
FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

See “Business – Our Business Strategies” for a detailed description of our future plans.

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 and (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:

- approximately 59.5% (approximately HK\$1,831.3 million) to be applied towards the acquisition of or cooperation with other universities both domestically and abroad to supplement our school network. We expect this portion of the net proceeds will predominately be applied towards the acquisition of education institutions, which is significantly more capital intensive, with the rest flexibly applied towards developing cooperation arrangements with other universities, which are primarily driven by our talent, education capability and expertise and require less capital commitment, as needed depending on the opportunities that arise and our cash flow position. Our management intends to continue to assess potential acquisition targets and identify the targets in accordance with the following criteria:
 - For domestic universities: (i) located in coastal regions; (ii) located in first-tier cities, provincial capitals and other major cities; (iii) located in regions with substantial growth potential of net admission rates of higher education; (iv) located in regions with significant demand for labour market; (v) offering bachelor’s degree programmes and junior college diploma programmes; and (vi) for those offering bachelor’s degree, located in places where higher education institutions are concentrated or junior colleges with a campus size of over 200,000 sq.m.;
 - For overseas universities: (i) located in western Europe, United Kingdom, North America or Australia; (ii) offering programmes in fashion, engineering, hotel management or corporate management; and (iii) with a total number of student less than 1,000;

As of the Latest Practicable Date, we had yet to identify any definitive acquisition target or confirmed the number of schools to be acquired or the timeframe involved. We had yet to enter into any legally binding agreement with respect to the acquisition of, or cooperation with, other universities. We are in the preliminary stage of prospecting potential opportunities and have yet to complete any concrete feasibility studies. See the section headed “Business – Our Business Strategies – Expand our school network through acquisition and business cooperation”.

FUTURE PLANS AND USE OF PROCEEDS

- approximately 26.9% (approximately HK\$828.4 million) to be applied towards developing new campus;
- approximately 8.0% (approximately HK\$246.3 million) to repay certain portion of our bank loans as follows:

Bank	Outstanding amount as of 30/6/2017 (RMB)	Interest rate	Maturity date	Usage
Qingshanhu Sub-branch of Industrial and Commercial Bank of China	5,000,000	4.90%	15/6/2018	Loan displacement
Xihu Sub-branch of China Construction Bank	6,900,000	4.90%	2/4/2018- 10/10/2018	Loan displacement
Qingshanhu Sub-branch of Hongdu Rural Commercial Bank	40,000,000	4.85%	26/7/2018	Procurement of education consumables
Tielu Sub-branch of Jiangxi Bank	90,000,000	5.25%- 6.53%	20/12/2017	Procurement of teaching apparatus and equipment
Tielu Sub-branch of Jiangxi Bank	16,000,000	5.00%	20/12/2017	Loan displacement
Tielu Sub-branch of Jiangxi Bank	7,750,000	5.51%	29/7/2018	Payment for construction work
Tielu Sub-branch of Jiangxi Bank	25,920,000	5.25%	29/7/2018	Loan displacement

- approximately 2.9% (approximately HK\$73.9 million) to supplement our working capital;
- approximately 1.1% (approximately HK\$33.9 million) to be applied towards establishing teacher and staff training centre;
- approximately 1.1% (approximately HK\$33.9 million) to be applied towards research and development;
- approximately 0.5% (approximately HK\$15.4 million) to be applied towards provision of scholarships; and
- approximately 0.5% (approximately HK\$15.4 million) to be applied towards maintenance, renovation and upgrading of existing schools.

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.

FUTURE PLANS AND USE OF PROCEEDS

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.

To the extent that the net proceeds of the Global Offering are not immediately required for the above purposes or if we are unable to put into effect any part of our development plan as intended, we may hold such funds in short-term deposits so long as it is deemed to be in the best interests of our Company. In such event, we will comply with the appropriate disclosure requirements under the Listing Rules.

Since we are an offshore holding company, we will need to make capital contributions and loans to our PRC subsidiaries or through loans to our consolidated affiliated entities such that the net proceeds of this offering can be used in the manner described above. Such capital contributions and loans are subject to a number of limitations and approval processes under PRC laws and regulations. There are no costs associated with registering loans or capital contributions with relevant PRC authorities, other than nominal processing charges. Under PRC laws and regulations, the PRC governmental authorities are required to process such approvals or registrations or deny our application within a prescribed period, which are usually less than 90 days. The actual time taken, however, may be longer due to administrative delay. We cannot assure you that we can obtain the approvals from the relevant governmental authorities, or complete the registration and filing procedures required to use our net proceeds as described above, in each case on a timely basis, or at all. This is because PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC operating subsidiaries or consolidated affiliated entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business. See “Risk Factors – Risks Relating to our Contractual Arrangements.”