

SUMMARY

This summary aims to give you an overview of the information contained in this document. As this is a summary, it does not contain all the information that may be important to you. You should read the entire document before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this document. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading large scale private higher education group in China, operating a list of well-recognised private higher education institutions. We focus on offering high quality education through innovation. Our founders, Mr. Yu and Mr. Xie, are highly recognised in the PRC private education industry. Mr. Yu was the only representative from the PRC private education industry who attended the 9th National People’s Congress in the late 1990s and promoted the promulgation of the Law for Promoting Private Education of the PRC, which laid down a foundation for the rapid development of the private education industry in China. Our founders were also each appointed as a vice chairman of the Chinese Association for Non-Government Education (中國民辦教育協會) and both have extensive experience in private education as well as profound insight into the future development of private higher education institutions.

During the Track Record Period, we operated two private universities, namely Jiangxi University of Technology and Guangdong Baiyun University. The histories of Jiangxi University of Technology and Guangdong Baiyun University can both be traced back to 1999, when they obtained approval from the MOE for their establishments. In 2007, Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University entered into the Original Cooperation Agreement, pursuant to which Mr. Yu and Mr. Xie agreed to exercise joint management and control of Jiangxi University of Technology and Guangdong Baiyun University. On 14 August 2017, we obtained control of Baiyun Technician College, a technical school established by Mr. Xie. As a result, we recognised a significant amount of goodwill and intangible assets that represent a significant portion of the assets on our consolidated balance sheet (see also “–Goodwill and Intangible Assets Arising from Our Obtaining Control of Baiyun Technician College”). Each of the three schools namely, Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College has been recognised as one of the best private education institutions in China with leading rankings in terms of competitive strengths. As of 31 August 2017, the end of the 2016/2017 school year, the aggregate number of students enrolled at our three schools amounted to 75,255. The following table sets forth certain details of our schools.

School/ Location	Student enrolment ⁽¹⁾ / Approximate campus size/ Academic structure	Programme offerings	Description
Jiangxi University of Technology located in Nanchang, Jiangxi province	35,982/ 1.3 million sq.m./ 12 colleges and 15 research institutes	35 bachelor’s degree programmes and 31 junior college diploma programmes, including automobile service engineering, international economic and trade, computer science and technology	<ul style="list-style-type: none">Ranked No. 1 in terms of overall competitive strengths in the Private University and College Ranking of China (中國民辦院校綜合競爭力排行榜) since 2009⁽²⁾The largest private university in China in terms of student enrolment according to the Frost & Sullivan ReportOne of the first few private universities in Jiangxi province approved by the MOE

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School/ Location	Student enrolment ⁽¹⁾ / Approximate campus size/ Academic structure	Programme offerings	Description
Guangdong Baiyun University located in Guangzhou, Guangdong province	25,741/ 351.1 thousand sq.m./ 16 colleges and six research institutes	45 bachelor's degree programmes and one junior college diploma programme, including mechanical design manufacturing and automation, business administration, fashion design and engineering	<ul style="list-style-type: none"> • Ranked No. 1 in terms of overall competitive strengths among top 10 private universities and colleges in Guangdong province for ten consecutive years from 2005 to 2014⁽³⁾ • One of the first few private universities in Guangdong province approved by the MOE
Baiyun Technician College located in Guangzhou, Guangdong province	13,532/ 61.8 thousand sq.m./ Nine academic departments and one research institute	108 vocational education programmes, including interior design, civil engineering, accounting, e-commerce and culinary art	<ul style="list-style-type: none"> • Ranked No. 1 in terms of educational competitive strengths among technical schools in Guangdong province for seven consecutive years from 2008 to 2014⁽³⁾ • The largest private technical school in China in terms of student enrolment according to the Frost & Sullivan Report

Notes:

- (1) Despite the fact that our financial year ends on 31 December, our school year ends on 31 August. For the purpose of this document, we used 31 August as the cut-off date to present certain business operating data for each school year. Our business operating data presented in this table is based on the internal records of our schools.
- (2) Ranked by Research Centre for China Science Evaluation and Evaluation Centre for China Education Quality of Wuhan University in association with nseac.com.
- (3) Ranked by Guangdong Provincial Academy of Social Sciences and Guangdong General Survey and Research Centre. So far as our Directors are aware, there is no public disclosure of such ranking from 2015 onwards.

We emphasise the teaching of practical skills and knowledge and focus on workplace simulation training to improve the employability of our graduates. Leveraging our strong relationships with over 400 enterprises and our student-centred career services, our schools stand out among private universities and colleges in China with high graduate employment rate. The Initial Employment Rate of Jiangxi University of Technology in 2016 was approximately 88.1% and the Initial Employment Rate of Guangdong Baiyun University in 2016 was approximately 96.1%, while the Initial Employment Rate of Baiyun Technician College in 2016 was approximately 99.4%. In contrast, China's overall Initial Employment Rate for higher education graduate in 2016 was approximately 77.9%, according to the Frost & Sullivan Report.

During the Track Record Period, we experienced stable growth in our revenue and net profit from continuing operations. Our revenue increased from RMB821.9 million for the year ended 31 December 2014 to RMB846.0 million for the year ended 31 December 2015, and further to RMB861.3 million for the year ended 31 December 2016. Our revenue amounted to RMB405.4 million for the six months ended 30 June 2017. Our net profit from continuing operations increased from RMB309.4 million for the year ended 31 December 2014 to RMB361.9 million for the year ended 31 December 2015, and further to RMB423.4 million for the year ended 31 December 2016, representing a CAGR of 17.0%. Our net profit from continuing operations amounted to RMB193.0 million for the six months ended 30 June 2017.

Leveraging our leading market position in the private higher education industry in China, our extensive school management experience and our advanced group operating model, we believe that we will be able to capitalise on the future growth and consolidation of the fragmented private higher education industry in China.

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Our Mission and Educational Philosophy

Our mission is to pioneer excellence and innovation in education (“引領教育卓越與創新”) and our fundamental educational philosophy is to prepare students for success through excellence and innovation in education (“以卓越和創新教育引領學生走向成功”). As an educational service provider, we are committed to providing industry-leading higher education to students in the PRC through student-centred teaching strategies and methods. We integrate education, research and application to produce practical and workforce-ready graduates from a broad range of academic programmes prepared to excel in a technologically driven world.

Our Schools

During the Track Record Period, we operated two private universities in the PRC, offering in aggregate 80 bachelor's degree programmes and 32 junior college diploma programmes, covering nine bachelor's degree disciplines and 11 junior college diploma disciplines categorised by the MOE, respectively. All these programmes have been approved by the MOE. According to statistics published by the MOE, in 2016, these nine disciplines and 11 disciplines cover 97.7% undergraduate students and 91.9% junior college students in China, respectively. After the Track Record Period, on 14 August 2017, we obtained control of Baiyun Technician College, which was established by Mr. Xie in 1996. Baiyun Technician College offers 108 vocational education programmes.

Geographically, our schools are either located within the Pan-Yangtze River Delta Economic Zone or the Pan-Pearl River Delta Economic Zone. According to the Frost & Sullivan Report, undergraduate students in these two regions accounted for 33% of the total number of undergraduate students in China in 2016. These two regions also have ample employment opportunities for students. In 2016, approximately 46% of all university graduates with a bachelor's degree in China were employed in these two regions according to the Frost & Sullivan Report.

Our Students

During the Track Record Period, we operated two universities, namely Jiangxi University of Technology and Guangdong Baiyun University. The total number of our students was 61,981 in the 2013/2014 school year, 63,548 in the 2014/2015 school year and 63,367 in the 2015/2016 school year. On 14 August 2017, we obtained control of Baiyun Technician College, after which the total number of our students increased to 75,255 in the 2016/2017 school year. The following table sets forth detailed information regarding the number of students enrolled in Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College in the 2013/2014, 2014/2015, 2015/2016 and 2016/2017 school years.

	Student enrolment*			
	2013/2014	2014/2015	2015/2016	2016/2017
Group	61,981⁽¹⁾	63,548⁽¹⁾	63,367⁽¹⁾	75,255⁽²⁾
Jiangxi University of Technology	39,822	38,857	37,702	35,982
Bachelor's degree programmes	18,904	21,242	21,765	20,288
Junior college diploma programmes	15,597	16,957	15,500	14,397
Continuing education programmes	5,321	658	437	1,297
Guangdong Baiyun University	22,159	24,691	25,665	25,741
Bachelor's degree programmes	15,444	17,024	16,918	16,963
Junior college diploma programmes	224	209	195	226
Continuing education programmes	6,491	7,458	8,552	8,552
Baiyun Technician College	12,944	12,820	14,016	13,532
Secondary vocational diploma programmes	3,104	3,042	3,132	2,857
Post-secondary vocational diploma programmes	9,307	9,316	10,422	10,241
Technician diploma programmes	533	462	462	434

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Notes:

- * The student enrolment information during the Track Record Period is based on the internal records of our schools. Since our school year ends on 31 August, for the purpose of this document, we used 31 August as the cut-off date to calculate student enrolment numbers in a school year based on the internal records of our schools.
- (1) The total number of our students in the 2013/2014, 2014/2015 and 2015/2016 school years represents the total number of students of Jiangxi University of Technology and Guangdong Baiyun University.
 - (2) Total number of our students in the 2016/2017 school year represents the total number of students of Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College.

Our Teachers

Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of their respective subject areas and a caring heart towards students' well-being, who are open to innovative teaching methods. As of 31 August 2017, we had 3,520 teachers (including the teachers of Baiyun Technician College, the control of which we obtained in August 2017).

OUR COMPETITIVE STRENGTHS

We believe the following competitive strengths contribute to our success and differentiate us from our competitors: (i) we are a private higher education group in China operating a list of well-recognised private higher education institutions; (ii) our large scale higher education group in terms of student enrolment allows us to benefit from the synergistic effects; (iii) the combination of our education resources allows us to achieve comprehensive coverage in major offerings and extend our educational advantages; (iv) our schools' strategic geographical locations combined with our leading edge practical curriculum enables us to deliver outstanding graduate employment outcomes; and (v) our highly reputable management team comprised of leaders of the higher education sector drives excellence and innovation in our education business.

OUR STRATEGIES

Our vision is to become a global leading education group providing high quality education services to a significant size of student bodies. To achieve this, we plan to pursue the following business strategies: (i) to develop new school campus to further increase our capacity and student body; (ii) to further enhance the competitiveness of our students and curricula; (iii) to expand our school network through acquisition and business cooperation; (iv) to optimise our pricing strategies and diversify our income sources; and (v) to leverage our extensive experience and reputable school brands to provide management services to other schools.

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See "Risk Factors" of this document for details of our risk factors. Some of the major risks we face include:

- Our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise the level of tuition fees and boarding fees.
- We may expand our school network through acquisitions or cooperation with third party partners and may not be able to successfully execute such expansion strategy.

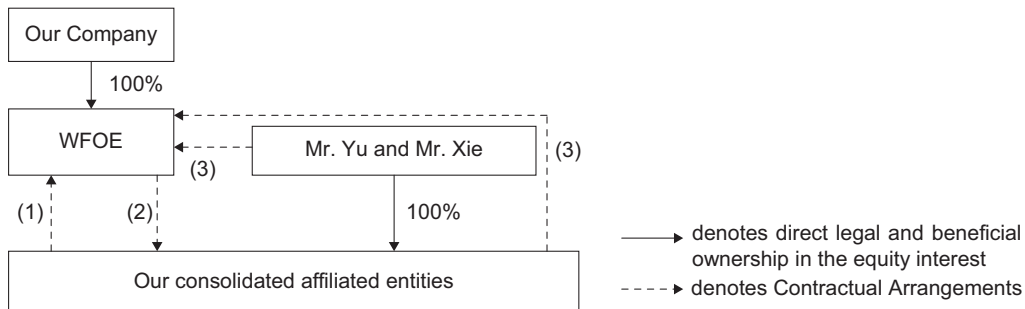
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- On 14 August 2017, we obtained control of Baiyun Technician College and, as a result, recognised a significant amount of goodwill and intangible assets that represent a significant portion of the assets on our consolidated balance sheet. If we determine our goodwill and intangible assets to be impaired, our results of operations and financial condition may be adversely affected.
- We may not be able to successfully increase student enrolment at our schools due to the constraint of our school capacity and approvals from government authorities, such as admission quotas, which may hinder our ability to expand our business.
- We are subject to extensive governmental approvals and compliance requirements for the constructions and development of our schools and in relation to the land and buildings that we own. Some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC.

CONTRACTUAL ARRANGEMENTS

The operation of our schools are subject to various foreign ownership prohibitions or restrictions under PRC laws and regulations. Our Company is therefore unable to own or hold any direct sponsor interest or equity interest (as the case may be) in our consolidated affiliated entities. In order to enable us to maintain and exercise control over our consolidated affiliated entities, we have entered into the Contractual Arrangements. The Contractual Arrangements allow us to obtain substantially all of the economic benefits of our consolidated affiliated entities and consolidate their results of operations into our Group's. Accordingly, the term "ownership" or the relevant concept, as applied to our Company in this document, as the case may be, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any sponsorship/equity interest in our consolidated affiliated entities. See the section headed "Contractual Arrangements" for further details.

The following simplified diagram illustrates the flow of economic benefits from our consolidated affiliated entities to us under the Contractual Arrangements:



Notes:

- (1) Payment of service fees and pledge of receivables by Jiangxi University of Technology and Guangdong Baiyun University.
- (2) Management and consultation services.
- (3) Entrustment of directors' rights/school sponsors' rights in our PRC Operating Schools; exclusive options to acquire all or part of the sponsor interests in our PRC Operating Schools and equity interests in our Registered School Sponsors; and equity pledges over the equity interest in Lihe Education (the sole school sponsor of Baiyun Technician College). Although there are no equity pledges in relation to Jiangxi University of Technology and Guangdong Baiyun Technician College, we have adopted alternative measures with a view to achieving the same level of protection. See "Contractual Arrangements – Summary of the Material Terms of the Contractual Arrangements – Equity Pledge Agreement" for further details.

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OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option and the options granted under the Share Option Schemes are not exercised and no Shares are granted under the Share Award Scheme), the Controlling Shareholders, who are parties acting in concert pursuant to the Concert Party Agreement (see “History, Reorganisation and Corporate Structure – The Concert Party Agreement”), will be interested in an aggregate of 75% of the issued share capital of our Company. Accordingly, Mr. Yu, Mr. Xie, Blue Sky BVI and White Clouds BVI are acting together as a group of Controlling Shareholders.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants’ Reports set out in Appendix IA and Appendix IB. The summary financial data set forth below should be read together with our Consolidated Financial Statements and the related notes, as well as “Financial Information.”

Summary of Historical Financial Information of Our Group

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)				
Continuing operations					
Revenue	821,934	846,016	861,289	417,976	405,375
Cost of revenue	(408,683)	(415,897)	(404,577)	(180,028)	(165,108)
Gross profit	413,251	430,119	456,712	237,948	240,267
Profit before taxation	313,362	364,407	425,300	218,694	193,916
Taxation	(3,936)	(2,506)	(1,949)	(1,233)	(903)
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
<i>Discontinued operations</i>					
<i>Profit and (loss) for the year/period from discontinued operations</i>	93	(13,642)	(10,836)	(4,605)	7,407
<i>Profit for the year/period</i>	309,519	348,259	412,515	212,811	200,420
Adjusted Net Profit ⁽¹⁾	<u>308,335</u>	<u>356,400</u>	<u>409,232</u>	<u>211,129</u>	<u>195,038</u>

Note:

- (1) The Adjusted Net Profit, which is unaudited in nature, represents profit for the year/period from continuing operations excluding the effects of imputed interest income arising from amount due from Directors, imputed interest income arising from an amount due from a related party and the listing expenses. The Adjusted Net Profit is not a measure of performance under IFRS. As a non-IFRS measure, the Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the level of our net profit by eliminating the effects of certain one-off or non-recurring items, namely imputed interest income and listing expenses. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. See “Financial Information – Non-IFRS Measure”. The following

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table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period from continuing operations:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Profit for the year/period from continuing operations	309,426	361,901	423,351	217,416	193,013
Less:					
Imputed interest income from amounts due from directors	(427)	(3,948)	(11,763)	(5,085)	(6,869)
Imputed interest income from an amount due from a related party	(664)	(1,553)	(2,356)	(1,202)	(1,252)
Add:					
Listing expenses	–	–	–	–	10,146
Adjusted Net Profit	<u>308,335</u>	<u>356,400</u>	<u>409,232</u>	<u>211,129</u>	<u>195,038</u>

The following table sets forth a breakdown of our revenue by school for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%
Jiangxi University of Technology	506,081	61.6	497,288	58.8	487,625	56.6	232,366	55.6	220,281	54.3
Guangdong Baiyun University	315,853	38.4	348,728	41.2	373,664	43.4	185,610	44.4	185,094	45.7
Total	<u>821,934</u>	<u>100.0</u>	<u>846,016</u>	<u>100.0</u>	<u>861,289</u>	<u>100.0</u>	<u>417,976</u>	<u>100.0</u>	<u>405,375</u>	<u>100.0</u>

The following table sets forth a breakdown of our gross profit and gross profit margin by school for the periods indicated:

	Year ended 31 December						Six months ended 30 June			
	2014		2015		2016		2016		2017	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
Jiangxi University of Technology	264,299	52.2	256,690	51.6	258,571	53.0	131,353	56.5	126,857	57.6
Guangdong Baiyun University	148,952	47.2	173,429	49.7	198,141	53.0	106,595	57.4	113,410	61.3
Total	<u>413,251</u>	<u>50.3</u>	<u>430,119</u>	<u>50.8</u>	<u>456,712</u>	<u>53.0</u>	<u>237,948</u>	<u>56.9</u>	<u>240,267</u>	<u>59.3</u>

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	As of 31 December			As of 30 June	As of 31 October
	2014	2015	2016	2017	2017*
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> (Unaudited)
Current assets	744,188	915,078	1,328,923	1,214,979	1,125,613
Current liabilities	836,965	1,033,843	1,069,885	715,848	1,381,997
Net current assets (liabilities)	<u>(92,777)</u>	<u>(118,765)</u>	<u>259,038</u>	<u>499,131</u>	<u>(256,384)</u>

Note:

- * The relevant information as of 31 October 2017 is based on our unaudited management accounts that have not been reviewed, confirmed or audited by our auditors and may differ from the information to be disclosed in the audited or unaudited consolidated financial statements to be published by us. Such information is provided for reference only and not for any other purpose. Investors are advised not to place any reliance on such information but to exercise due caution when dealing in the securities of the Company.

As of 31 October 2017, based on the unaudited management accounts prepared by our Company, we had net current liabilities of approximately RMB256.4 million (unaudited and for reference only) primarily because (i) we obtained control of Baiyun Technician College in August 2017, the consideration of which was financed out of our current assets, and most of the relevant assets recognised, particularly goodwill and intangible assets and property, plant and equipment relating to Baiyun Technician College, were primarily recorded as our non-current assets; and (ii) certain bank borrowing became repayable within one year as of 31 October 2017 as it approached maturity. In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the next twelve months by taking into account our cash flow projection, the expected net proceeds from the Global Offering, unutilised bank facilities (as confirmed by our Directors, as of the Latest Practicable Date, our unutilised banking facilities amounted to approximately RMB258.3 million), and our future capital expenditure in respect of our non-cancellable capital commitments. In addition, as of 31 October 2017, based on the unaudited management accounts prepared by our Company, we had deferred revenue of approximately RMB893.6 million (unaudited and for reference only) recorded as current liabilities, representing approximately 64.7% of our total current liabilities as of 31 October 2017. Such deferred revenue represents prepaid tuition fees and boarding fees collected that had yet to be recognised as revenue. We record tuition fees and boarding fees collected initially as current liabilities and recognise such amounts received as revenue proportionately over the relevant period of the applicable programmes. Therefore, our deferred revenue is generally higher at the beginning of each school year and is not expected to have any material adverse effect on our liquidity. For additional information on our liquidity position, see “Financial Information – Financial Information of Our Group Comprising Two Schools During the Track Record Period – Net Current Assets and Liabilities”.

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	As of/for the year ended 31 December			As of/for the six months ended 30 June
	2014	2015	2016	2017
	Net profit margin	37.6%	42.8%	49.2%
Adjusted Net Profit margin	37.5%	42.1%	47.5%	48.1%
Gross profit margin	50.3%	50.8%	53.0%	59.3%
Return on assets	10.7%	10.5%	11.0%	10.4%
Return on equity	17.2%	17.1%	16.8%	14.1%
Current ratio	0.89	0.89	1.24	1.70
Gearing ratio	16.0%	21.7%	17.9%	15.6%

Summary of Historical Financial Information of Baiyun Technician College

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	151,745	163,778	179,566	88,647	89,762
Cost of revenue	(101,894)	(103,179)	(106,998)	(50,825)	(42,630)
Gross profit	49,851	60,599	72,568	37,822	47,132
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Adjusted net profit ⁽¹⁾	9,610	13,182	10,561	13,861	34,207

Note:

- (1) Adjusted net profit represents profit for the year/period excluding the effects of imputed interest income arising from amount due from Directors. Adjusted net profit is not a measure of performance under IFRS. As a non-IFRS measure, adjusted net profit is presented because our management believes such information will be helpful for investors in assessing the level of Baiyun Technician College's net profit by eliminating the effect of a non-recurring item, namely imputed interest income. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact the profit of Baiyun Technician College for the relevant year/period. See "Financial Information – Non-IFRS Measure." The following table reconciles the adjusted net profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the year/period:

	Year ended 31 December			Six months ended 30 June	
	2014	2015	2016	2016	2017
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Profit for the year/period	10,885	15,962	14,363	15,680	36,265
Less:					
Imputed interest income from amounts due from related parties	(1,275)	(2,780)	(3,802)	(1,819)	(2,058)
Adjusted net profit	9,610	13,182	10,561	13,861	34,207

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	As of 31 December			As of
	2014	2015	2016	30 June
	(RMB'000)	(RMB'000)	(RMB'000)	2017 (RMB'000)
Current assets	88,040	136,290	261,451	263,214
Current liabilities	197,016	281,886	329,565	287,133
Net current assets (liabilities)	<u>(108,976)</u>	<u>(145,596)</u>	<u>(68,114)</u>	<u>(23,919)</u>

Summary of Pro Forma Financial Information of the Enlarged Group⁽¹⁾

	Year ended	Six months ended 30
	31 December 2016	June 2017
	(RMB'000)	(RMB'000)
	(Unaudited)	(Unaudited)
Revenue	1,040,855	495,137
Cost of revenue	(519,065)	(211,483)
Gross profit	521,790	283,654
Net profit from continuing operations	432,097	226,469
Profit for the year/period	420,100	233,888

Note:

- (1) This table presents the revenue and net profit from continuing operations of the enlarged group based on the unaudited pro forma consolidated financial information of the enlarged group (as if the obtaining of control of Baiyun Technician College by our Group had taken place on 1 January 2016) for the year ended 31 December 2016 and the six months ended 30 June 2017.

Goodwill and Intangible Assets Arising from Our Obtaining Control of Baiyun Technician College

We obtained control in relation to Baiyun Technician College in August 2017. Based on the unaudited pro forma consolidated financial information of the enlarged group (as if the obtaining of control of Baiyun Technician College by our Group had taken place on 1 January 2016) for the year ended 31 December 2016 and the six months ended 30 June 2017, the pro forma goodwill and intangible assets (other than goodwill) of the enlarged group we recorded amounted to RMB344.1 million and RMB229.3 million, respectively, accounting for 26.5% and 17.7% of the pro forma total assets of the enlarged group, respectively. Such goodwill and intangible assets represent a significant portion of the assets on our consolidated balance sheet. The value of such goodwill and intangible assets are based on forecasts involving a number of assumptions made by management. If any of these assumptions does not materialise, or if the performance of our business is not consistent with such assumptions, we may be required to have a significant write-off of our goodwill and intangible assets and record a significant impairment loss, which could in turn adversely affect our results of operations. For more information regarding how we recorded such goodwill and intangible assets and our impairment policy in relation to these goodwill and intangible assets and the relevant risks, please see the sections headed "Risk Factors – Risks relating to our business and our industry – The goodwill and intangible assets arising from obtaining control of Baiyun Technician College represent a significant portion of the assets on our consolidated balance sheet. If we determine our goodwill and intangible assets to be impaired, our results of operations and financial condition may be adversely affected" and "Financial Information – Financial information of Baiyun Technician College – Valuation of Pro Forma Goodwill and Pro Forma Intangible Assets of Baiyun Technician College."

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As of 14 August 2017 (the date on which we obtained control of Baiyun Technician College), we recognised approximately RMB324.8 million and RMB249.2 million as the actual fair values of the goodwill and intangible assets, respectively. As the fair values of the assets acquired and liabilities recognised on 14 August 2017 and the relevant deferred tax impact were provisionally determined with reference to a preliminary professional valuation conducted by an independent valuer that has yet to be finalised, the aforementioned fair values are potentially subject to further change.

DIVIDEND POLICY

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our consolidated affiliated entities, which are incorporated in the PRC. No dividend had been paid or proposed by our Company during the Track Record Period and up to the Latest Practicable Date. Any amount of dividends we pay will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the relevant laws. Our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year beginning from the year ending 31 December 2018. See “Financial Information – Dividend Policy.”

GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to the Over-allotment Option): (i) the Hong Kong Public Offering of 50,000,000 Offer Shares (subject to reallocation), and (ii) the International Offering of 450,000,000 Offer Shares (subject to reallocation and the Over-allotment Option).

The Offer Shares will represent 25.0% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Schemes and any grants under the Share Award Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7%, without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Schemes and any grants under the Share Award Scheme.

RECENT DEVELOPMENTS

In August 2017, we obtained control of Baiyun Technician College. See “History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College.” As a result, Baiyun Technician College will be operated under the structure of our Group with its financial results consolidated into our Group’s. See Appendix IB for the financial information of Baiyun Technician College for the financial years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017. After obtaining control of Baiyun Technician College, our student enrolment increased from 63,367 in the 2015/2016 school year to 75,255 in the 2016/2017 school year.

SUMMARY

In addition, we started to consolidate the financial results of Baiyun Technician College after we obtained control of it in August 2017. Prior to the obtaining control of Baiyun Technician College by us, Baiyun Technician College had a lower net profit margin than our Group. Therefore, obtaining control of Baiyun Technician College would decrease our overall net profit margin. Furthermore, the adoption of the Contractual Arrangements may also lead to a decrease of our net profit margin going forward. Pursuant to the Contractual Arrangements, WFOE has started to provide technical services and management consultancy to our consolidated affiliated entities since 1 July 2017 and charge service and consultancy fees up to 100% of the economic benefits of each of our consolidated affiliated entities. Such service and consultancy fees received by WFOE will be subject to corporate income tax at a rate of 15% and value added tax at a rate of 6%, which may lead to a decrease of our net profit margin in the future. In particular, our net profit (excluding listing expenses) for the year ending 31 December 2017 may decrease from that for the year ended 31 December 2016 primarily because: (i) we will be subject to a higher tax rate. During the Track Record Period, we were not required to pay any income tax in respect of the tuition fees and boarding fees we received for providing formal academic education. As discussed above, since 1 July 2017, service and consultancy fees received by WFOE will be subject to corporate income tax at a rate of 15% and value added tax at a rate of 6%; and (ii) we obtained control of Baiyun Technician College on 14 August 2017. For the year ending 31 December 2017, according to applicable accounting policies, we will consolidate the profit of Baiyun Technician College during the period from 14 August 2017 to 31 December 2017. We expect that the effect of consolidating the profit of Baiyun Technician College during the period from 14 August 2017 to 31 December 2017 on our net profit (excluding listing expenses) will be outweighed by the effect of a lower level of consultancy fee we received from Baiyun Technician College during the period from 1 January 2017 to 13 August 2017. For the year ended 31 December 2016, such consultancy fee income amounted to approximately RMB47.2 million, whereas during the period from 1 January 2017 to 13 August 2017, such consultancy fee income only amounted to approximately RMB6.8 million. The lower level of consultancy fee received from Baiyun Technician College was primarily because the reputation, enterprise network and academic platform of Baiyun Technician College have become more established, thus requiring less consultancy services, facilitation and cooperation projects from Jiangxi University of Technology. For the year ending 31 December 2018 and onwards, we expect to consolidate the full year profit and loss of Baiyun Technician College.

The Decision on Amending the Law for Promoting Private Education was promulgated on 7 November 2016 and came into force on 1 September 2017. There are uncertainties regarding the interpretation and application of such decision. In particular, it is silent on the specific measures regarding how existing private schools can choose to become for-profit private schools or non-profit private schools. See “Business – The Decision on Amending the Law for Promoting Private Education of the PRC.”

SUMMARY

We completed our student enrolment for the 2017/2018 school year in October 2017 and enrolled a total of 76,204 students in our three schools. The following table sets forth detailed information on our student enrolment in the 2017/2018 school year.

	Student enrolment*
Group	76,204
Jiangxi University of Technology	36,368
Bachelor's degree programmes	19,746
Junior college diploma programmes	13,674
Continuing education programmes	2,948
Guangdong Baiyun University	26,416
Bachelor's degree programmes	17,800
Junior college diploma programmes	205
Continuing education programmes	8,411
Baiyun Technician College	13,420
Secondary vocational diploma programmes	2,824
Post-secondary vocational diploma programmes	10,217
Technician diploma programmes	379

Note:

* The student enrolment information for the 2017/2018 school year is based on our internal records as of 26 October 2017. Such student enrolment information has been filed, where applicable, with relevant provincial and municipal educational government authorities for record.

During the Track Record Period, we had recognised imputed interest income on advances to our Directors under IFRS. For each of the three years ended 31 December 2016 and the six months ended 30 June 2017, our imputed interest income was approximately RMB1.1 million, RMB5.5 million, RMB14.1 million and RMB8.1 million, respectively. As of the Latest Practicable Date, all advances to our Directors had been settled, and we do not expect to continue to recognise imputed interest income on advances to our Directors following the Listing.

Our Directors confirm that, except as stated in this document, since 30 June 2017 (being the date on which the latest audited consolidated financial information of our Group was prepared) and up to the date of this document, there had been no material adverse change in the industry in which we operate or in the financial or trading position of our Group that would materially affect the information shown in our consolidated financial statements included in the Accountants' Report of the Group set forth in Appendix IA.

LISTING EXPENSES

We expect to incur a total of approximately RMB119.4 million of listing expenses (assuming an Offer Price of HK\$6.44, being the mid-point of the indicative Offer Price range between HK\$5.86 and HK\$7.02, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which approximately RMB10.1 million were charged to profit and loss and approximately RMB3.0 million was capitalised during the Track Record Period. For the remaining expenses, we expect to charge approximately RMB29.3 million to our profit or loss and to capitalise approximately RMB77.0 million. Listing expenses represent professional fees and other fees incurred in connection with the Global Offering, including underwriting commissions and trading levy but excluding discretionary incentive bonus. The listing expenses above were the best estimate as of the Latest Practicable Date and were for reference only and the actual amount may differ from this estimate. The listing expenses are non-recurring in nature. The listing expenses will have an adverse effect on our financial performance and results for the year ending 31 December 2017.

SUMMARY

OFFERING STATISTICS

	Based on an Offer Price of HK\$5.86	Based on an Offer Price of HK\$7.02
Market capitalisation of our Shares ^{*(1)}	HK\$11,720 million	HK\$14,040 million
Unaudited pro forma adjusted consolidated net tangible assets of the Group per Share ^{*(2)}	HK\$2.96 (RMB2.61)	HK\$3.24 (RMB2.86)
Unaudited pro forma adjusted consolidated net tangible assets of the enlarged group per Share ^{*(3)}	HK\$2.63 (RMB2.32)	HK\$2.92 (RMB2.57)

Notes:

* Assuming the Over-allotment Option is not exercised at all and without taking into account any Shares which may be issued upon the exercise of any options granted under the Share Option Schemes and any grants under the Share Award Scheme.

(1) The calculation of market capitalisation is based on 2,000,000,000 Shares expected to be in issue following completion of the Share Capital Reorganisation and the Global Offering. This calculation is based on the indicative Offer Prices of HK\$5.86 and HK\$7.02.

(2) The unaudited pro forma adjusted consolidated net tangible assets of our Group per Share is calculated after making adjustments referred to in “(A) Statement of Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets of the Group” included in Appendix II and on the basis of a total of 2,000,000,000 Shares expected to be in issue following the completion of the Share Capital Reorganisation and the Global Offering. This calculation is based on the indicative Offer Prices of HK\$5.86 and HK\$7.02.

(3) We obtained control of Baiyun Technician College in August 2017. The unaudited pro forma adjusted consolidated net tangible assets per Share information of the enlarged group was prepared as if our obtaining control of Baiyun Technician College had completed as of 30 June 2017. Such per Share information is calculated after making the adjustments referred to in “(B) Unaudited Pro Forma Financial Information of the Enlarged Group” included in Appendix II and on the basis of a total of 2,000,000,000 Shares expected to be in issue following the completion of the Share Capital Reorganisation and the Global Offering. This calculation is based on the indicative Offer Prices of HK\$5.86 and HK\$7.02.

The decrease in the unaudited pro forma adjusted consolidated net tangible assets attributable to owners of the Company as at 30 June 2017 per Share after taking into account of our obtaining control of Baiyun Technician College was because of the recognition of a significant amount of intangible assets and goodwill that were deducted from the net assets of the enlarged group in the calculation of the net tangible assets of the enlarged group.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$3,078.5 million after deducting underwriting commission and other estimated expenses paid and payable by us in the Global Offering (without deducting any additional discretionary incentive fee), assuming an Offer Price of HK\$6.44 per Share, being the mid-point of the indicative Offer Price range of HK\$5.86 to HK\$7.02 per Share, we intend to use the net proceeds we will receive from this offering for the following purposes:

Use of proceeds	% of the net proceeds	HK\$ million
Acquisition of or cooperation with other universities	59.5%	1,831.3
Developing new campus	26.9%	828.4
Repay certain portion of bank loans	8.0%	246.3
Supplement working capital	2.4%	73.9
Establishing teacher and staff training centre	1.1%	33.9
Research and development	1.1%	33.9
Provision of scholarships	0.5%	15.4
Maintenance and upgrading of existing schools	0.5%	15.4

SUMMARY

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK\$282.7 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis. If the Over-allotment Option is exercised in full, the additional net proceeds that we will receive will be approximately HK\$470.9 million, assuming an Offer Price of HK\$6.44 per Share, being the mid-point of the proposed Offer Price range. If the Over-allotment Option is exercised in full, we intend to apply such additional net proceeds for the above uses on a pro-rata basis.

LEGAL PROCEEDINGS AND COMPLIANCE

Our Directors confirm that, during the Track Record Period and up to the Latest Practicable Date, (i) we had not experienced any material or systemic non-compliance of applicable laws or regulations, which taken as a whole, in the opinion of our Directors, are likely to have a material adverse effect on our business condition or results of operations; and (ii) we had not experienced any non-compliance of applicable laws or regulations, which taken as a whole, in the opinion of our Directors, reflects negatively on the ability or tendency of our Company, our Directors or our senior management, to operate our business in a compliant manner.

See “Business – Employees” and “Business – Properties” for a description of certain legal matters relating to our compliance with certain employee benefits and property related laws and regulations which our Directors consider would not have a material adverse effect on our operations as a whole for the reasons described therein.