
APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the years ended 31 December 2014, 2015 and 2016 and the six months ended 30 June 2017 (the "Accountants' Report") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix IA to this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set forth in Appendix IA to this document.

For illustrative purposes only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide prospective investors with further financial information on (i) how the Global Offering might have affected the financial position of the Group as if the Global Offering had taken place on 30 June 2017; and (ii) how the acquisition of Guangzhou Baiyun Senior Technician School of Business and Technology (Guangzhou Baiyun Technician College of Business and Technology) (the "Target") which took place on 14 August 2017 might have affected the financial position and financial performance of the Group as if the acquisition had taken place on 30 June 2017 and 1 January 2016, respectively.

The accompanying unaudited pro forma financial information of the Group including the Target is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group including the Target has been prepared for illustrative purpose only and because of its hypothetical nature, it does not purport to describe the actual results and the actual financial position of the Group that would have been attained had the Global Offering and the acquisition taken effect at the date indicated herein.

(A) STATEMENT OF UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared by the directors of the Company in accordance with Rule 4.29 of the Listing Rules to illustrate the effect of the Global Offering on the audited consolidated net tangible assets of the Group attributable to owners of the Company as if the Global Offering had taken place on 30 June 2017.

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, may not give a true picture of the financial position of the Group had the Global Offering been completed on 30 June 2017 or any future date.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The statement of unaudited pro forma adjusted consolidated net tangible assets of the Group is based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 derived from the Accountants' Report set out in Appendix IA to this document, and adjusted as follows:

	Audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 per Share	
	<i>RMB'000</i> (Note 1)	<i>RMB'000</i> (Note 2)	<i>RMB'000</i>	<i>RMB</i> (Note 3)	<i>HK\$</i> (Note 4)
Based on an Offer Price of HK\$5.86 per Share	2,741,216	2,477,934	5,219,150	2.61	2.96
Based on an Offer Price of HK\$7.02 per Share	2,741,216	2,976,693	5,717,909	2.86	3.24

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 are based on audited consolidated net assets of the Group attributable to the owners of the Company as at 30 June 2017 of approximately RMB2,741,216,000, as set out in Appendix IA to this document.
- (2) The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK\$5.86 and HK\$7.02 per Offer Share, respectively, being the low-end and high-end of the stated Offer Price range, per Share, after deduction of the underwriting fees and other related expenses to be incurred by the Group (other than expenses already recognised in profit or loss up to 30 June 2017) and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this document. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK\$1 to RMB0.8821, which was the rate prevailing on 30 June 2017. No representation is made that the Hong Kong dollars amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 per Share is calculated based on 2,000,000,000 Shares assuming that the Share Capital Reorganisation and the Global Offering had been completed on 30 June 2017, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V to this document.
- (4) The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is converted from RMB into Hong Kong dollars at an exchange rate of RMB0.8821 to HK\$1, which was the rate prevailing on 30 June 2017. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.
- (5) No adjustment has been made to the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 to reflect any trading result or other transaction of the Group entered into subsequent to 30 June 2017.

(B) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**(1) BASIS OF PREPARATION OF THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP**

The following is an illustrative of the unaudited pro forma financial information of the Group enlarged upon completion of the acquisition of the entire interests in the Target, comprising the unaudited pro forma consolidated statement of financial position as at 30 June 2017 and the unaudited pro forma consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2016 and six months ended 30 June 2017 of the Group including the Target (collectively the “Enlarged Group”) (the “Unaudited Pro Forma Financial Information”). The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed acquisition of the Target through an acquisition framework agreement and a series of contractual arrangements (the “Acquisition”) as if the Acquisition had been taken place on 30 June 2017 for the unaudited pro forma consolidated statement of financial position and as if the Acquisition had been taken place on 1 January 2016 for the unaudited pro forma consolidated statements of profit or loss and other comprehensive income.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 30 June 2017, as set out in Appendix IA to this document, after making unaudited pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been undertaken as at 30 June 2017.

The unaudited pro forma consolidated statements of profit or loss and other comprehensive income of the Enlarged Group are prepared based on the audited consolidated statements of profit or loss and other comprehensive income of the Group for the year ended 31 December 2016 and for the six months ended 30 June 2017 as set out in Appendix IA to this document, after making unaudited pro forma adjustments relating to the Acquisition that are (i) directly attributable to the Acquisition; and (ii) factually supportable as if the Acquisition had been undertaken on 1 January 2016.

The Unaudited Pro Forma Financial Information has been prepared by the Directors of the Company based on a number of assumptions, estimates and uncertainties for illustrative purposes only and, because of its hypothetical nature, it does not purport to give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2017 or at any future dates, or to describe the actual results of the Enlarged Group for the year ended 31 December 2016 and the six months ended 30 June 2017 that would have been attained had the Acquisition been completed on 1 January 2016. Further, the Unaudited Pro Forma Information of the Enlarged Group does not purport to predict the Enlarged Group’s future financial results.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(2) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 JUNE 2017

	The Group as at 30 June 2017	The Target as at 30 June 2017	Sub-total	Pro Forma Adjustments	Pro Forma Adjustments	The Enlarged Group
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note 3)</i>	<i>RMB'000</i> <i>(Notes 4&5)</i>	<i>RMB'000</i>
NON-CURRENT ASSETS						
Property, plant and equipment	2,358,662	252,182	2,610,844	-	-	2,610,844
Goodwill	-	-	-	-	344,077	344,077
Intangible assets	-	-	-	-	229,286	229,286
Prepaid lease payments	50,003	5,696	55,699	-	-	55,699
Deposits paid for prepaid lease payments	66,130	-	66,130	-	-	66,130
Deposits paid for acquisition of property, plant and equipment	5,200	-	5,200	-	-	5,200
	<u>2,479,995</u>	<u>257,878</u>	<u>2,737,873</u>	<u>-</u>	<u>573,363</u>	<u>3,311,236</u>
CURRENT ASSETS						
Inventories	257	-	257	-	-	257
Trade receivables, deposits, prepayments and other receivables	49,252	22,448	71,700	-	-	71,700
Amounts due from shareholders	1	-	1	-	-	1
Amounts due from related parties	190,283	92,766	283,049	(181,058)	-	101,991
Amounts due from directors	476,016	-	476,016	-	-	476,016
Held for trading investments	6,820	-	6,820	-	-	6,820
Structured deposits	298,900	106,500	405,400	-	-	405,400
Prepaid lease payments	1,321	185	1,506	-	-	1,506
Bank balance and cash	192,129	41,315	233,444	-	-	233,444
	<u>1,214,979</u>	<u>263,214</u>	<u>1,478,193</u>	<u>(181,058)</u>	<u>-</u>	<u>1,297,135</u>
CURRENT LIABILITIES						
Deferred revenue	253,495	70,350	323,845	-	-	323,845
Trade payables	4,240	1,121	5,361	-	-	5,361
Other payables and accrued expenses	232,808	34,107	266,915	-	750,000	1,016,915
Amounts due to related parties	200	181,265	181,465	(181,058)	-	407
Amounts due to directors	3,898	-	3,898	-	-	3,898
Income tax payable	9,271	290	9,561	-	-	9,561
Bank borrowings	211,936	-	211,936	-	-	211,936
	<u>715,848</u>	<u>287,133</u>	<u>1,002,981</u>	<u>(181,058)</u>	<u>750,000</u>	<u>1,571,923</u>
NET CURRENT ASSETS (LIABILITIES)	<u>499,131</u>	<u>(23,919)</u>	<u>475,212</u>	<u>-</u>	<u>(750,000)</u>	<u>(274,788)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>2,979,126</u>	<u>233,959</u>	<u>3,213,085</u>	<u>-</u>	<u>(176,637)</u>	<u>3,036,448</u>
NON-CURRENT LIABILITIES						
Deferred tax liability	-	-	-	-	57,322	57,322
Deferred revenue	23,470	-	23,470	-	-	23,470
Bank borrowings	214,440	-	214,440	-	-	214,440
	<u>237,910</u>	<u>-</u>	<u>237,910</u>	<u>-</u>	<u>57,322</u>	<u>295,232</u>
	<u>2,741,216</u>	<u>233,959</u>	<u>2,975,175</u>	<u>-</u>	<u>(233,959)</u>	<u>2,741,216</u>
CAPITAL AND RESERVES						
Share capital/paid-in capital	1	60,000	60,001	-	(60,000)	1
Reserves	2,741,215	173,959	2,915,174	-	(173,959)	2,741,215
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>2,741,216</u>	<u>233,959</u>	<u>2,975,175</u>	<u>-</u>	<u>(233,959)</u>	<u>2,741,216</u>

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(3) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE YEAR ENDED 31 DECEMBER 2016

	The Group for the year ended 31 December 2016	The Target for the year ended 31 December 2016	Sub-total	Pro Forma Adjustments	Pro Forma Adjustments	The Enlarged Group
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note 3)</i>	<i>RMB'000</i> <i>(Notes 6&7)</i>	<i>RMB'000</i>
Continuing operations						
Revenue	861,289	179,566	1,040,855	-	-	1,040,855
Cost of revenue	(404,577)	(106,998)	(511,575)	-	(7,490)	(519,065)
Gross profit	456,712	72,568	529,280	-	(7,490)	521,790
Other income	73,879	5,389	79,268	(47,175)	-	32,093
Investment income	17,861	3,890	21,751	-	-	21,751
Other gains and losses	2,627	1,065	3,692	-	-	3,692
Selling expenses	(9,367)	(5,878)	(15,245)	-	-	(15,245)
Administrative expenses	(101,523)	(15,259)	(116,782)	-	-	(116,782)
Consultancy fee	-	(47,175)	(47,175)	47,175	-	-
Finance costs	(14,889)	(118)	(15,007)	-	-	(15,007)
Profit before taxation	425,300	14,482	439,782	-	(7,490)	432,292
Taxation	(1,949)	(119)	(2,068)	-	1,873	(195)
Profit and total comprehensive income for the year from continuing operations	423,351	14,363	437,714	-	(5,617)	432,097
Discontinued operations						
Loss and total comprehensive expenses for the year from discontinued operations	(10,836)	-	(10,836)	-	-	(10,836)
Profit and total comprehensive income for the year	412,515	14,363	426,878	-	(5,617)	421,267
Profit (loss) and total comprehensive income(expenses) for the year attributable to owners of the Company						
- from continuing operations	423,351	14,363	437,714	-	(5,617)	432,097
- from discontinued operations	(11,997)	-	(11,997)	-	-	(11,997)
	411,354	14,363	425,717	-	(5,617)	420,100
Profit and total comprehensive income for the year attributable to non-controlling interests						
- from discontinued operations	1,161	-	1,161	-	-	1,161
	412,515	14,363	426,878	-	(5,617)	421,267

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

(4) UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE ENLARGED GROUP FOR THE SIX MONTHS ENDED 30 JUNE 2017

	The Group for the six months ended 30 June 2017	The Target for the six months ended 30 June 2017	Sub-total	Pro Forma Adjustments	Pro Forma Adjustments	The Enlarged Group
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB'000</i> <i>(Note 3)</i>	<i>RMB'000</i> <i>(Notes 6&7)</i>	<i>RMB'000</i>
Continuing operations						
Revenue	405,375	89,762	495,137	-	-	495,137
Cost of revenue	(165,108)	(42,630)	(207,738)	-	(3,745)	(211,483)
Gross profit	240,267	47,132	287,399	-	(3,745)	283,654
Other income	17,961	546	18,507	(5,250)	-	13,257
Investment income	9,304	2,089	11,393	-	-	11,393
Other gains and losses	4,544	500	5,044	-	-	5,044
Selling expenses	(579)	(618)	(1,197)	-	-	(1,197)
Administrative expenses	(57,424)	(8,107)	(65,531)	-	-	(65,531)
Listing expenses	(10,146)	-	(10,146)	-	-	(10,146)
Consultancy fee	-	(5,250)	(5,250)	5,250	-	-
Finance costs	(10,011)	-	(10,011)	-	-	(10,011)
Profit before taxation	193,916	36,292	230,208	-	(3,745)	226,463
Taxation	(903)	(27)	(930)	-	936	6
Profit and total comprehensive income for the period from continuing operations	193,013	36,265	229,278	-	(2,809)	226,469
Discontinued operations						
Profit and total comprehensive income for the period from discontinued operations	7,407	-	7,407	-	-	7,407
Profit and total comprehensive income for the period	200,420	36,265	236,685	-	(2,809)	233,876
Profit and total comprehensive income for the period attributable to owners of the Company						
– from continuing operations	193,013	36,265	229,278	-	(2,809)	226,469
– from discontinued operations	7,419	-	7,419	-	-	7,419
	200,432	36,265	236,697	-	(2,809)	233,888
Loss and total comprehensive expense for the period attributable to non-controlling interests						
– from discontinued operations	(12)	-	(12)	-	-	(12)
	200,420	36,265	236,685	-	(2,809)	233,876

Notes to the unaudited pro forma financial information of the Enlarged Group:

1. The amounts are extracted from the audited consolidated statement of financial position of the Group as at 30 June 2017, and the audited consolidated statements of profit or loss and other comprehensive income of the Group for the year ended 31 December 2016 and the six months ended 30 June 2017 as set out in Appendix IA to this document.
2. The amounts are extracted from the audited statement of financial position of the Target as at 30 June 2017 and the audited statements of profit or loss and other comprehensive income of the Target for the year ended 31 December 2016 and the six months ended 30 June 2017 as set out in Appendix IB to this document.
3. The adjustments represent the elimination of intercompany balances and transactions between the Group and the Target.
4. Pursuant to an acquisition framework agreement and a series of contractual arrangements (collectively the “Acquisition Arrangements”), the consideration of the Acquisition is RMB750,000,000 which will be satisfied by cash in full before 31 December 2017. The consideration payable of RMB750,000,000 is included in the “other payable” line item as at 30 June 2017 for the purpose of the Unaudited Pro Forma Financial Information.

Mr. Xie Ketao (“Mr. Xie”), the vendor of the Target, guaranteed to the Group that the Target’s net profit after tax after adding back the fees payable by the Target to the Group pursuant to the Acquisition Arrangements for the year ending 31 December 2018 shall be no less than RMB60,000,000 (the “Guaranteed Profit”). If the Guaranteed Profit for the year ending 31 December 2018 is less than RMB60,000,000, Mr. Xie shall compensate to the Group with a cash sum. For the purpose of the Unaudited Pro Forma Financial Information, the directors of the Company expect the Target will be able to meet the Guaranteed Profit and consider the fair value of contingent consideration is not significant.

5. For the purpose of preparing the unaudited pro forma consolidated statement of financial position of the Enlarged Group, the directors of the Company assumed that with the exception of intangible assets, the pro forma fair value of identifiable assets and liabilities of the Target are the same as their carrying amounts as at 30 June 2017.

The Group has applied the acquisition method in accordance with IFRS 3 “Business Combinations” to account for the Acquisition as if the Acquisition had been completed on 30 June 2017 and the calculation of pro forma goodwill is as follows:

	At 30 June 2017
	<i>RMB’000</i>
Consideration	750,000
Carrying amount of identifiable net assets acquired	(233,959)
Pro forma fair value adjustment to intangible assets	(229,286)
Deferred tax liability arising from pro forma fair value adjustment to intangible assets	57,322
Pro forma goodwill	344,077

The adjustments represent the cash consideration of RMB750,000,000 to be paid by the Group for the Target acquired under the Acquisition through contractual arrangements. The adjustments also reflect (i) the elimination of the pre-acquisition capital and reserves of the Target, and (ii) the allocation of the remaining purchase consideration of RMB229,286,000, RMB57,322,000 and RMB344,077,000 to the intangible assets, deferred tax liability and goodwill respectively.

The pro forma fair value adjustments to intangible assets mainly related to the recognition, on a pro forma basis, of brand name and student roster. The pro forma fair values of these intangible assets are based on directors' estimation with reference to a valuation carried out on 30 June 2017, by Asset Appraisal Limited, an independent qualified professional valuer not connected with the Group. Asset Appraisal Limited is a member of The Hong Kong Institute of Surveyors.

The pro forma fair value of brand name, representing the trademark “白雲技校” owned by the Target, is estimated at RMB199,326,000, to be realised in the future by owning the intangible asset. The remaining amount of RMB29,960,000 represents the pro forma fair value of student roster, which represents the secured enrolment in the Target's technical training programs.

The fair value of brand name was determined based on Relief from Royalty Method, which estimates the cost of licensing the intangible asset from an independent third party using a royalty rate. Key inputs used in valuing the brand name were the projected tuition fee to be attributable to the brand name amounting to approximately RMB828.5 million during a forecast period of five years with a steady revenue growth of 3% beyond the forecast period, indefinite economic life of the brand name, pre-tax discount rate of 16% and the royalty rate of 15%, as extracted from the valuation report.

The fair value of student roster was determined based on Multiple Period Excess Earnings Method, which estimates the cash flows generated from the student roster deducted by charges for all other assets used to generate these cash flows during the economic life. Key inputs used in valuing the student roster were the projected revenue from students who had already enrolled the school's programs, amounting to approximately RMB192.6 million during the expected economic life of the student roster of approximately four years and discount rate of 18%, as extracted from the valuation report.

The deferred tax liability relating to the pro forma fair value of intangible assets amounting to approximately RMB57,322,000 is calculated based on the difference between the carrying amount and the corresponding tax bases of intangibles assets recognised amounting to approximately RMB229,286,000 at the People's Republic of China Enterprise Income Tax rate of 25%.

The directors of the Company have assessed whether there is any impairment on the pro forma fair value adjustment to intangible assets and pro forma goodwill arising from the Acquisition as at 30 June 2017 in accordance with IAS 36 “Impairment of Assets” and concluded that there is no impairment in respect of the pro forma intangible assets with indefinite useful life (i.e. brand name) and goodwill of the Enlarged Group as at 30 June 2017. The recoverable amount of the cash generating unit comprising these pro forma fair value adjustment to intangible assets and pro forma goodwill (the “BTC

Unit”) is determined based on value in use calculation. That calculation uses cash flow projections based on a five-year financial budgets approved by management of the Target. Key assumptions of the value in use calculations related to the estimation of cash inflows or outflows include discount rate, growth rate of salary costs of teachers, growth rate of student number and growth rate of tuition fee. Such estimation is based on the unit’s past performance and the management’s expectations for the market development. An increase by 10% in the discount rate would result in the aggregate carrying amount of the BTC Unit to exceed its corresponding recoverable amount (up to approximately RMB75 million); save for this scenario, the management of the Group believes that any reasonably possible change in any of the other assumptions would not cause the aggregate carrying amount of the BTC Unit to materially exceed the recoverable amount of the BTC Unit.

The directors of the Company confirmed that they will apply consistent accounting policies, principal assumptions and valuation methods to assess impairment of the intangible assets and goodwill in subsequent reporting periods in accordance with the requirement of IAS 36.

The unaudited pro forma fair values of the identifiable assets and liabilities, goodwill and contingent consideration in relation to the Acquisition are subject to change upon the completion of purchase price allocation at the actual completion date of the Acquisition, which may be substantially differ from their estimated amounts used in the preparation of this Unaudited Pro Forma Financial Information.

6. The adjustments relate to additional amortisation of the intangible asset of RMB7,490,000 and RMB3,745,000 for the year ended 31 December 2016 and six months ended 30 June 2017, respectively, calculated with respect to respective pro forma fair values of student roster and useful lives of 4 years, which is assumed to be provided for the year/period as if the Acquisition had been completed on 1 January 2016. This adjustment is expected to have continuing effect on the Enlarged Group’s consolidated statement of profit or loss and other comprehensive income. For the purpose of pro forma financial information, the fair values of the intangible assets of the Target as at 30 June 2017 is assumed to be the same as at 1 January 2016.
7. The adjustment represents the deferred tax credit relating to additional amortisation of the intangible asset of RMB1,873,000 and RMB936,000 for the year ended 31 December 2016 and six months end 30 June 2017, respectively, which is assumed to be provided for the year/period as if the Acquisition had been completed on 1 January 2016. This adjustment is expected to have continuing effect on the Enlarged Group’s consolidated statement of profit or loss and other comprehensive income.
8. Other than the above adjustments, no adjustments have been made to reflect any trading results or other transactions of the Group and the Target entered into subsequent to 30 June 2017.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

9. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2017 as set out in the “Statement of unaudited pro forma adjusted consolidated net tangible assets of the Group” on page II-2 of this appendix does not take into account the acquisition of the entire interests in the Target by the Group on 14 August 2017. Had the acquisition been taken into account, the unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to owners of the Company per Share would have been presented as follows:

	Unaudited pro forma consolidated net tangible assets of the Enlarged Group attributable to owners of the Company as at 30 June 2017	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to owners of the Company as at 30 June 2017	Unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to owners of the Company as at 30 June 2017 per Share	
	RMB'000 (Note i)	RMB'000 (Note ii)	RMB'000	RMB (Note iii)	HK\$ (Note iv)
Based on an Offer Price of HK\$5.86 per Share	2,167,853	2,477,934	4,645,787	2.32	2.63
Based on an Offer Price of HK\$7.02 per Share	2,167,853	2,976,693	5,144,546	2.57	2.92

Notes:

- i. The unaudited pro forma consolidated net tangible assets of the Enlarged Group attributable to owners of the Company as at 30 June 2017 are based on the unaudited pro forma consolidated net assets of the Enlarged Group attributable to the owners of the Company as at 30 June 2017 of approximately RMB2,741,216,000, after deduction of the pro forma fair value adjustment to intangible assets and goodwill amounting to approximately RMB229,286,000 and RMB344,077,000, respectively, as extracted from the “Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group as at 30 June 2017” on page II-4 of this Appendix.
- ii. The estimated net proceeds from the Global Offering are based on 500,000,000 Shares to be issued under the Global Offering and the Offer Price of HK\$5.86 and HK\$7.02 per Offer Share, respectively, being the low-end and high-end of the stated Offer Price range, per Share, after deduction of the underwriting fees and other related expenses to be incurred by the Group (other than expenses already recognised in profit or loss up to 30 June 2017) and assuming the Over-allotment Option is not exercised and no Shares are issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandates for the allotment and issue or repurchase of Shares referred to in Appendix V to this document. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into RMB at an exchange rate of HK\$1 to RMB0.8821, which was the rate prevailing on 30 June 2017. No representation is made that the Hong Kong dollars amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate or at any other rates or at all.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- iii. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to owners of the Company per Share is calculated based on 2,000,000,000 Shares, expected to be in issue assuming that the Share Capital Reorganisation and the Global Offering had been completed on 30 June 2017, but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option, or any Shares which may be issued upon the exercise of options that may be granted under the Share Option Schemes or pursuant to grants under the Share Award Scheme or allotted and issued or repurchased by the Company pursuant to the general mandate as for the allotment and issue or repurchase of Shares referred to in Appendix V to this document.

- iv. The unaudited pro forma adjusted consolidated net tangible assets of the Enlarged Group attributable to owners of the Company per Share is converted from RMB into Hong Kong dollars at an exchange rate of RMB0.8821 to HK\$1, which was the rate prevailing on 30 June 2017. No representation is made that the RMB amounts have been, could have been or could be converted to Hong Kong dollars, or vice versa, at that rate or at any other rates or at all.

- v. No adjustment has been made to the unaudited consolidated net tangible assets of the Enlarged Group attributable to owners of the Company as at 30 June 2017 to reflect any trading result or other transaction of the Enlarged Group entered into subsequent to 30 June 2017.

**(C) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION**

The following is the text of the independent reporting accountants' assurance report received from Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, in respect of the Group's unaudited pro forma financial information prepared for the purpose of incorporation in this document.

Deloitte.**德勤****INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF CHINA EDUCATION GROUP HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Education Group Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 30 June 2017, unaudited pro forma consolidated statement of financial position as at 30 June 2017 and unaudited pro forma consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2016 and the six months ended 30 June 2017 and related notes, as set out on pages II-1 to II-11 of Appendix II to the prospectus issued by the Company dated 5 December 2017 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 to II-11 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of (i) the global offering on the Group's financial position as at 30 June 2017 as if the global offering had taken place at 30 June 2017; and (ii) the acquisition of Guangzhou Baiyun Senior Technician 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)) (the "Target") on the Group's financial position as at 30 June 2017 and the Group's financial performance for the year ended 31 December 2016 and the six months ended 30 June 2017 as if the acquisition had taken place at 30 June 2017 and 1 January 2016, respectively. As part of this process, information about the Group's financial position and financial performance has been extracted by the Directors from the Group's historical financial information for the year ended 31 December 2016 and the six months ended 30 June 2017, on which an accountants' report on historical financial information has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Unaudited Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants’ Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 June 2017 or 1 January 2016 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
5 December 2017