

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. Jiangxi University of Technology has been 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 and Guangdong Baiyun University has been ranked No.1 in terms of competitive strengths among private universities and colleges in Guangdong province by Guangdong Academy of Social Science for ten consecutive years from 2005 to 2014.

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. As confirmed by Mr. Yu, he funded the establishment of Jiangxi University of Technology with his own financial resources accumulated from operating an education business. As confirmed by Mr. Xie, he funded the establishment of Guangdong Baiyun University with his own financial resources accumulated from operating an education business. In 2005, both Jiangxi University of Technology and Guangdong Baiyun University obtained MOE approval to change their school education levels (辦學層次) from higher vocational college (高等職業學校) (considered as junior colleges) to undergraduate (本科) (where junior college (專科) and higher education (高等教育) programmes may also be offered) (considered as universities), and began offering bachelor's degree (學士學位) programmes.

Our founders, Mr. Yu and Mr. Xie have approximately 24 years and 28 years of experience in the Chinese education industry, respectively, and were among the pioneers in the private education sector in China. See the section headed “Directors and Senior Management” for further details of Mr. Yu and Mr. Xie.

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. In 2017, our Group entered into the Contractual Arrangements for the purposes of the Reorganisation. As a result, our Company obtained control of Jiangxi University of Technology and Guangdong Baiyun University.

In 2017, our Group expanded and diversified our schools portfolio by obtaining control of Baiyun Technician College from Mr. Xie.

Our Company was registered as a non-Hong Kong company with the Registrar of Companies in Hong Kong under Part 16 of the Companies Ordinance on 2 August 2017. Our Company was registered with the Registrar of Companies for adopting “ChinaEdu” (in English) and “中教常春藤” (in Chinese) on 30 August 2017.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

KEY MILESTONES

Year	Event
1999	Jiangxi University of Technology and Guangdong Baiyun University obtained approval from the MOE for their establishments
2003	Guangdong Baiyun University was first ranked No. 1 in terms of competitive strengths among private universities and colleges in Guangdong province by the Guangdong Academy of Social Science
2005	Each of Jiangxi University of Technology and Guangdong Baiyun University obtained MOE approval to change their school education levels (辦學層次) from higher vocational college (高等職業學校) to undergraduate/junior college/higher vocational education (本科、專科、高等職業教育) and became one of the first few private universities in Jiangxi and Guangdong provinces
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 Jiangxi University of Technology entered into an exclusive service agreement with each of Guangdong Baiyun University and Baiyun Technician College
2009	Jiangxi University of Technology was first ranked No. 1 in terms of overall competitive strengths in the Private University and College Ranking of China
2017	Our Group entered into the Contractual Arrangements for the purposes of the Reorganisation pursuant to which our Company acquired control of Jiangxi University of Technology and Guangdong Baiyun University We obtained control of Baiyun Technician College

OUR CONSOLIDATED AFFILIATED ENTITIES

Our Schools

The date of commencement of operation and registered capital as of the Latest Practicable Date of each of our three schools are shown below:

<u>School</u>	<u>Government approval for establishment</u>	<u>Registered capital as of the Latest Practicable Date</u>
University		
Jiangxi University of Technology	July 1999	RMB51,680,000
Guangdong Baiyun University	March 1999	RMB130,000,000
Technical School		
Baiyun Technician College	April 1996	RMB60,000,000

Jiangxi University of Technology (江西科技學院)

Jiangxi University of Technology obtained approval from the MOE on 26 July 1999 for its establishment as a higher vocational college under the laws of the PRC under the name of “Private Blue Sky Vocational and Technical College (民辦藍天職業技術學院)”. Mr. Yu has been the sponsor of the school since its establishment. On 28 March 2002, Private Blue Sky Vocational and Technical College changed its name to “Blue Sky Vocational and Technical College (藍天職業技術學院)”. On 1 March 2005, as one of the first few private universities in Jiangxi province approved by the MOE, Blue Sky Vocational and Technical College obtained approval from the MOE for its school education level (辦學層次) to be changed from higher vocational college (高等職業學校) (considered as junior colleges) to undergraduate (本科) (where junior college (專科) and higher education (高等教育) programmes may also be offered) (considered as universities) and for its name to be changed to “Jiangxi Blue Sky College (江西藍天學院)”. On 28 March 2012, the school changed its name to “Jiangxi University of Technology (江西科技學院)”.

Guangdong Baiyun University (廣東白雲學院)

Guangdong Baiyun University obtained approval from the MOE on 12 March 1999 for its establishment as a higher vocational college under the laws of the PRC under the name of “Private Baiyun Vocational and Technical College (民辦白雲職業技術學院)”. Mr. Xie has been the sponsor of the school since its establishment. On 26 March 2002, Private Baiyun Vocational and Technical College changed its name to “Guangdong Baiyun Vocational and Technical College (廣東白雲職業技術學院)”. On 9 March 2005, as one of the first few private universities in Guangdong province approved by the MOE, Guangdong Baiyun Vocational and Technical College obtained approval from the MOE for its school education level (辦學層次) to be changed from higher vocational college (高等職業學校) (considered as junior colleges) to undergraduate (本科) (where junior college (專科) and higher education (高等教育) programmes may also be offered) (considered as universities) and for its name to be changed to “Guangdong Baiyun University” (廣東白雲學院).

Baiyun Technician College (廣州白雲工商高級技工學校(廣州市白雲工商技師學院))

Baiyun Technician College obtained approvals from the Guangzhou Municipal Peoples Government (廣州市人民政府), the Guangdong Ministry of Labour (廣東省勞動廳) and the Guangzhou Bureau of Labour (廣州市勞動局) on 24 January 1996, 9 April 1996 and 2 May 1996, respectively for its establishment as a technical school under the laws of the PRC under the name “Guangzhou Baiyun Technical School of Business and Technology (廣州白雲工商技工學校)”. On 12 June 2003, Baiyun Technician College changed its name to “Guangzhou Baiyun Senior Technical School of Business and Technology (廣州白雲工商高級技工學校)”. On 4 March 2005, the school obtained approval for its establishment of Guangzhou Baiyun Technician College of Business and Technology (廣州市白雲工商技師學院) from the Guangdong Province Department of Labour and Social Security (廣東省勞動和社會保障廳). On 25 September 2015, the school was approved by Guangzhou Human Resources and Social Security Department (廣州市人力資源和社會保障局) to change its name to “Guangzhou Baiyun Senior Technical School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (廣州白雲工商高級技工學校(廣州市白雲工商技師學院))”.

ORIGINAL COOPERATION AGREEMENT

Historically, the business operations of Jiangxi University of Technology and Guangdong Baiyun University were collectively controlled and managed by Mr. Yu and Mr. Xie through a cooperation agreement as further described below.

On 18 December 2007, Mr. Yu and Mr. Xie, Jiangxi University of Technology (then known as Jiangxi Blue Sky College (江西藍天學院)) and Guangdong Baiyun University entered into a cooperation agreement (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, including: (a) to collectively control Jiangxi University of Technology and Guangdong Baiyun University through board decision and other necessary administrative measures; (b) to collectively share all investment returns from Jiangxi University of Technology and Guangdong Baiyun University (if any); and (c) to collectively share all distributions to the school sponsors pursuant to the liquidation of Jiangxi University of Technology and Guangdong Baiyun University.

Mr. Yu and Mr. Xie have had a long-standing relationship, and have intended for (i) the transfer of 50% sponsor interest in Jiangxi University of Technology from Mr. Yu to Mr. Xie; and (ii) the transfer of 50% sponsor interest in Guangdong Baiyun University from Mr. Xie to Mr. Yu, in each case subject to further agreement between Mr. Yu and Mr. Xie and approval by the relevant government authorities. The Original Cooperation Agreement provided that, at the request of a party, the other party shall apply to the relevant authority to effect the transfer of sponsor interest in Jiangxi University of Technology or Guangdong Baiyun University (as the case may be) and to use his best endeavours to execute all relevant documents to effect the transfer of the relevant sponsor interest. As of the Latest Practicable Date, no transfer of sponsor interest in Jiangxi University of Technology or Guangdong Baiyun University had been effected.

In addition, pursuant to the Original Cooperation Agreement, Mr. Yu and Mr. Xie agreed that they would act as concert parties and agreed not to make the following decisions without the consent of the other party:

- (a) subdivision, consolidation, dissolution or reorganisation of Jiangxi University of Technology and Guangdong Baiyun University;
- (b) amending the articles of Jiangxi University of Technology and Guangdong Baiyun University;
- (c) establishing development strategies and approving annual plans;
- (d) approving operation budgets, audited budgets or final accounts;
- (e) allocating and establishing working standards for teaching staff;
- (f) establishing internal organisational departments;

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- (g) selling, transferring or authorising the use or disposal of any assets or rights of Jiangxi University of Technology and Guangdong Baiyun University where the transaction amount is more than RMB1,000,000, or creating any guarantee or security interest over any non-teaching asset of Jiangxi University of Technology and Guangdong Baiyun University for the benefit of a third party;
- (h) setting the annual borrowing limit of Jiangxi University of Technology and Guangdong Baiyun University, including any bank borrowings or from other private capital sources;
- (i) initiation, settlement, waiver or admission in relation to disputes or claims of more than RMB1,000,000;
- (j) application for liquidation, receivership or any similar legal proceedings;
- (k) appointing or electing any director of Jiangxi University of Technology and Guangdong Baiyun University, employing or terminating the employment of any president, department head and financial officer;
- (l) approving and reviewing the president's working report; or
- (m) making any other material decisions in relation to Jiangxi University of Technology and Guangdong Baiyun University.

Our PRC Legal Adviser has advised us that the Original Cooperation Agreement was valid and binding on the parties thereto under the laws and regulations of the PRC.

INTER-SCHOOL COOPERATION

Leveraging the leading position, capability and educational resources of Jiangxi University of Technology, Mr. Yu and Mr. Xie aspired to establish a solid school foundation with a view to developing a network of high quality and sophisticated education institutions in the PRC, with Jiangxi University of Technology positioned as the centre of influence. To develop experience in inter-school cooperation and school management, on 28 December 2007, Jiangxi University of Technology entered into an exclusive education services agreement with each of Guangdong Baiyun University and Baiyun Technician College. Pursuant to such agreements, in return for certain consulting fee, Jiangxi University of Technology supported Guangdong Baiyun University and Baiyun Technician College in the promotion of cooperation opportunities with government organisations, education institutions, education exchange associations and private enterprises on student training and education, courses design and content, guidance on practical learning programmes, student enrolment and employment, and sharing of management know-how and other educational resources. These services were tailored and implemented with a view to enhancing the overall competitiveness of Guangdong Baiyun University and Baiyun Technician College. Jiangxi University of Technology, Guangdong Baiyun University and Baiyun Technician College have since fostered a long term mutually beneficial cooperative relationship. Through such cooperation, we believe that we have acquired the capability to implement comprehensive centralised management functions, through our WFOE and the Contractual Arrangements, across our school network going forward. See "Business – Inter-school Cooperation" for further details.

CORPORATE REORGANISATION

In preparation for the Global Offering and in order to streamline our corporate structure, we undertook the following reorganisation (the “**Reorganisation**”):

1. Incorporation of Offshore Group Companies

Our Company

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 19 May 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares with par value of US\$1 each. On the same day, Blue Sky BVI acquired one share in our Company at par value and 49 shares were further issued and allotted to Blue Sky BVI as fully-paid at par value; and another 50 shares were issued and allotted to White Clouds BVI as fully-paid at par value.

On 30 August 2017, the authorised share capital of our Company was increased by HK\$500,000 divided into 50,000,000,000 Shares of par value HK\$0.00001 each. On the same day, our Company allotted and issued 750,000,000 Shares for a subscription price of HK\$7,500 to each of Blue Sky BVI and White Clouds BVI. Immediately following the allotment and issue of the 1,500,000,000 Shares, our Company repurchased 50 shares of par value US\$1.00 each from each of Blue Sky BVI and White Clouds BVI at a consideration of HK\$7,500 which was paid out of the proceeds of the aforesaid subscription. Immediately following the repurchase, the authorised share capital of our Company was reduced by the cancellation of 50,000 shares of par value US\$1.00 each and became HK\$500,000 divided into 50,000,000,000 Shares.

BVI China Education Group

BVI China Education Group was incorporated as a limited liability company under the laws of the BVI on 17 May 2017 with an authorised share capital of US\$50,000 divided into 50,000 shares with par value of US\$1 each. On the same day, 100 shares of BVI China Education Group were issued and 50 shares of BVI China Education Group allotted to each of Mr. Yu and Mr. Xie at par value. On 19 May 2017, Mr. Yu and Mr. Xie each transferred all of their shares in BVI China Education Group to our Company for HK\$50.

HK China Education Group

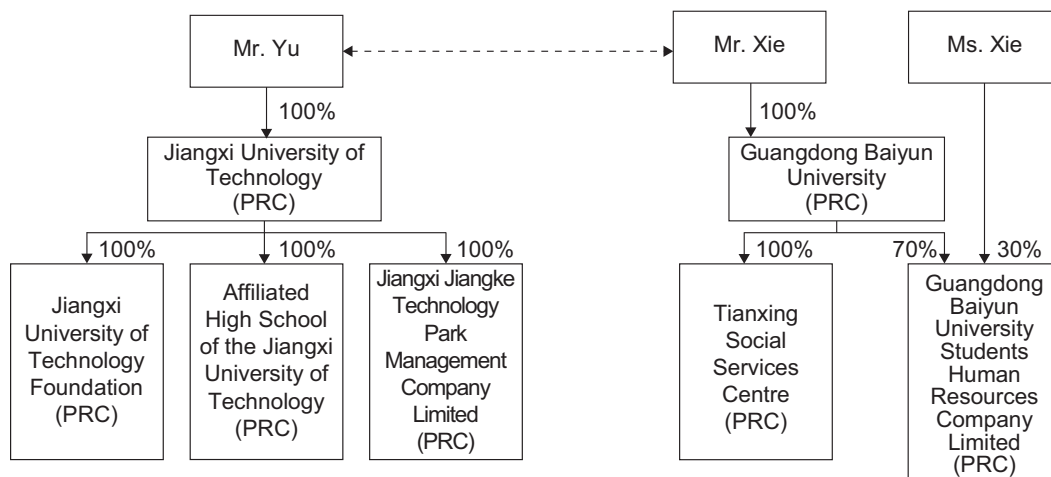
HK China Education Group was incorporated as a limited liability company under the laws of Hong Kong on 25 May 2017 with an issued share capital of HK\$100 divided into 100 shares. Mr. Yu and Mr. Xie were the founding members with each holding 50 shares. On 25 May 2017, Mr. Yu and Mr. Xie each transferred all of their shares in HK China Education Group to BVI China Education Group for HK\$50.

2. Reorganisation in relation to Jiangxi University of Technology and Guangdong Baiyun University

Between April 2017 to June 2017, we undertook the following reorganisation (the “**Onshore Reorganisation**”) in relation to Jiangxi University of Technology and Guangdong Baiyun University so as to streamline our corporate structure for the purpose of the Listing.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

The following chart shows the Group structure of our consolidated affiliated entities immediately before the Onshore Reorganisation:



← Direct ownership

← → 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. Please refer to the paragraph above headed “Original Cooperation Agreement”.

Disposal of Tianxing Social Services Centre (天星社會工作服務中心)

On 24 May 2017, Guangdong Baiyun University entered into a change of sponsor interest agreement with Independent Third Parties, who are employees of Guangdong Baiyun University, pursuant to which Guangdong Baiyun University agreed to change its sponsor interest in Tianxing Social Services Centre (天星社會工作服務中心), a private non-enterprise entity engaged in providing practical social services opportunities, for RMB30,000. The consideration was determined after arm’s lengths negotiations between the parties taking into account the registered capital of the company and, as confirmed by our Directors, was fully settled on 29 May 2017. We considered that it was commercially beneficial for us to enter into the disposal since Tianxing Social Services Centre was not related to higher education and was not material to our business as a whole. The transfer was completed on 26 June 2017. We recorded a gain of RMB1.0 million from the disposal.

Disposal of Guangdong Baiyun University Students Human Resources Company Limited (廣東白雲大學生人才資源有限公司)

On 19 May 2017, Guangdong Baiyun University entered into equity transfer agreements with Independent Third Parties, pursuant to which Guangdong Baiyun University agreed to sell its 70% equity interest in Guangdong Baiyun University Students Human Resources Company Limited (廣東白雲大學生人才資源有限公司), a company engaged in providing entrepreneurship and career advice to university graduates, for RMB3.5 million. The consideration was determined after arm’s lengths negotiations between the parties taking into account the registered capital of the company and, as confirmed by our Directors, was fully settled on 25 August 2017. We considered that it was commercially beneficial for us to enter into the disposal since the company was not related to the provision of higher education and was not material to our business as a whole. As confirmed by our Directors the transfer was completed on 23 May 2017. Our Group recorded a loss of RMB1.1 million from the disposal.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Disposal of Jiangxi Jiangke Technology Park Management Company Limited (江西江科科技園管理有限公司)

On 3 May 2017, Jiangxi University of Technology entered into an equity transfer agreement with two Independent Third Parties, pursuant to which Jiangxi University of Technology agreed to sell its 100% equity interest in Jiangxi Jiangke Technology Park Management Company Limited (江西江科科技園管理有限公司), a company engaged in the technology park management business, for RMB5.8 million. The consideration was determined after arm's lengths negotiations between the parties taking into account the registered capital of the company and, as confirmed by our Directors, was fully settled on 24 May 2017. We considered that it was commercially beneficial for us to enter into the disposal since the company was not related to higher education and were not material to our business as a whole. As confirmed by our Directors, the transfer was completed on 9 May 2017. We recorded a loss of RMB0.3 million from the disposal.

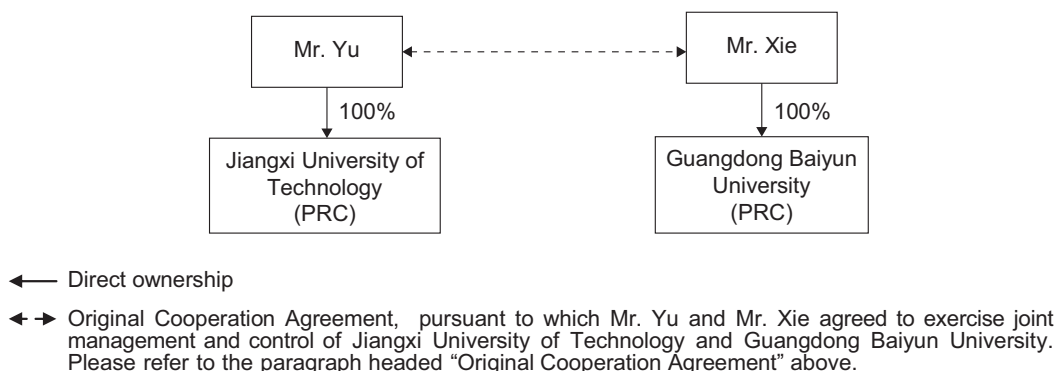
Disposal of the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學)

On 20 April 2017, Jiangxi University of Technology entered into a transfer agreement with an Independent Third Party, a company beneficially owned by a former employee of Jiangxi University of Technology, pursuant to which we assigned the sponsorship licence of the Affiliated High School of the Jiangxi University of Technology (江西科技學院附屬中學) (the "High School"), a high school in Jiangxi providing education to students from grades one to 12. Pursuant to the transfer agreement, we agreed to transfer the entire sponsor interest in the High School for RMB26 million, which was determined based on arm's length negotiations taking into account a valuation report prepared by an Independent Third Party and, as confirmed by our Directors, was fully settled on 24 May 2017. We considered that it was commercially beneficial for us to enter into the disposal since the High School was not related to higher education and were not material to our business as a whole. As confirmed by our Directors, the transfer was completed on 27 May 2017. We recorded a gain of RMB15.9 million from the disposal.

Liquidation of the Jiangxi University of Technology Foundation (江西科技學院基金會)

On 10 May 2017, the committee of the Jiangxi University of Technology Foundation (江西科技學院基金會) (the "Jiangxi Foundation") resolved to liquidate and cancel the fund. The Jiangxi Foundation was set up to grant scholarships and to help fund business start-ups. We considered that it was commercially beneficial for us to liquidate the Jiangxi Foundation due to its decreasing activity as Jiangxi University of Technology began to take up its functions. The liquidation and cancellation were approved on 6 June 2017. After the liquidation, Jiangxi University of Technology intends to continue to grant scholarships and fund business start-ups by the university itself.

The following chart shows the Group structure of our consolidated affiliated entities immediately after the Onshore Reorganisation:



HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our Controlling Shareholders have entered into the Deed of Indemnity in favour of us to provide indemnities on a joint and several basis in respect of, among other matters, any costs, expenses, claims, liabilities, penalties, losses or damages incurred or suffered by any member of our Group arising from or in connection with any litigation, arbitration, claims (including counter-claims), complaints, demands and/or legal proceedings, whether of criminal, administrative, contractual, tortious or otherwise nature instituted by or against any member of our Group in relation to the Onshore Reorganisation. For further details of the Deed of Indemnity, see the paragraph headed “E. Other information – 1. Deed of Indemnity” in Appendix V.

3. Establishment of WFOE

On 13 June 2017, WFOE was established in Ganzhou, Jiangxi province the PRC as a wholly-foreign owned enterprise with a registered capital of HK\$10 million. WFOE is wholly-owned by HK China Education Group.

According to the municipal government of Ganzhou, WFOE may enjoy certain economic incentives subject to, among other things, fulfilling certain operating parameters.

4. Entry into of the Contractual Arrangements with respect to Jiangxi University of Technology and Guangdong Baiyun University

On 30 June 2017, WFOE and other parties entered into various agreements which constitute the Contractual Arrangements with Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University, under which substantially all economic benefits arising from the business of Jiangxi University of Technology and Guangdong Baiyun University are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of services fees payable by Jiangxi University of Technology and Guangdong Baiyun University to WFOE. See the section headed “Contractual Arrangements” for further details of the Contractual Arrangements.

On the same day, Mr. Yu, Mr. Xie, Jiangxi University of Technology and Guangdong Baiyun University terminated the Original Cooperation Agreement.

INCORPORATION OF UNIVERSITY OF SCIENCE AND TECHNOLOGY IN THE UNITED STATES

University of Science and Technology is a corporation established in the State of California, the United States on 10 July 2017. On 1 August 2017, the bylaws of University of Science and Technology were adopted and Dr. Yu was elected as the president of University of Science and Technology. HK China Education Group subscribed for 10,000 shares of common stock, and is the sole member, of University of Science and Technology.

University of Science and Technology is incorporated for the purpose of undertaking the daily operation and management of our education business in the State of California, the United States. See “Contractual Arrangements – Plan to comply with the Qualification Requirement”.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

DISPOSAL OF OTHER BUSINESS INTERESTS BY OUR DIRECTORS

As confirmed by Ms. Xie Shaohua (our executive Director and sister of Mr. Xie) and Mr. Xie (our executive Director and a Controlling Shareholder), Ms. Xie Shaohua and the spouse of Mr. Xie had held 70% and 30% equity interest, respectively, in Guangzhou Yuntao Education Technology Company Limited (廣州雲濤教育科技有限公司), a company primarily engaged in the provision of technical services related to education software platforms, until May 2017, when they disposed all of their interests to Independent Third Parties.

As confirmed by Dr. Yu (our executive Director and son of Mr. Yu), he had held 90% equity interest in Jiangxi Lantian Driving Training Centre Company Limited (江西藍天駕駛培訓中心有限公司), a company primarily engaged in the provision of driving training services, until May 2017, when he disposed all of his interest to an Independent Third Party.

OBTAINING CONTROL OF BAIYUN TECHNICIAN COLLEGE

Baiyun Technician College, a technical school, was founded by Mr. Xie in April 1996 and had not been subject to the Original Cooperation Agreement. Baiyun Technician College and Jiangxi University of Technology entered into an exclusive service agreement in December 2007 with a view to leveraging Jiangxi University of Technology's leading education experience and capability to enhance the competitiveness of Baiyun Technician College. Pursuant to the exclusive service agreement, Jiangxi University of Technology had provided Baiyun Technician College with various education consulting and supporting services in return for certain consultancy fee. These services include fostering school-enterprise cooperation opportunities, enriching course design and content, providing guidance on practical learning programmes and sharing of management know-how. For the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017, the consultancy fee amounted to approximately RMB14.1 million, RMB32.3 million, RMB47.2 million and RMB5.3 million, respectively. Please also see the paragraph headed "Inter-school Cooperation" above and "Business – Inter-school Cooperation" for further details of the cooperation.

The BTC Control Arrangements

On 14 August 2017, we obtained control of Baiyun Technician College through a series of contractual agreements (the "**BTC Control Arrangements**"). The BTC Control Arrangements superseded similar arrangements previously entered into on 30 June 2017 and 31 July 2017, respectively, which were terminated and confirmed by the relevant parties to be of no effect since the beginning. Pursuant to such previous arrangements, we paid Mr. Xie (the founder and the then sole school sponsor of Baiyun Technician College) RMB750 million as consideration, with RMB510 million paid on 7 August 2017 and RMB240 million paid on 9 August 2017. Such previous arrangements were superseded with the RMB750 million already paid to Mr. Xie recorded as an amount due from Mr. Xie because the relevant parties contemplated a restructuring of Baiyun Technician College that could achieve, among other things, a transfer of the entire sponsor interest in Baiyun Technician College from Mr. Xie to a corporate entity in preparation for the proposed Listing. Prior to such restructuring, the entire sponsor interest had been held by Mr. Xie. The restructuring involved: (a) the establishment of Huafang Education which was held as to 50% each by Mr. Yu and Mr. Xie; and (b) the transfer of the entire sponsor interest in Baiyun Technician College to Lihe Education, which was in turn held as to 99% by Lanyun Education and as to 1% by Mr. Yu (who held such interest on behalf of Lanyun Education).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Each of Huafang Education and Lihe Education does not have any business activities apart from holding the interest in Baiyun Technician College.

We obtained control of Baiyun Technician College through the BTC Control Arrangements, involving: (a) the purchase of 99% and 1% of equity interest in Lihe Education by Huafang Education from Lanyun Education and Mr. Yu, respectively, for an aggregate consideration of RMB750 million; and (b) the entering into of a series of contractual arrangements to control Huafang Education, Lihe Education and Baiyun Technician College (see “Contractual Arrangements” for further details). The consideration was determined after arm’s length negotiations among the parties primarily by reference to a valuation report prepared by an Independent Third Party, the results of the operation and future prospects of Baiyun Technician College, the potential synergy with our existing businesses, and the profit guarantee given by Mr. Xie as more particularly described below. The consideration was fully settled on 14 August 2017 by setting off against the amount due from Mr. Xie of RMB750 million as disclosed above.

In connection with the BTC Control Arrangements, Mr. Xie guaranteed to us that Baiyun Technician College’s audited net profit after tax (after adding back the fees payable by Baiyun Technician College to WFOE pursuant to the Contractual Arrangements) (the “**Adjusted Net Profit**”) for the year ending 31 December 2018 shall be no less than RMB60 million. If Baiyun Technician College’s audited net profit after tax (after adding back the fees payable by Baiyun Technician College to WFOE pursuant to the Contractual Arrangements) for the year ending 31 December 2018 (the “**2018 Actual Adjusted Net Profit**”) is less than RMB60 million, Mr. Xie shall compensate WFOE with a cash sum calculated according to the following formula (the “**Compensation Sum**”):

$$\text{Compensation Sum} = (\text{RMB60 million} - \text{2018 Actual Adjusted Net Profit}) \times 12.5$$

For the avoidance of doubt, (i) if the 2018 Actual Adjusted Net Profit is negative, the 2018 Actual Adjusted Net Profit used to compute the Compensation Sum shall be “nil”; and (ii) if the 2018 Actual Adjusted Net Profit is higher than RMB60 million, Mr. Xie shall not be obliged to pay any Compensation Sum and the consideration payable by WFOE will not be affected.

The profit guarantee above does not constitute a profit forecast of Baiyun Technician College under Rules 11.16 to 11.19 of the Listing Rules, and the profit guarantee amount should not be regarded in any way as an indication of the projected profit of Baiyun Technician College for the relevant financial year.

Reasons for Obtaining Control of Baiyun Technician College

Our Directors are of the view that obtaining the control of Baiyun Technician College would expand and diversify our schools portfolio and avoid the administrative burden in complying with the continuing connected transactions requirements under the Listing Rules after the Listing. The addition of Baiyun Technician College to our Group represents an important step in our expansion in the PRC higher education market, and our Directors believe that the transaction will complement our Group’s existing business and give rise to further synergy through economies of scale (including shared management and operational resources of Baiyun Technician College and Guangdong Baiyun University, as well as the expansion and further leveraging of the “Baiyun” brand name).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Our Directors believe that the terms of the BTC Control Arrangements are fair and reasonable and in the interests of our Company and our Shareholders as a whole because:

Long history of cooperation: as discussed in “History, Reorganisation and Corporate Structure – Inter-School Cooperation”, we have had a long history of inter-school cooperation with Baiyun Technician College, pursuant to which we have gained in-depth familiarity with its management and operations. Our Directors believe that it would be our natural next step to obtain control of Baiyun Technician College as an expansion of our school network in line with our growth strategy. Leveraging our long history of cooperation with Baiyun Technician College, our Directors believe that we would be able to achieve an efficient integration of Baiyun Technician College into our existing schools network and realise the synergetic effects. Acquiring other schools with which we had no prior history of cooperation might, on the other hand, require considerably more commitment in resources and time before the synergetic benefits materialise.

Profit guarantee by Mr. Xie: in connection with our obtaining control of Baiyun Technician College, Mr. Xie, founder of Baiyun Technician College and one of our Controlling Shareholders, had provided a profit guarantee in favour of us as more particularly described in “History, Reorganisation and Corporate Structure – Obtaining Control of Baiyun Technician College – The BTC Control Arrangements”. We consider that the interests of Mr. Xie and that of ours are aligned in promoting the interests of Baiyun Technician College and our schools as a whole in the long term. In addition to putting us and our Shareholders in an advantageous position from a transaction perspective, we consider that the profit guarantee demonstrates Mr. Xie’s strong commitment in the future operating prospects of Baiyun Technician College. Furthermore, we also consider that Mr. Xie is financially capable of honouring the profit guarantee.

Industry demand for private technical schools: we believe there is a growing demand for private technical schools in the PRC particularly in Guangdong province, and obtaining control of Baiyun Technician College, a leading private technical school in the PRC, would provide us with an ideal platform to effectively capitalise on these opportunities. According to Frost & Sullivan, the total revenue of private technical school industry in Guangdong province is expected to grow at a CAGR of 12.9% and reach RMB1,298.4 million from 2016 to 2021.

Industry position of Baiyun Technician College: Baiyun Technician College is a leading school in the private technical school sector and such acquisition is in line with our expansion strategy. According to Frost & Sullivan, Baiyun Technician College is the largest private technical school in the PRC by student enrolment. We believe we would be able to leverage the leading position of Baiyun Technician College to compete effectively with other private technical schools and further elevate our market position as a leading quality education provider.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Synergies with our business: obtaining control of Baiyun Technician College would significantly expand and diversify our educational offerings. We would be able to offer various vocational diploma and technician diploma programmes in addition to the existing bachelor's degree programmes, junior college diploma programmes and continuing education programmes. With Baiyun Technician College integrated into our school network, we would also be able to share resources, including school-enterprise cooperation network, teaching resources and administration, which could optimise the operation efficiency of our schools. Furthermore, being in the same school network, we could establish a channel for graduates of Baiyun Technician College to pursue further studies at our universities, which we believe could synergise our student enrolments.

Comparable companies and transactions: we have analysed the implied value of certain education companies that became listed on the Stock Exchange for the year ended 31 December 2016 and the seven months ended 30 July 2017 (including Wisdom Education International Holdings Company Limited, China YuHua Education Corporation Limited, Minsheng Education Group Company Limited and China New Higher Education Group Limited) based on their initial public offering price and historical financial information and the implied value of certain education companies that were subject to merger and acquisition activities for the year ended 31 December 2016 and the seven months ended 30 July 2017 based on publicly available transaction information. We have calculated the price-to-earnings ratios of these education companies at the time of the relevant transaction. For the purpose of comparison, we have excluded education companies with price-to-earnings multiples of over 50 times as our Directors consider that these are outliers. After excluding such outliers, the education companies we have analysed and compared had a price-to-earnings multiples ranging from approximately 10 times to 38 times, with an average of approximately 21 times. We have also made reference to the valuation report on Baiyun Technician College prepared by Asset Appraisal Limited, an Independent Third Party. Asset Appraisal Limited is a member of the Hong Kong Institute of Surveyors. As confirmed by Asset Appraisal Limited, it has more than 10 years of experience in corporate valuation and advisory services in Hong Kong and the PRC. Our Directors are satisfied that Asset Appraisal Limited has the appropriate credentials to undertake the valuation of Baiyun Technician College. Based on the foregoing, we consider that the relevant consideration involved in obtaining the control of Baiyun Technician College was fair and reasonable.

THE CONCERT PARTY AGREEMENT

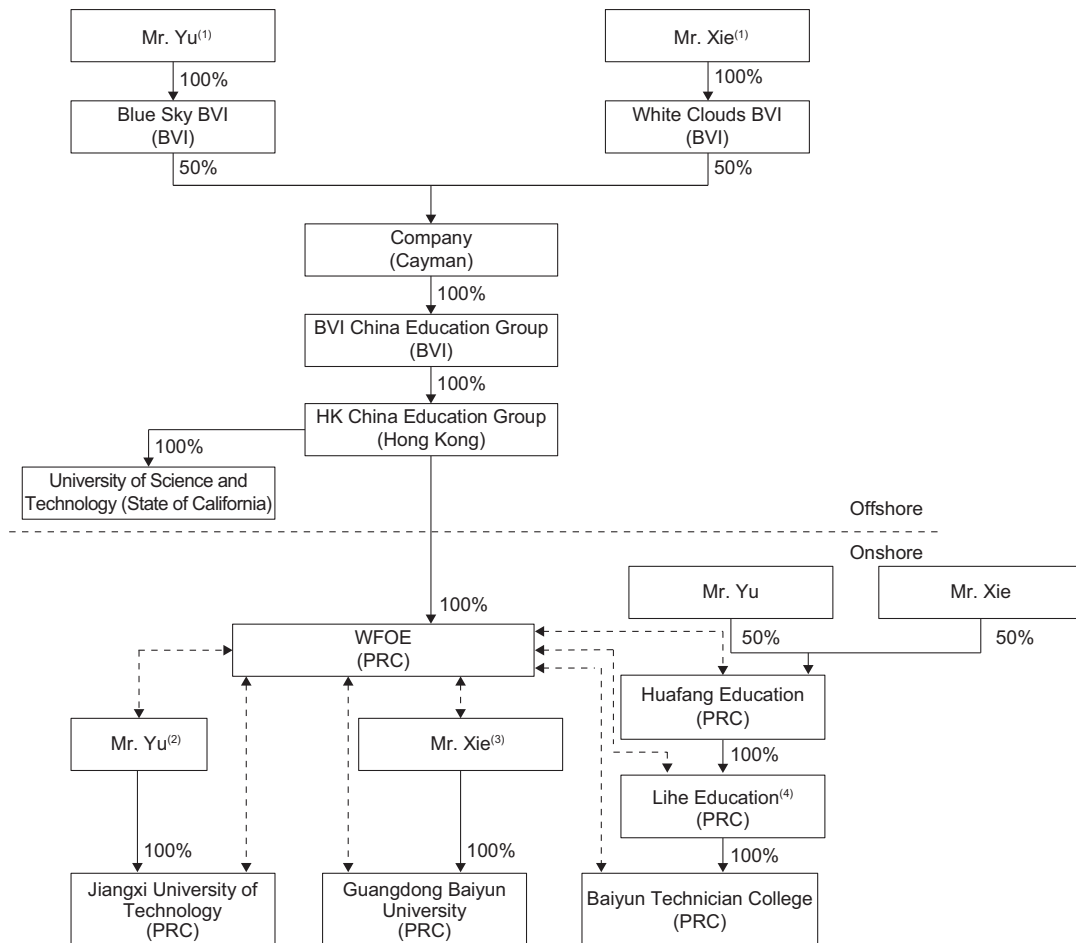
Immediately following completion of the Global Offering (assuming the Over-allotment Option is not exercised, the options granted under the Share Option Schemes are not exercised and no shares are granted under the Share Award Scheme), our Company will be held as to 37.5% by each of Blue Sky BVI (which is wholly owned by Mr. Yu) and White Clouds BVI (which is wholly owned by Mr. Xie). The Controlling Shareholders entered into the Concert Party Agreement to align their shareholding interests in our Company. Pursuant to the Concert Party Agreement, each of the Controlling Shareholders agreed to vote in concert with the other for all operational and other matters at board meetings or shareholders' meetings of our Company (through Mr. Yu, Mr. Xie, Blue Sky BVI or White Clouds BVI, as the case may be).

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

CORPORATE STRUCTURE

Corporate structure after the Reorganisation, the incorporation of University of Science and Technology and the obtaining of control of Baiyun Technician College but prior to the completion of the Global Offering

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the Reorganisation, the incorporation of University of Science and Technology and the obtaining of control of Baiyun Technician College and prior to the completion of the Global Offering:



← Direct ownership

↔ Contractual Arrangements. See the section headed "Contractual Arrangements" for further details.

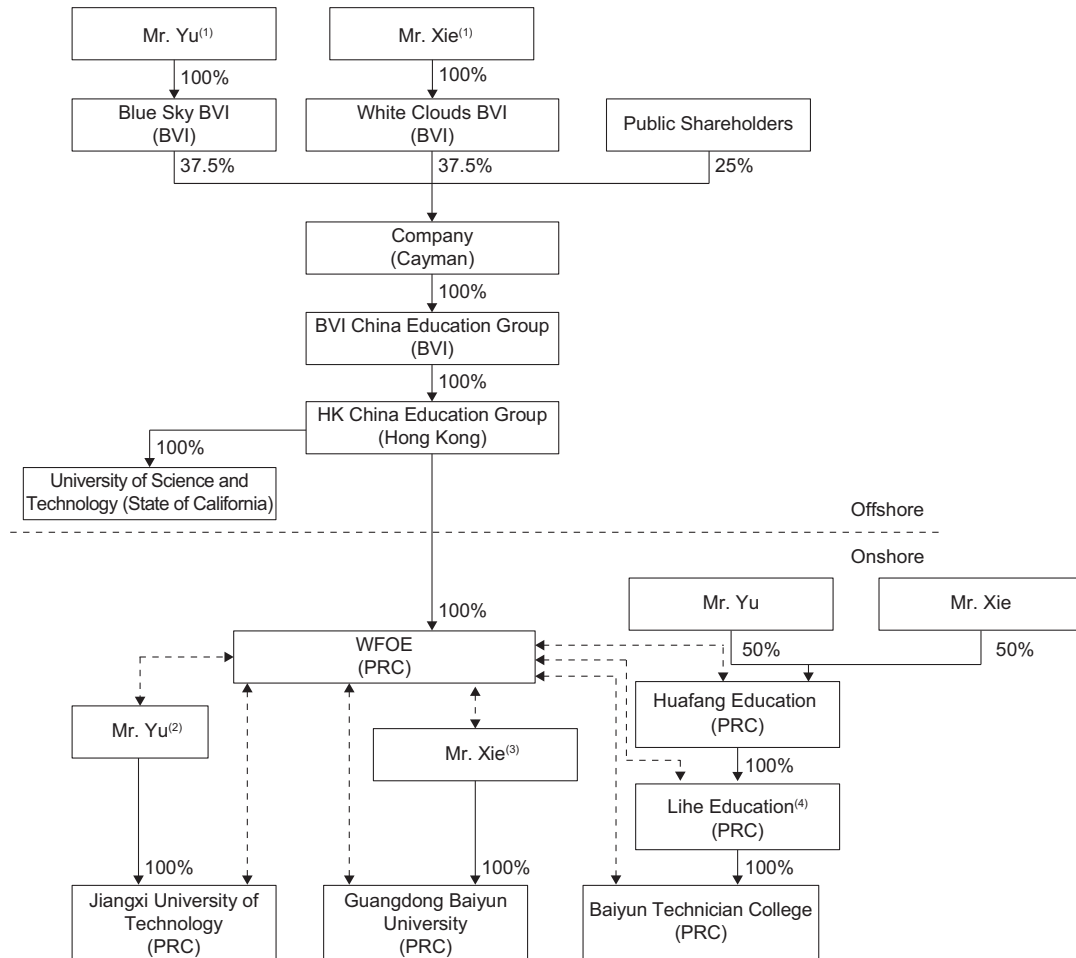
Notes:

- (1) Mr. Yu and Mr. Xie are parties acting in concert and our Controlling Shareholders.
- (2) Mr. Yu is the sole sponsor of Jiangxi University of Technology.
- (3) Mr. Xie is the sole sponsor of Guangdong Baiyun University.
- (4) Lihe Education is the sole sponsor of Baiyun Technician College.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

Corporate structure immediately following the completion of the Global Offering

The following chart depicts the shareholding and beneficial ownership structure of our Group immediately following the completion of the Global Offering, 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:



← Direct ownership

↔ Contractual Arrangements. See the section headed "Contractual Arrangements" for further details.

Notes:

- (1) Mr. Yu and Mr. Xie are parties acting in concert and our Controlling Shareholders.
- (2) Mr. Yu is the sole sponsor of Jiangxi University of Technology.
- (3) Mr. Xie is the sole sponsor of Guangdong Baiyun University.
- (4) Lihe Education is the sole sponsor of Baiyun Technician College.

HISTORY, REORGANISATION AND CORPORATE STRUCTURE

SAFE REGISTRATION AND PRC LEGAL COMPLIANCE

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知, “**Circular 37**”), promulgated by SAFE and which became effective on 4 July 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to an overseas special purpose vehicle (the “**Overseas SPV**”) that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including, among other things, a change of Overseas SPV’s PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV’s capital, share transfer or swap, and merger or division. Pursuant to Circular 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知, “**Circular 13**”), promulgated by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE branch to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Adviser, each of Mr. Yu and Mr. Xie completed the registration under Circular 37 on 12 June 2017.

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

PRE-IPO SHARE OPTION SCHEME

We will also grant share options under the Pre-IPO Share Option Scheme. See “Appendix V – D. Share Option Schemes and Share Award Scheme – 1. Pre-IPO Share Option Scheme” for further details.