them was the beneficial owner of 62% and 38% equity interest in Guangdong Guangzheng, respectively, as at the Latest Practicable Date. As confirmed by Mr. Liu and Ms. Li, the trust arrangement was intended to facilitate Ms. Li's communications with government authorities or other third parties in relation to our schools' operation and development. As advised by our PRC Legal Adviser, the aforesaid trust arrangement is legal, valid and binding and does not contravene any PRC laws and regulations.

As at the Latest Practicable Date, Guangdong Guangzheng held the entire school sponsor's interest in four schools directly, namely Dongguan Guangming School, Dongguan Guangming Primary School, Dongguan Guangzheng Preparatory School and Weifang Guangzheng Preparatory School.

### ***Dongguan Guangming School***

Dongguan Guangming School was established by Guangdong Guangzheng with RMB5 million from its internal resources in April 2003. The capital of Dongguan Guangming School was subsequently increased to approximately RMB233 million in October 2014, contributed by way of injection of land and property from Guangdong Guangzheng to Dongguan Guangming School.

### ***Dongguan Guangming Primary School***

Dongguan Guangming Primary School was established by Guangdong Guangzheng with RMB5 million from its internal resources in August 2004. The capital of Dongguan Guangming Primary School was subsequently increased to approximately RMB86 million in November 2014, contributed by way of injection of land and property from Guangdong Guangzheng to Dongguan Guangming Primary School.

### ***Dongguan Guangzheng Preparatory School***

In August 2013, Guangdong Guangzheng entered into an agreement to acquire Dongguan Guangzheng Preparatory School (then known as H.S. Kama International School (東莞市華南師大嘉瑪學校)) from an Independent Third Party at the consideration of RMB250 million, which was determined after arm's lengths negotiations between the parties by reference to the net asset value of Dongguan Guangzheng Preparatory School as at the date of the agreement based on its management accounts. From an accounting perspective, the transfer of risks and rewards of ownership in Dongguan Guangzheng Preparatory School was completed on 31 August 2013. As advised by our PRC Legal Adviser, the acquisition was legally completed and settled on 25 November 2013, upon which the entire school sponsor's interest in Dongguan Guangzheng Preparatory School became wholly-owned by Guangdong Guangzheng, and the relevant PRC regulatory approval had been obtained in respect of the acquisition.

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### *Weifang Guangzheng Preparatory School*

Weifang Guangzheng Preparatory School was established by Guangdong Guangzheng with RMB20 million from its internal resources in July 2016 and is expected to commence operations in September 2016.

### *Disposed Companies*

Guangdong Guangzheng held interests in three companies established in the PRC, namely Nantong Guangzheng, Dongguan Guangzheng Property and Dongguan Guangzheng Pharmaceutical (the “**Disposed Companies**”), prior to their disposal or deregistration. The following table sets forth the details of such companies:

Disposed Companies	Shareholding structure prior to disposal or deregistration	Principal business activities	Disposal or deregistration
Nantong Guangzheng	Guangdong Guangzheng (100%)	Education investment	Nantong Guangzheng had not established any school and had not engaged in any material business activities. On 18 January 2016, Guangdong Guangzheng agreed to transfer 70% and 30% equity interest in Nantong Guangzheng to Mr. Liu and Ms. Li at the consideration of RMB42 million and RMB18 million, respectively, which was determined after arm’s lengths negotiations between the parties by reference to the registered capital of Nantong Guangzheng. The transfers were legally completed and settled in April 2016.
Dongguan Guangzheng Property	Guangdong Guangzheng (100%)	Property investment	Dongguan Guangzheng Property had not engaged in any material business activities. On 29 January 2016, Guangdong Guangzheng agreed to transfer 60% and 40% equity interest in Dongguan Guangzheng Property to Mr. Liu Jiefeng (a nephew of Mr. Liu) and Mr. SP Liu at the consideration of RMB120,000 and RMB80,000, respectively, which was determined after arm’s lengths negotiations between the parties by reference to the registered capital of Dongguan Guangzheng Property. The transfers were legally completed and settled in February 2016.
Dongguan Guangzheng Pharmaceutical	Guangdong Guangzheng (60%) Mr. Liu (40%)	Investment in the pharmaceutical industry	Dongguan Guangzheng Pharmaceutical had not been engaged in any educational business. On 7 December 2015, Guangdong Guangzheng and Mr. Liu agreed to transfer 60% and 40% equity interest in Dongguan Guangzheng Pharmaceutical to Mr. Liu Jiefeng (a nephew of Mr. Liu) at the consideration of RMB600,000 and RMB400,000, respectively, which was determined after arm’s lengths negotiations between the parties by reference to the registered capital of Dongguan Guangzheng Pharmaceutical. The transfers were legally completed and settled in January 2016.

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### **Huizhou Guangzheng**

Huizhou Guangzheng was established on 23 July 2009 by Guangdong Guangzheng with a registered capital of RMB5 million. After a series of capital injections and transfers of equity interests to fund the establishment of Huizhou Guangzheng Preparatory School, Huizhou Guangzheng was owned as to 25% by Guangdong Guangzheng and as to 75% by Cinese Group, as at 26 September 2013. In July 2014, 75% equity interest in Huizhou Guangzheng was transferred from Cinese Group to Guangdong Guangzheng at the consideration of RMB15 million, which was determined after arm's lengths negotiations between the parties by reference to the then capital of Huizhou Guangzheng. As advised by our PRC Legal Adviser, the transfer was legally completed and settled in July 2014.

As at the Latest Practicable Date, Huizhou Guangzheng held the entire school sponsor's interests in Huizhou Guangzheng Preparatory School directly.

### ***Huizhou Guangzheng Preparatory School***

Huizhou Guangzheng Preparatory School was established by Huizhou Guangzheng with RMB5 million from its internal resources in April 2014.

### **Panjin Guangzheng**

Panjin Guangzheng was established as a limited liability company under the laws of the PRC on 13 March 2013 by Guangdong Guangzheng with a registered capital of RMB30 million.

To finance the establishment of Panjin Guangzheng Preparatory School, in May 2014, Guangdong Guangzheng, Panjin Guangzheng and Dongguan Trust, an Independent Third Party, entered into the financing arrangements, pursuant to which Dongguan Trust injected RMB200 million (RMB50 million as registered capital and RMB150 million as capital reserve) into Panjin Guangzheng. Accordingly, for the purpose of the financing arrangements, the registered capital of Panjin Guangzheng was increased to RMB80 million, which was held by Dongguan Trust as to 62.5% and Guangdong Guangzheng as to 37.5%. Pursuant to the financing arrangements, among other matters, Dongguan Trust agreed to transfer 62.5% equity interest in Panjin Guangzheng it held to Guangdong Guangzheng upon full repayment of RMB200 million, together with interests thereon, by Guangdong Guangzheng to Dongguan Trust. Dongguan Trust confirmed that, under the above financing arrangements, although the registered ownership of 62.5% equity interest in Panjin Guangzheng was held by Dongguan Trust, Dongguan Trust has never involved in the operation or management of Panjin Guangzheng and it did not dispose of any of its equity interest in Panjin Guangzheng during the term of the financing arrangements. As advised our PRC Legal Adviser, the aforesaid financing arrangements are legal, valid and binding and do not contravene any PRC laws and regulations. In June 2016, 62.5% equity interest in Panjin Guangzheng was transferred from Dongguan Trust to Guangdong Guangzheng upon full repayment of the said amount pursuant to the financing arrangements. As advised by our PRC Legal Adviser, the transfer was legally completed and settled in June 2016.

As at the Latest Practicable Date, Panjin Guangzheng held the entire school sponsor's interests in Panjin Guangzheng Preparatory School directly.

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### ***Panjin Guangzheng Preparatory School***

With Panjin Guangzheng as its school sponsor, Panjin Guangzheng Preparatory School commenced schooling in September 2014. As at the Latest Practicable Date, Panjin Guangzheng Preparatory School was still in the process of obtaining the registration certificate for private non-enterprise entities for its legal establishment. Please refer to the section headed "Business – Legal proceedings and compliance" in this document for further details.

### **Weifang Guangzheng**

For the establishment of potential new schools in the future, Weifang Guangzheng was established by Guangdong Guangzheng on 9 October 2015. At its establishment, it had a registered capital of RMB30 million, which has not yet been contributed and is required to be contributed by Guangdong Guangzheng before 24 September 2045 according to its articles.

### **Guang'an Guangzheng**

Guang'an Guangzheng was established by Mr. Liu and Ms. Wang Yanfeng, an employee of our Group, on 8 April 2016. At its establishment, Mr. Liu and Ms. Wang Yanfeng held 99% and 1% of its equity interest respectively. For the establishment of Guang'an Guangzheng Preparatory School, in May 2016, Guangdong Guangzheng, as the proposed school sponsor, acquired the entire equity interest from Mr. Liu and Ms. Wang Yanfeng at the total consideration of RMB20,000, which was determined after arm's lengths negotiations between the parties by reference to the establishment costs of Guang'an Guangzheng, and such acquisition was legally completed and settled on 10 May 2016. As at the Latest Practicable Date, Guang'an Guangzheng had a registered capital of RMB30 million, which has not yet been contributed and is required to be contributed by Guangdong Guangzheng before 30 April 2036 according to its articles.

### **Dongguan Wenhui**

For the establishment of potential new schools in the future, Dongguan Wenhui was established by Guangdong Guangzheng on 6 August 2015. At its establishment, it had a registered capital of RMB5 million, which has not yet been contributed and is required to be contributed by Guangdong Guangzheng before 1 August 2025 according to its articles.

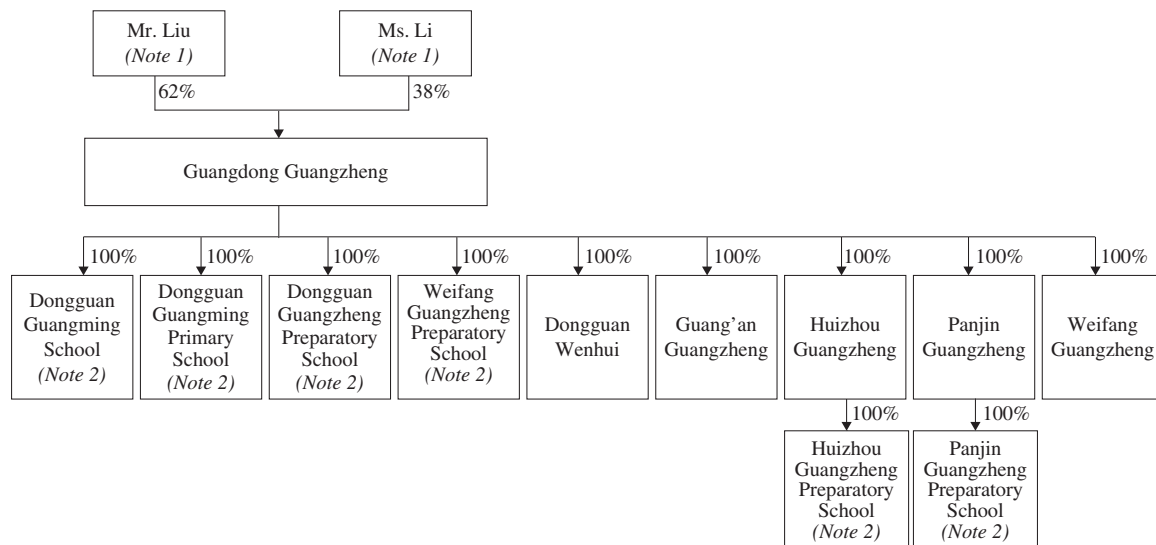
As advised by our PRC Legal Adviser, as at the Latest Practicable Date, save as disclosed, all of the capital injections, acquisitions and disposals set out in this paragraph headed "– Our Consolidated Affiliated Entities" have been legally completed and settled and all material approvals in relation thereto from the relevant PRC government authorities have been obtained.



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### REORGANISATION

The following chart sets forth the beneficial ownership structure of our Group immediately prior to the Reorganisation:



#### Notes:

- (1) Ms. Li is a co-founder of our Group and our Chief Executive Officer and an executive Director. Guangdong Guangzheng is legally held as to 98.8% by Ms. Li and 1.2% by Mr. SP Liu. Out of the 98.8% equity interest in Guangdong Guangzheng held by Ms. Li, 60.8% equity interest is held on trust by Ms. Li for Mr. Liu. Mr. SP Liu is the father of Mr. Liu, who is another co-founder of our Group, an executive Director, our Chairman and one of our Controlling Shareholders. The 1.2% equity interest in Guangdong Guangzheng is held on trust by Mr. SP Liu for Mr. Liu. Accordingly, Guangdong Guangzheng is beneficially owned as to 62% by Mr. Liu and 38% Ms. Li.
- (2) Guangdong Guangzheng is the school sponsor of each of Dongguan Guangming School, Dongguan Guangming School Primary School, Dongguan Guangzheng Preparatory School and Weifang Guangzheng Preparatory School. Huizhou Guangzheng and Panjin Guangzheng is the school sponsor of Huizhou Guangzheng Preparatory School and Panjin Guangzheng Preparatory School.

#### (a) Establishment of our Company and various group companies

##### Our Company

Our Company was incorporated in the Cayman Islands on 13 July 2010 with an authorised share capital of US\$50,000 divided into 50,000 Shares of US\$1.0 each. On the same day, (i) Bright Education Holdings (a company wholly-owned by Mr. Liu) acquired one Share from the incorporator at par and a further six Shares were allotted and issued to Bright Education Holdings as fully-paid at nominal value; and (ii) three Shares were allotted and issued to Bright Education Investment (a company wholly-owned by Ms. Li) as fully-paid at nominal value.

On 24 June 2016, our Company allotted and issued 63 shares and 27 shares to Bright Education Holdings and Bright Education Investment respectively at nominal value on a pro-rated basis. On the same day, Bright Education Holdings sold eight shares in the Company to Bright Education Investment at the consideration of RMB90 million, which was determined after arm's lengths negotiations between the parties on normal commercial terms by reference to the profit-to-earning multiples. Upon completion of such sale, 62 shares and 38 shares were held by Bright Education Holdings and Bright Education Investment, representing 62% and 38% of the entire issued share capital of our Company, respectively.

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On [●] 2016, the authorised share capital of our Company was increased by HK\$100,000,000 by the creation of 10,000,000,000 ordinary shares of a nominal value of HK\$0.01 each, following which our Company issued fully paid (i) 48,360 shares of a nominal value of HK\$0.01 each to Bright Education (Holdings) (a company wholly-owned by Mr. Liu), and (ii) 29,640 shares of a nominal value of HK\$0.01 each fully paid to Bright Education Investment (a company wholly-owned by Ms. Li). On the same date, our Company repurchased and cancelled (i) 62 shares of a nominal value of US\$1.0 each registered in the name of Bright Education (Holdings) (a company wholly-owned by Mr. Liu), and (ii) 38 shares of a nominal value of US\$1.0 each registered in the name of Bright Education Investment (a company wholly-owned by Ms. Li). Following the repurchase, the authorised but unissued share capital of our Company was diminished by the cancellation of all the 50,000 unissued shares of nominal value US\$1.00 each in the capital of our Company.

### ***Bright Education BVI***

Bright Education BVI was incorporated in the British Virgin Islands on 29 July 2010, with our Company as the initial subscriber of one share.

### ***Bright Education HK***

Bright Education HK was incorporated in Hong Kong on 15 September 2010, with our Company as the initial subscriber of one share.

### ***Dongguan Ruixing***

Dongguan Ruixing was established in the PRC on 17 May 2013 as a wholly-owned foreign enterprise with a registered capital of RMB1 million, which was wholly-owned by Bright Education HK. Bright Education HK contributed the registered capital in Dongguan Ruixing in full in May 2015.

### ***Shenzhen Youyue***

For the purpose of preparing for the potential business of the sale of electronic educational materials in the future, Shenzhen Youyue was established in the PRC on 10 October 2015 as a wholly-owned foreign enterprise with a registered capital of RMB1 million, which was wholly-owned by Bright Education HK. Bright Education HK is required to contribute to the initial registered capital of Shenzhen Youyue before 31 December 2020 according to its articles of association. As at the Latest Practicable Date, Bright Education HK has not made any registered capital contribution in Shenzhen Youyue and Shenzhen Youyue has not commenced any business operation.

### ***Dongguan Yuexing***

Dongguan Yuexing was established in the PRC on 4 December 2012 as a wholly-owned foreign enterprise with a registered capital of RMB10 million, which was wholly-owned by Bright Education HK. As at the Latest Practicable Date, the registered capital has not been contributed and was required to be contributed by 15 November 2022 according to its articles.



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### **(b) Entering into of the Contractual Arrangements**

On 1 July 2016, Dongguan Ruixing and other parties entered into various agreements which constitute the Contractual Arrangements with our Consolidated Affiliated Entities, under which all economic benefits arising from the business of our Consolidated Affiliated Entities are transferred to Dongguan Ruixing to the extent permitted under the PRC laws and regulations by means of services fees payable by our Consolidated Affiliated Entities to Dongguan Ruixing. Please refer to the section headed "Contractual Arrangements" in this document for further details of the Contractual Arrangements.

### **(c) Capitalisation Issue prior to [REDACTED]**

Conditional upon the share premium account of our Company being credited as a result of the [REDACTED], the amount of HK\$[14,999,220] from such account will be capitalised.

## **PRC LEGAL COMPLIANCE**

As advised by our PRC Legal Adviser, as at the Latest Practicable Date, all of our ultimate Shareholders, namely Mr. Liu and Ms. Li, who are subject to the registration requirements under Circular 37 have filed their applications for Circular 37 registrations. We expect that their Circular 37 registrations will be completed before [REDACTED].

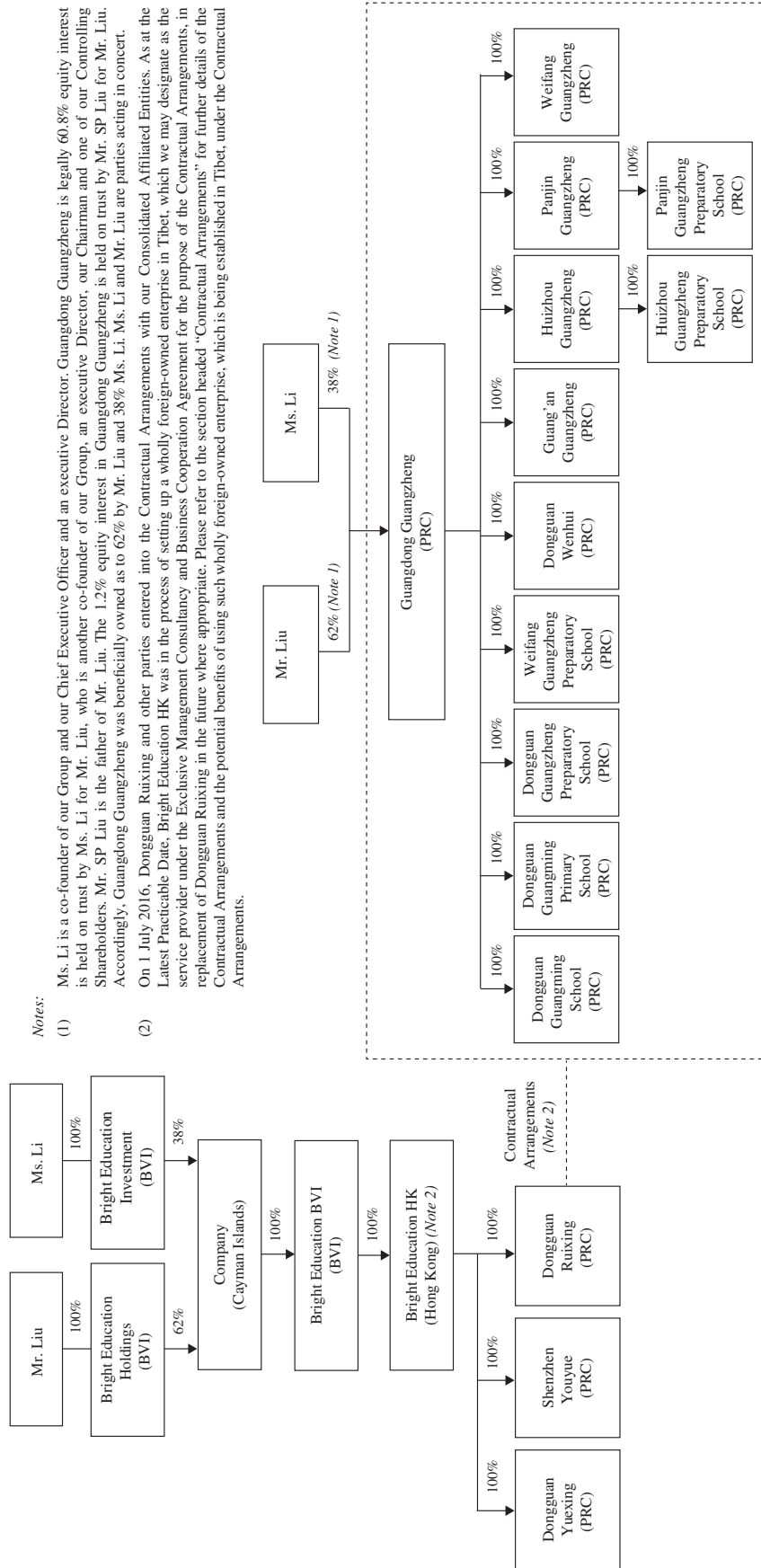
Our PRC Legal Adviser has confirmed that all requisite approvals, permits and licences from the relevant PRC government authorities in relation to the Reorganisation have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations.

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### CORPORATE STRUCTURE

#### Corporate structure after Reorganisation and before the [REDACTED]

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the Reorganisation and prior to the completion of the [REDACTED]:



The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the Capitalisation Issue and [REDACTED], assuming that [REDACTED] is not exercised at all and without taking into account of any Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme:

(2) On 1 July 2016, Dongguan Ruixing and other parties entered into the Contractual Arrangements with our Consolidated Affiliated Entities. As at the Latest Practicable Date, Bright Education HK was in the process of setting up a wholly foreign-owned enterprise in Tibet, which we may designate as the service provider under the Exclusive Management Consultancy and Business Cooperation Agreement for the purpose of the Contractual Arrangements, in replacement of Dongguan Ruixing in the future where appropriate. Please refer to the section headed "Contractual Arrangements" for further details of the Contractual Arrangements and the potential benefits of using such wholly foreign-owned enterprise, which is being established in Tibet under the Contractual Arrangements.

