THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for independent advice.

If you have sold or transferred all your shares in the Company, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Minsheng Education Group Company Limited
民生教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1569)

MAJOR TRANSACTION
IN RELATION TO
THE ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF
LEED INTERNATIONAL
AND
COMMENCEMENT OF THE ENTRUSTED ARRANGEMENT
AND
ENTITLEMENT OF 100% NET PROFITS OF DIANCHI COLLEGE

Capitalised terms used on this cover page have the same meaning as defined in the section headed "Definitions" in this circular, unless the context requires otherwise.

A letter from the Board is set out on pages 7 to 43 of this circular.

The Acquisition has been approved by written shareholder's approval obtained from Minsheng Group Company Limited (formerly known as Honest Cheer Investments Limited), the controlling Shareholder of the Company, pursuant to Rule 14.44 of the Listing Rules in lieu of a general meeting of the Company. This circular is being dispatched to the Shareholders for information only.

20 December 2018

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In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

"Acquisition"	acquisition of 51% of the issued share capital of Leed International in accordance with the Share Purchase Agreement
"Announcements"	the announcements of the Company dated 21 August 2018, 5 October 2018 and 31 October 2018
"Board"	the board of Directors
"Business Day(s)"	a day (excluding Saturday and other general holdings in Hong Kong) on which banks in Hong Kong are generally opened for business
"BVI"	British Virgin Islands
"China Education"	China Education Holdings Limited, a company incorporated in the BVI with limited liability
"Chongqing Huizhi"	Chongqing Huizhi Education Services Company Limited*(重慶匯智教育服務有限公司), a limited liability company established in the PRC and an indirect subsidiary of the Company
"Company"	Minsheng Education Group Company Limited (民生教育集团有限公司), a company incorporated under the laws of the Cayman Islands with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1569)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Share Purchase Agreement
"Consideration"	the consideration of RMB582.5 million equivalent USD payable by Minsheng Vocational for the Acquisition
"controlling shareholder"	has the meaning ascribed thereto under the Listing Rules
"Debt"	a debt in the principal amount of the USD equivalent of RMB231 million owed by Leed International to China Education
"Dianjiao AM Co"	Yunnan Dianjiao Asset Management Company Limited* (雲南滇教資產管理有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Leed International

"Dianchi Co"	Yunnan Dianchi Education Training Company Limited* (雲南滇池教育培訓有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Leed International
"Dianchi College"	Yunnan University Dianchi College (雲南大學滇池學院), an institution of full-time undergraduate education college
"Dianchi College Management Agreement"	an entrusted management agreement entered into between Minsheng Vocational, Chongqing Huizhi, Dianchi Co, Dianjiao AM Co and Dianchi College on 20 August 2018, pursuant to which the entire management of Dianjiao AM Co and Dianchi College is entrusted to Minsheng Vocational and Chongqing Huizhi
"Dianchi EM Co"	Yunnan Dianchi Education Management Company Limited* (雲南滇池教育管理有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Leed International
"Director(s)"	director(s) of the Company
"Draft Amendments"	the draft Amendments to the Regulations on the Implementation of the Non-state Education Promotion Law of the PRC (中華人民共和國民辦教育促進法實施條例(修訂草案)(送審稿))
"Draft Foreign Investment Law"	the draft version of the Foreign Investment Law* (中華人民共和國外國投資法(草案徵求意見稿))
"Enlarged Group"	the Group as enlarged by the Target Group immediately upon Completion
"Entrustment Arrangements"	the entrustment arrangements contemplated under the Equity Entrustment Agreement and the Dianchi College Management Agreement
"Equity Entrustment Agreement"	an equity entrustment agreement entered into between the Vendors, Leed International and Minsheng Vocational on 20 August 2018, pursuant to which Minsheng Vocational would be entrusted to manage, among others, (i) Leed International and its subsidiaries in certain aspects, and (ii) the remaining 49% of the issued share capital of Leed International
"Explanatory Note"	the accompanying explanatory note to the Draft Foreign Investment Law
"Foreign Investment Catalogue"	the Foreign Investment Industry Guidance Catalogue (《外商投資產業指導目錄》)

"FIEs"	foreign-invested enterprises
"Group"	the Company and its subsidiaries
"Honest Cheer"	Honest Cheer Investments Limited (誠悅投資有限公司), former name of Minsheng Group
"Hong Kong Public Offering"	the offer for subscription of the Public Offer Shares in Hong Kong at the Offer Price and on, and subject to the terms and conditions of the Prospectus and the accompanying application forms
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering
"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated 9 March 2017, relating to the Hong Kong Public Offering of the Company, entered into by, among others, the Company, the Joint Bookrunners and the Hong Kong Underwriters
"Hyde Education"	Hyde Education Holding Limited, a company incorporated in the BVI
"IFC Cornerstone Investment Agreement"	a cornerstone investment agreement dated March 8, 2017 entered into by and among International Finance Corporation, Citigroup Global Markets Asia Limited, Macquarie Capital Limited and our Company, pursuant to which International Finance Corporation agreed to subscribe for such number of Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of US$25.0 million (subject to adjustment) at the Offer Price (inclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% and certain expenses in connection with the payment of the subscription price)
"Implementation Opinions"	Implementation Opinions of the Ministry of Education on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》)
"Independent Third Parties"	has the meaning ascribed thereto under the Listing Rules
"International Placing"	the conditional placing by the underwriters of the International Placing of the International Placing Shares for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price

"International Placing Shares"	the new Shares initially offered by the Company for subscription at the Offer Price under the International Placing
"Interim Report"	the interim results of the Company for the six months ended 30 June 2018
"Interview"	the interview conducted on 28 August 2018 by the Company, with the assistance of the PRC Legal Advisors, with the Private Education Office (民辦教育處) of Yunnan Province Education Department, being the competent authority as advised by the PRC Legal Advisors, to confirm matters relating to the regulations relevant to Dianchi College in Yunnan
"Joint Account"	the joint account to be opened by Minsheng Vocational in accordance with a joint management bank account agreement to be entered into between Minsheng Vocational and the Vendors on the date of the Share Purchase Agreement
"Joint Bookrunners"	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering), Citigroup Global Markets Limited (in relation to International Placing) and Macquarie Capital Limited
"Latest Practicable Date"	18 December 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"Leed China"	Leed (China) Education Technology Company Limited (勵德(中國)教育科技有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Leed International
"Leed Education"	Leed Education Holding Limited, a company incorporated in the BVI
"Leed HK"	Leed International Education Group (China) Limited (勵德國際教育集團(中國)有限公司), a company incorporated in Hong Kong on 26 May 2008 and a wholly-owned subsidiary of Leed International
"Leed International"	Leed International Education Group Inc. (勵德國際教育集團有限公司), a company with limited liability incorporated in the Cayman Islands on 15 April 2008
"Leed Yunnan"	Yunnan Leed Education Technology Company Limited* (雲南勵德教育科技有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Leed International

"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Minsheng Group"	Minsheng Group Company Limited (民生集团有限公司)(formerly known as Honest Cheer), a company incorporated in the BVI
"Minsheng Vocational"	Minsheng Vocational Education Company Limited, a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of the Company
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOFTEC"	Ministry of Foreign Trade and Economic Cooperation (對外貿易經濟合作部)
"National Education"	National Education Holding Limited, a company incorporated in the BVI
"NDRC"	National Development and Reform Commission (國家發展和改革委員會)
"Offer Price"	the final price in Hong Kong dollars per Public Offer Share at which the Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering
"Offer Shares"	the Public Offer Shares and the International Placing Shares
"P/B ratio"	price-to-book ratio
"P/E ratio"	price-to-earnings ratio
"PRC"	the People's Republic of China, which for the purpose of this circular and unless context suggests otherwise, excludes Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
"PRC Legal Advisors"	Global Law Office, the legal advisors to the Company as to the PRC law
"PRC Legislative Law"	Legislative Law of the PRC (《中華人民共和國立法法》)
"Public Offer Shares"	the Shares initially being offered by the Company for subscription at the Offer Price pursuant to the Hong Kong Public Offering

"Put Option"	the option granted by Minsheng Vocational to the Vendors to sell the remaining 49% of the issued share capital of Leed International pursuant to the Share Purchase Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	22,886,250 shares in the capital of Leed International, representing 51% of the entire issued share capital of Leed International
"SDPC"	State Development Planning Commission (國家計劃委員會)
"SETC"	State Economic and Trade Commission (國家經濟貿易委員會)
"Share(s)"	ordinary share(s) of US$0.00001 each in the issued share capital of the Company
"Share Purchase Agreement"	the share purchase agreement entered into between the Vendors and Minsheng Vocational in relation to the Acquisition on 20 August 2018
"Shareholder(s)"	shareholder(s) of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Special Management Measures"	the Special Management Measures (Negative List) for the Access of Foreign Investment (2018) (《外商投資准入特別管理措施(負面清單)》(2018年版)) jointly promulgated by the NDRC and MOFCOM in 2018
"Target Group"	Leed International, Leed HK, Leed China, Dianchi Co, Vocational Co, Dianchi College, Dianjiao AM Co, Dianchi EM Co and Leed Yunnan, collectively
"USD"	United States dollars, the lawful currency for the time being of the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"Vendors"	Leed Education, National Education and Hyde Education
"Vocational Co"	Yunnan Dianchi Vocational College Company Limited (雲南滇池職業學院有限公司), a company established under the laws of the PRC and a wholly-owned subsidiary of Leed International
"%"	per cent.

* *for identification purposes only*

Minsheng Education Group Company Limited
民生教育集团有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1569)

Executive Directors:
Mr. Li Xuechun *(Chairman)*
Ms. Zhang Weiping
Mr. Zuo Yichen
Mr. Lam Ngai Lung

Non-executive Directors:
Mr. Lin Kaihua
Ms. Li Yanping

Independent Non-Executive Directors:
Mr. Chan Ngai Sang, Kenny
Mr. Yu Huangcheng
Mr. Wang Wei Hung, Andrew

Registered Office:
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Headquarters and principal place of business in PRC:
Room 301, Full Tower
No. 9 Dongsanhuan Zhonglu
Chaoyang District
Beijing, PRC

20 December 2018

To the Shareholders,

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ISSUED SHARE CAPITAL OF LEED INTERNATIONAL AND COMMENCEMENT OF THE ENTRUSTED ARRANGEMENT AND ENTITLEMENT OF 100% NET PROFITS OF DIANCHI COLLEGE

INTRODUCTION

The Board refers to the Announcements in relation to, among others, the Acquisition. On 20 August 2018 (after trading hours), Minsheng Vocational (as the purchaser), a wholly-owned subsidiary of the Company, and the Vendors entered into the Share Purchase Agreement. Pursuant to which Minsheng Vocational conditionally agreed to acquire from the Vendors, and the Vendors conditionally agreed to sell, the Sale Shares which represent 51% of the issued share capital of Leed International, at the consideration of the USD equivalent of RMB582.5 million. The Consideration shall be paid by three instalments. On the same date subsequent to the execution of the Share Purchase Agreement, Minsheng Vocational will pay the

First Instalment as a deposit, and the entrustment arrangement in relation to Dianchi College has commenced in accordance with the terms of the Share Purchase Agreement and the Dianchi College Management Agreement.

The Acquisition constituted a major transaction for the Company under Chapter 14 of the Listing Rules which is subject to, among others, the announcement requirement and the approval of the shareholders.

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, none of the Shareholders had any material interest in the Acquisition and therefore no Shareholder would be required to be abstain from voting if the Company were to convene a general meeting for the approval of the Acquisition. Therefore, no physical general meeting will be convened to approve the Acquisition as the Company had obtained written approval for the Acquisition in accordance with Rule 14.44 of the Listing Rules from Minsheng Group (formerly known as Honest Cheer), the controlling shareholder of the Company, which held 3,000,000,000 Shares, representing approximately 74.67% of the total number of issued Shares, as at the date of such approval.

The purpose of this circular is to provide the Shareholders with, among others, (i) further information on the Share Purchase Agreement and the transactions contemplated thereunder, (ii) financial information of the Group, (iii) financial information on the Target Group, (iv) the unaudited pro forma financial information of the Enlarged Group, and (v) other information as required under the Listing Rules.

THE SHARE PURCHASE AGREEMENT

Details of the terms and conditions of the Share Purchase Agreement are set out below:

Date

20 August 2018 (after trading hours)

Parties

Purchaser	:	Minsheng Vocational
Vendors	:	Leed Education
		National Education
		Hyde Education

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are Independent Third Parties.

Sale Shares

Pursuant to the Share Purchase Agreement, Minsheng Vocational conditionally agreed to acquire and the Vendors conditionally agreed to sell the Sale Shares.

The Sale Shares of 22,886,250, representing 51% of the entire issued share capital of Leed International, comprise:

(a) 2,358,750 shares of Leed International, representing approximately 5.26% of the entire issued share capital of Leed International, to be sold by Leed Education;

(b) 18,678,750 shares of Leed International, representing approximately 41.62% of the entire issued share capital of Leed International, to be sold by National Education; and

(c) 1,848,750 shares of Leed International, representing approximately 4.12% of the entire issued share capital of Leed International, to be sold by Hyde Education,

In each case free from all encumbrances together with all rights to any dividend or other distribution declared, made or paid after the date of the Share Purchase Agreement.

Further details of Leed International and its subsidiaries are set out in the section headed "INFORMATION ON THE TARGET GROUP" in this letter.

Consideration

It is agreed that the Consideration payable by Minsheng Vocational to the Vendors for the Sale Shares shall be such amount of USD which is equivalent to RMB582.5 million. The USD equivalent of RMB60,055,750, RMB475,378,250 and RMB47,066,000 will be paid to Leed Education, National Education, and Hyde Education, respectively, pursuant to the Share Purchase Agreement in accordance with its terms. The Consideration will mainly be financed by the internal resources of the Group.

In addition to the Consideration, pursuant to the terms of the Share Purchase Agreement, Minsheng Vocational shall be responsible to repay on behalf of Leed International the Debt in the principal amount of the USD equivalent of RMB231 million to China Education within the thirty (30) days after completion of payment of the Consideration. For the avoidance of doubt, the settlement of the Debt is not a condition precedent to the Acquisition. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, China Education and its ultimate beneficial owner are Independent Third Parties.

Basis of Consideration

The Consideration was determined after arm's length negotiations between the Company and the Vendors on normal commercial terms. In determining the Consideration, the Company has taken into account of, among others, the assets and profit and loss of Leed International and the valuation of actual and potential transactions in the PRC education industry as well as the following factors:

(1) the financial information of Leed International and Dianchi College as disclosed in the section headed "Appendix II – ACCOUNTANTS' REPORT OF THE TARGET GROUP" to this circular, including but not limited to, the historical revenue of Dianchi College over the three years ended 31 December 2017 and the seven months ended 31 July 2017 and 2018 as disclosed in the section headed "Information on the Target Group – Historical revenue of Dranchi College" which the Directors have particularly taken into consideration of its stable growth in terms of the revenue of Dianchi College over the past three years;

(2) the operation history of Dianchi College, which was established in 2000 and has been offering private higher education for 18 years;

(3) the reputation of Dianchi College in both Yunnan Province and nationwide in the PRC. In 2017, Dianchi College was ranked second in Yunnan Province and twenty-first nationwide, in the category of the best comprehensive independent college of the 2018 PRC university rankings published by the China University Alumni Association (中國校友會);

(4) the scale of the development of students in Dianchi College. According to the Notice of the Yunnan Provincial Department of Education on the 13th Five-Year Plan for the Development of Ordinary Higher Education Scales (《雲南省教育廳關於核定「十三五」普通高等教育規模發展指導目標的通知》) issued by the Yunnan Provincial Department of Education on 13 January 2017, the Yunnan Provincial Department of Education has set a Goal Guidance of Development Scale for General Higher Education 2020 (普通高等教育2020年規模發展指導目標)" for Dianchi College which shall target to reach 28,000 students in 2020;

(5) the tuition fee growth potential of Dianchi College. Dianchi College can now determine its relevant tuition fee for each major on the basis of the tuition fee guidance set by the relevant competent government authorities, the tuition fee of which for 2018-2019 school year is currently ranged from RMB16,000 to RMB24,500; and

(6) reasons and benefits of the Acquisition as stated under the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION" in this letter.

In terms of the valuation of Leed International by reference to its earnings and net assets, based on the financial information of Leed International provided by the Vendors, (i) for the year ended 31 December 2017, its unaudited net profit after tax amounted to approximately RMB87,638,000, representing an implied P/E ratio of approximately 18.2 times; and (ii) as at 31 July 2018, the unaudited net assets amounted to approximately RMB204,195,000, representing an implied P/B ratio of approximately 7.8 times.

By way of illustration, the table below sets forth certain transactions conducted by certain other issuers listed on the Stock Exchange which the Company considers comparable to the Acquisition in year 2018.

Hong Kong-listed companies and its principal business	Transaction nature and total consideration	Nature of target school(s)	Number of students	Net profit of the target *(RMB'000)*	Net asset value of the target *(RMB'000)*	Implied P/E ratio	Implied P/B ratio
	Acquisition of 100% equity interest in a target company, which indirectly controls a university and a college in Guangzhou through an agreement at a total consideration of RMB537.9 million[(1)] and injection of capital of RMB881.3 million after become the sole shareholder of the target company.	Undergraduate programmes and higher vocational college[(5)]	12,000[(5)]	74,060	581,716	19.1x	2.4x
China Education Group Holdings Limited (stock code: 839), a private higher education provider in the PRC	Acquisition of 62% equity interests in a target company, which indirectly owns the entire school sponsor interests in a technician college in Xi'an at a consideration of RMB576.6 million[(2)]	Mechanic and technician college[(6)]	20,000[(6)]	(13,233)	(8,239)	Not applicable, as the target was in a loss position	Not applicable, as the target was in a loss position
	Acquisition of 80% equity interests in a target company, which indirectly owns the entire school sponsor interests in a vocational school in Zhengzhou at a consideration of RMB855 million[(3)]	Vocational training school[(7)]	20,000[(7)]	23,488	(395,403)	45.5x	Not applicable, as the target was in a loss position

Hong Kong-listed companies and its principal business	Transaction nature and total consideration	Nature of target school(s)	Number of students	Net profit of the target (RMB'000)	Net asset value of the target (RMB'000)	Implied P/E ratio	Implied P/B ratio
China New Higher Education Group Limited (stock code: 2001), a private higher education provider in the PRC	Acquisition of 55% school sponsor interest of a school in Henan at a total consideration of RMB395.5 million[(4)] (including injection of new capital of RMB71 million)	Private higher education institution providing junior college education[(8)]	18,243[(8)]	16,821	74,816	42.7x	9.6x

Notes:

1. Based on the information set out in the announcement of China Education Group Holdings Limited dated 14 June 2018.

2. Based on the information set out in the announcement of China Education Group Holdings Limited dated 13 March 2018.

3. Based on the information set out in the announcement of China Education Group Holdings Limited dated 13 March 2018.

4. Based on the information set out in the announcement of China New Higher Education Group Limited dated 8 January 2018.

5. The target owns 100% of the co-sponsor interest in Songtian University and 100% of the sponsor interest in Songtian College as at the date of the announcement mentioned in note 1 above. Songtian University offers full-time undergraduate programmes and Songtian College is registered as a full-time higher vocational college. It was disclosed in the relevant announcement that Songtian University has more than 8,700 students and Songtian College has approximately 3,300 students. For further details, please refer to the announcement mentioned in note 1 above.

6. The target indirectly owns the entire school sponsor interests of Xi'an School, which is a mechanic and technician college and has approximately 20,000 students. For further details, please refer to the announcement mentioned in note 2 above.

7. The target owns the entire school sponsor interests of Zhengzhou School, which is a vocational training school and has approximately 20,000 students. For further details, please refer to the announcement mentioned in note 3 above.

8. Henan School is a private higher education institution providing junior college education. For academic year of 2017/2018, Henan School has 18,243 students. For further details, please refer to the announcement mentioned in note 4 above.

Taking into account that: (1) the nature of the target schools are of similar to Dianchi College, offering higher or above education; (2) the comparable transactions are all recently conducted in 2018; and (3) the number of students in these target schools ranged from 12,000 students to 20,000 students, while

Dianchi College had approximately 18,470 students and 19,200 students for 2017-2018 and 2018-2019 school year, respectively, the Directors are of the view that the comparable companies illustrated in the table above are selected on an exhaustive basis and are comparable to Dianchi College.

As illustrated in the table above, the implied P/E ratio of Leed International is below the range of the comparable transactions and P/B ratio of Leed International falls within the range of the comparable transactions. Similarly, considering that (1) the targets as illustrated in the table above are all also a higher education service provider in the PRC as the Company; (2) the comparable transactions as illustrated in the table above are all recently conducted in 2018; (3) the nature of the target schools are of similar to Dianchi College; and (4) the number of students of Dianchi Collge is within the range of operation scale of the target schools as illustrated in the table above, the Directors are of the view that the comparable companies as illustrated in the table above are fair and representative samples.

Based on the above, the Directors are of the view that the Consideration is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The First Instalment

The First Instalment amounts to a USD amount which is equivalent to RMB233 million, representing 40% of the Consideration. Out of the First Instalment, the USD equivalent of RMB24,022,300, RMB190,151,300 and RMB18,826,400 will be paid to Leed Education, National Education and Hyde Education, respectively.

The First Instalment will be settled by Minsheng Vocational in cash within five (5) days after all documents in relation to the Acquisition required for the approval by and/or the approval application and/or filing with the Cayman Islands Registrar of Companies, the Hong Kong Companies Registry, and the relevant regulatory authorities in the PRC having been signed or executed by the relevant parties and the consent of the relevant parties having been obtained.

The First Instalment is a deposit which shall be refunded to Minsheng Vocational in the event that Minsheng Vocational terminates the Share Purchase Agreement as a result of the Vendors' breach of the Share Purchase Agreement, together with an additional amount equal to 30% of the First Instalment.

The Second Instalment

Pursuant to the terms of the Share Purchase Agreement, Minsheng Vocational and the Vendors shall jointly manage the Joint Account for the purpose of deposit of the Second Instalment.

The Second Instalment shall be amounted of USD which is equivalent to RMB116.5 million, represents 20% of the Consideration, will be deposited into the Joint Account by Minsheng Vocational to the within ten (10) working days upon completion of the transfer of the title to the Sale Shares to Minsheng Vocational and the relevant procedures in connection with such transfers, appointment of new directors to the board of directors of, and the new management teams in, Leed International, Leed HK, Leed China and Dianchi Co as contemplated under the Share Purchase Agreement.

The Second Instalment deposited in the Joint Account will be released to the Vendors at the time when Minsheng Vocational settles the Final Instalment. Out of the Second Instalment, the USD equivalent of RMB12,011,150, RMB95,075,650 and RMB9,413,200 will be released to Leed Education, National Education and Hyde Education, respectively.

The Final Instalment

The Final Instalment shall be amounted of USD which is equivalent to RMB233 million, represents 40% of the Consideration. Out of the Final Instalment, approximately RMB24,022,300, RMB190,151,300 and RMB18,826,400 equivalent USD will be paid to Leed Education, National Education and Hyde Education, respectively.

The Final Instalment will be settled by Minsheng Vocational in cash within ten (10) working days after the board of directors and legal representatives of all the subsidiaries of Leed International having been changed in accordance with the terms of the Share Purchase Agreement with new certificates issued by the relevant authorities reflecting such changes, and certain other customary conditions precedent.

As at the Latest Practicable Date, the conditions precedents to the First Instalment, Second Instalment and Final Instalment have been satisfied and all three instalments have been settled by Minsheng Vocational.

Other material terms

The Debt

As a condition precedent of the First Instalment, Leed International should cancel both of its Class A and Class B preferred shares through repurchasing and provide documents evidencing such cancellation of shares to Minsheng Vocational. Based on the information provided by the Vendors, Mr. Li Hongtao ("**Mr. Li**") is the owner of such Class A and Class B preferred shares of Leed International which amounted to approximately US$64,970,000. In order to fulfill the condition precedent of the First Instalment, Leed International has repurchased its issued preferred shares from Mr. Li with its internal resources and a loan from China Education equals to an amount of approximately RMB231 million.

Due to insufficient cash or cash equivalent of the Target Group and so in order to repay the Debt, pursuant to the Share Purchase Agreement, within thirty (30) days upon the full payment of the Consideration, Minsheng Vocational shall, on behalf of Leed HK, repay the Debt of the USD equivalent of RMB231 million to China Education.

Relationship between Leed International and China Education

China Education is a company incorporated in the BVI with limited liability, which is ultimately owned by Mr. Li, a PRC citizen. Mr. Li is also the ultimate individual shareholder of National Education, one of the Vendors. As at the Latest Practicable Date, as the transfer of the title to the Sale Shares to Minsheng Vocational and the relevant procedures in connection with such transfers have been completed, Leed International was owned as to approximately 51% by Minsheng Vocational, 39.99% by National

Education, 5.05% by Leed Education and 3.96% by Hyde Education, which the ultimate individual shareholder of Leed Education and Hyde Education, respectively, is also a PRC citizen. Upon Completion, Leed International shall be owned as to approximately 39.99% by National Education.

To the best knowledge and belief of the Directors and having made all reasonable enquiries, other than the relationship as disclosed above, there is no other relationship between Leed International and China Education.

The Put Option

On and after the 4th anniversary and before the end of 5th anniversary of the effective date of the Share Purchase Agreement, Minsheng Vocational must grant the Put Option to the Vendors.

Details of the Put Option are set out as follows:

Put Option	:	Subject to (1) the Completion and (2) the compliance with the Listing Rules and the applicable laws and regulations, Minsheng Vocational must grant the option to the Vendors after three years from the effective date of the Share Purchase Agreement, that is, on or after the 4th anniversary but before the 5th anniversary of the effective date of the Share Purchase Agreement at the exercise price based on the formula as set out below.
Premium and exercise price	:	No premium is payable for the grant of the Put Option. The exercise price of the Put Option shall be determined by the following formula at the time of the exercise of the Put Option: 85% of the Company's valuation by reference to the average price-to-earnings (P/E) ratio (which shall not exceed 25 in any event) over the preceding 3 months from the date of exercising the Put Option x net profit after tax (excluding the non-recurring profits/ losses) based on the audited accounts of Leed International for the preceding financial year of the date of exercising the Put Option x 49%

In the event that the exercise price (as determined by the above formula) is less than RMB981.5 million, the exercise price of the Put Option shall be RMB981.5 million.

Such minimum exercise price of RMB981.5 million was determined with reference to 49% of the sum of (i) the valuation of Leed International as at the date of the Share Purchase Agreement; (ii) the unaudited average net profit of Leed International for the two years ended 31 December 2016 and 31 December 2017 times five (which is the maximum number of years from the effective date of the Share Purchase Agreement until the date of granting the Put Option) (the "**Additional Put Option Valuation**") and (iii) a budget for the relevant expenses which may be incurred by the Group in connection with the exercise of the Put Option by the Vendors. The total valuation of Leed International as at the date of the Share Purchase Agreement is determined to be RMB1,595 million, by reference with the total consideration of the Sale Shares under the Acquisition. The unaudited average net profit of Leed International for the two years ended 31 December 2016 and 31 December 2017 was approximately RMB83.1 million.

Further, when determining the exercise price, the Company has taken into account:

(i) the use of 85% of the Company's P/E ratio was determined through arm's length negotiation between the Vendors and Minsheng Vocational, taking into account the P/E ratios in similar acquisitions conducted by other Hong Kong-listed education companies as illustrated in the table under the section headed "THE SHARE PURCHASE AGREEMENT – Basis of Consideration" above;

(ii) the maximum P/E ratio of 25 times was determined through arm's length negotiation between the parties with reference to the average P/E ratio of the Company of approximately 23.9 times based on the Company's market capitalization during the period between 1 June 2018 (being the date when the Group commenced its due diligence on Dianchi College) to 17 August 2018 (being the last trading date before the date of the Share Purchase Agreement). The formula used to calculate the average P/E ratio of the Company is: the market capitalisation of the Company (i.e. the average closing price extracted from the website of the Stock Exchange during the period between 1 June 2018 to 17 August 2018 multiplied by the number of the Company's issued shares) divided by the profit after tax of the Company for the year ended 31 December 2017. Such maximum P/E ratio is slightly higher than the said average P/E ratio of the Company as a result of negotiation with the Vendors, taking into account that such ratio represents the ceiling of the exercise price of the Put Option and the 15% discount in the formula for the determination of the exercise price; and

(iii) the entitlement of Minsheng Vocational in the net profits of Leed International pursuant to the Equity Entrustment Agreement. Specifically, under the Equity Entrustment Agreement, Minsheng Vocational is entitled to the pro rata share of other shareholders of Leed International in the net profit of Leed International during the term of the Entrustment Arrangements. As part of the terms of the Acquisition, Minsheng Vocational and the Vendors agreed that in the event that the Put Option is exercised, the Vendors will be compensated for their forfeiture of their pro rata share of the net profits of Leed International during the term of the Entrustment Arrangements by including the Additional Put Option Valuation in the relevant valuation of Leed International.

The maximum P/E ratio was not determined based on the P/E ratio of the Acquisition because (1) the P/E ratio of the Acquisition at the time the Put Option is granted by Minsheng Vocational to the Vendors and/or when it is exercised by the Vendors, which will be between the 4th anniversary and the 5th anniversary of the effective date of the Share Purchase Agreement (the "**Relevant Period**"), will be subject to change as a result of market conditions and the actual performance of Dianchi Co, among other factors; and (2) comparable transactions may not be readily available in the market as reference when the Put Option is granted and/or exercised.

Given that the Company's scale of operation is much larger than the Target Group and that the Company is a listed company while the Target Company is a private company, in general, the Company considers it appropriate to apply a discount to the Company's P/E ratio in determining the exercise price of the Put Option (the "**Exercise Price**"). As the maximum P/E in the formula for determining the Exercise Price is 25 times, the implied P/E for the Acquisition of 18.2 times represents a discount of 27.2% (the "**Implied Discount**"). In respect of the determination of the Exercise Price, the parties are of the view that the discount to be applied to the P/E ratio of the Company should be reduced because the value of the Target Group will be increased due to the growth in the financial performance of the Target Group enabled by the Acquisition. In particular, the main source of growth of the Target Group since 2016 has been the expansion of its "Diploma-to-Undergraduate" programs, but Dianchi College has not been able to realize the full extent of the opportunity in this respect as it has not been able to maintain a high registration rate for the "Diploma-to-Undergraduate" programs as it expands the programs. For the 2018-2019 school year, the registration rate for the "Diploma-to-Undergraduate" programs of Dianchi College was below 50% while the Group has been able to achieve over 90% of registration rate in the "Diploma-to-Undergraduate" programs offered by the Group's schools since 2016. The Directors believe, under the management of the Group and with its expertise and resources, Dianchi College will be able to realize the full potential of its "Diploma-to-Undergraduate" programs. Taking into account the expected enhanced registration rate and the planned increase in tuition fees of Dianchi College after the

Company takes control of Dianchi College, the Company estimated that Dianchi College will achieve a compound growth rate of not less than 12.5% (the "**Expected Growth Rate**") in its revenue for the 2018-2019, 2019-2020, 2020-2021 and 2021-2022 school years. The Company is of the view the Expected Growth Rate is representative of the extent to which the discount to the Company's P/E ratio is to be reduced for the purpose of determining the Exercise Price. Accordingly, the discount of 15% to the Company's P/E ratio according to the formula for the determination of the Exercise Price approximates to the Implied Discount minus the Expected Growth Rate. For further information on the "Diploma-to-Undergraduate" programs offered by Dianchi College, please refer to the section headed "INFORMATION ON THE TARGET GROUP – Dianchi College" below.

The reasons for using the P/E ratio of the Company in determining the exercise price because (1) the P/E ratio of the Company serves as a public and fair indicator for the investors to assess whether the stock price of the Company is reasonable, through which would avoid for any conflicts between the Company and the Vendors in determining the exercise price; (2) it will motivate the Vendors to cooperate with the Company in developing and achieving better performance of the Target Group, thereby enhancing the P/E ratio of the Company and ultimately the exercise price; and (3) the exercise price is subject to a ceiling represented by a maximum P/E ratio of 25 times which is within the range of the comparable transactions (which is between 19.1 times and 45.5 times as illustrated in the table under the section headed "THE SHARE PURCHASE AGREEMENT – Basis of Consideration" above).

Based on the above reasons for not making reference to the P/E ratio of the Acquisition when determining the maximum P/E ratio, but making reference to the P/E ratio of the Company when determining the exercise price, the Directors considered that the above valuation of the exercise price of the Put Option, including the basis of determination of the maximum P/E ratio, is fair and reasonable and is in the interest of the Company and the Shareholders as a whole.

Non-compete	:	In the event that the Vendors choose not to exercise the Put Option, the Vendors may at their discretion (and subject to certain terms of the Share Purchase Agreement) sell their respective shares in Leed International to any parties, except to any PRC or overseas educational institutions providing higher education services.
Pre-emptive right	:	Pursuant to the Share Purchase Agreement and as further confirmed by the Vendors pursuant to a letter of confirmation dated 26 November 2018, the Vendors undertook they will not sell until the fourth anniversary of the effective date of the Share Purchase Agreement for the remaining 49% equity interest in Leed International held by the Vendors, and the Vendors will sell the 49% equity interest in Leed International in the whole after the fourth anniversary of the effective date of the Share Purchase Agreement, and will not sell such interests tranches or partially. In the unlikely event that the Vendors do not comply with such undertaking, such non-compliance will constitute a breach of the terms of the Share Purchase Agreement, which will entitle Minsheng Vocational to applicable recourses pursuant to the Share Purchase Agreement. In the event that the Vendors choose to sell all of the remaining 49% shares in Leed International to other third parties, Minsheng Vocational and any companies associated with it shall have the right to purchase such all of remaining shares under the same conditions offered to that other third parties. The formula for determining the exercise price of the Put Option is only applicable to the Put Option. In the event that the Group determines to acquire the remaining 49% of Leed International by exercising its pre-emptive right arising from an offer provided by a third party purchaser and the Vendors do not exercise the Put Option, the Group will not be bound to acquire the remaining 49% of Leed International at a price determined according to the formula for determining the exercise price of the Put Option.

The Directors are of the view that, due to unpredictable market conditions which may affect the Vendors' decision regarding the Put Option, the pre-emptive right is to enable the Company to acquire the remaining 49% of the issued share capital in Leed International if the Vendors did not exercise the Put Option. In such event, the Company will still be in priority to purchase the remaining 49% of the issued share capital in Leed International under the same terms and conditions offered to other third party(ies) to avoid having to cooperate with a new minority shareholder in Leed International which may not be desirable by the Company. The Directors will decide whether to exercise the pre-emptive right depending on the actual circumstances at the relevant time, including but not limited to any adverse effect which might result from the change of the minority shareholder in Leed International should the Company decide not to exercise the pre-emptive right and the offer price of the relevant interests in Leed International subject to sale.

Campus arrangement

At present, the school campus of Dianchi College is situated certain parcels of land in Kunming, with buildings comprising a gross floor area of approximately 156,800 square meters (the "**Existing Campus**"), all of which is owned by Dianchi Co.

Pursuant to the Share Purchase Agreement, the Existing Campus shall not form part of the Acquisition and shall be returned to the Vendors within 3 months after Dianchi College has constructed and moved into a new school campus in which the buildings will comprise a gross floor area of not less than 156,800 square meters. Dianchi College shall be entitled to use the Existing Campus for free until it is moved into the new school campus.

The Dianchi College Management Agreement

As a condition precedent to the payment of the First Instalment, on 20 August 2018, Minsheng Vocational, Chongqing Huizhi, Dianchi Co, Dianjiao AM Co and Dianchi College entered into the Dianchi College Management Agreement, pursuant to which the entire management of Dianjiao AM Co and Dianchi College is entrusted to Minsheng Vocational and Chongqing Huizhi. Before the Dianchi College Management Agreement became effective, Dianchi Co has been a school sponsor of Dianchi College and entitled to 100% of the net profits of Dianchi College, and Dianjiao AM Co has been responsible for providing management services for Dianchi College, including the services of property management, gardening and cleaning, repair and maintenance, and catering and grocery management. Please also refer to the section headed "Information on the Target Group – Dianchi Co" and note 7 to the chart under the section headed "INFORMATION ON THE TARGET GROUP" below for information on Dianchi Co and Dianjiao AM Co, respectively.

Set out below are the major terms of the Dianchi College Management Agreement:

Entrustment of management arrangement	:	The entire management of Dianjiao AM Co and Dianchi College shall be entrusted to Minsheng Vocational and Chongqing Huizhi, covering their business, assets, logistics, finance, personnel, students and legal documents. In consideration for the management services provided by Minsheng Vocational and Chongqing Huizhi, Minsheng Vocational and Chongqing Huizhi shall be entitled to management fee as set out in the paragraph headed "Management fee" below.
Term of the entrustment arrangement	:	With effect from the effective date of the Share Purchase Agreement, i.e. 20 August 2018, to the date of Completion, i.e. the expiry date of the Dianchi College Agreement.
Management fee	:	The management fee payable by Dianchi College and Dianjiao AM Co under the Dianchi College Management Agreement shall be equal to 100% of the net profit of Dianchi College and Dianjiao AM Co, respectively, during the effective term of the entrustment arrangement. Such management fee shall be paid annually in arrears by Dianchi College and Dianjiao AM Co within three months after 31 December of each year during the effective term of the entrustment arrangement.

On 20 August 2018, being the effective date of the Share Purchase Agreement, the entrustment arrangement contemplated under the Dianchi College Management Agreement has commenced in accordance with the terms of the Share Purchase Agreement and the Dianchi College Management Agreement.

In the event that the Acquisition could not be completed, the Company will assess whether it is in its best commercial interests to terminate the Dianchi College Management Agreement in the circumstances.

Reasons for entering into the Dianchi College Management Agreement

Taking into account that (i) the entrustment arrangement under the Dianchi College Management Agreement allows the Company to commence the management of the education business operation, finance, logistics and manpower resources of Dianchi College and Dianjiao AM Co in a more effective manner by leveraging on the Company's management expertise; (ii) the entrustment arrangement of Dianchi College and Dianjiao AM Co enables the Company to enjoy the major economic benefits of the Acquisition, represented by the net profit of Dianchi College and Dianjiao AM Co, in both cases since the effective date of the Share Purchase Agreement ahead of the Completion (which involves administrative procedures that takes longer time to complete), the Directors consider that the Dianchi College Management Agreement has been entered into on normal commercial terms and the terms of the Dianchi College Management Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon Completion, Leed International and its subsidiaries (including Dianchi College and Dianjiao AM Co) will become the subsidiaries of the Company and their respective assets and liabilities will be consolidated into the balance sheet of the Group according to the relevant accounting principles. Minsheng Vocational accounts for the acquisition of 100% of the shares of the Target Group (i.e., as if the remaining 49% of equity interest was acquired) on the date of acquisition. No non-controlling interest is recognised and the liability for the put option to the Vendors is accounted as a financial liability in accordance with IFRS 9.

The Equity Entrustment Agreement

On 20 August 2018, the Vendors, Leed International and Minsheng Vocational entered into an entrustment agreement, pursuant to which Minsheng Vocational would be entrusted to manage, among others, (i) Leed International and its subsidiaries in certain aspects, and (ii) the remaining 49% of the issued share capital of Leed International.

Set out below are the major terms of the Equity Entrustment Agreement:

Entrustment of equity interest arrangement	:	(i) The remaining 49% of the issued share capital of Leed International owned by the Vendors, (ii) the equity interest and/or the school sponsor interest of Leed International and its subsidiaries, and (iii) the business operations, assets, human resources, financial matters, all certificates and licenses, company seals and chops, of Leed International and its subsidiaries would be entrusted to or held in custody by Minsheng Vocational for management.

		With respect to the entrustment arrangements relating to the business operation, assets and financial matters, (1) the Vendors would entrust all the operations of the Target Group (including Dianchi College and Dianjiao AM Co) to Minsheng Vocational for management, including the management of human resources and/or personnel of the Target Group and appointment of senior management personnel of the Target Group through the board's designation; (2) the Vendors would entrust all the assets of the Target Group (including Dianchi College and Dianjiao AM Co), including (i) the two campuses of Dianchi College; and (ii) any future infrastructure build-up of Dianchi College, to Minsheng Vocational for management; (3) the Vendors would entrust all the financial matters of the Target Group, including (i) oversee the overall management of the financial department; (ii) review and implement the financial management protocol which in-line with the Group's current accounting practice and standards, to Minsheng Vocational for management; and (4) Minsheng Vocational would obtain physical possession of the business licenses, company seals and company chops of the Target Group and the certificate of incorporation of Leed International and hold them in its custody, which would preclude the Vendors from taking any actions that require any such documents, seals and chops.
Term of the entrustment arrangement	:	With effective from the date of the Completion and until the earlier of (i) the fifth anniversary after the date of Completion, or (ii) the date the Vendors have completed disposing all of their remaining 49% of issued share capital of Leed International, whichever is earlier.
Arrangement of net profit during the term of entrustment arrangement	:	Minsheng Vocational is entitled to the entire net profit of Leed International during the term of entrustment arrangement.

Pursuant to the Equity Entrustment Agreement, for any disputes between the Company and the Vendors arising out of or in connection with the obligations thereunder, the parties shall adopt the following measures in resolving the relevant disputes: (1) the parties shall resolve the dispute as soon as possible on the basis of friendly consultations; (2) if the dispute cannot be resolved between the parties through negotiation, the dispute will be submitted to the China International Economic and Trade Arbitration Commission, and the arbitration will be conducted in Beijing in accordance with the effective arbitration procedures and rules.

In the event that the Vendors dispose part, but not all, of the remaining 49% of the issued share capital in Leed International to parties other than the Company, the Equity Entrustment Agreement shall continue to be effective and until the earlier of (i) the fifth anniversary after the date of Completion, or the

(ii) the date the Vendors have completed disposing all of their remaining 49% of the issued share capital in Leed International, as disclosed under the term of the entrustment arrangement of the section headed "THE SHARE PURCHASE AGREEMENT – The Equity Entrustment Agreement" above. Despite such new minority shareholder(s) will not be liable for any compensation or subject to any non-disposal undertaking, the Directors are of the view that the interests of the Company and the Shareholders are fully protected, for the reasons that: (1) prior to the granting and exercise of the Put Option, the Company does not require to pay any consideration in advance for the remaining 49% issued share capital in Leed International to the Vendors; (2) in the event that the Vendors choose to sell the remaining shares in Leed International to third parties, the Company is entitled to exercise the pre-emptive right and will be in priority to purchase such shares under the same terms and conditions offered to the third parties; and (3) in the event that Vendors choose not to exercise the Put Option, the Vendors may at their discretion to sell their respective shares in Leed International to any parties but not to any PRC or overseas educational institutions providing higher education services. Based on the above, the Directors are of the view that the above arrangement is in the interest of the Company and the Shareholders.

Reasons for entering into the Equity Entrustment Agreement

The Equity Entrustment Agreement is part and parcel of the terms of Acquisition as determined by the parties through arm's length negotiation. In particular, given that Minsheng Vocational granted the Put Option to the Vendors under the Share Purchase Agreement, pursuant to which the Vendors will be entitled to sell their remaining equity interest in Leed International at a price to be determined through an agreed formula, the Company considered it fair and reasonable for the Vendors and Leed International to entrust the relevant equity interests which are (directly and indirectly) subject to the Put Option to Minsheng Vocational for development, such that the business of Leed International and its subsidiaries will be managed in accordance with the Company's direction.

The Directors consider that the Equity Entrustment Agreement has been entered into on normal commercial terms and the terms of the Equity Entrustment Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Risk assessment in respect of the Acquisition and the Entrustment Arrangements

In respect of the Acquisition and the Entrustment Arrangements, the Directors have assessed the following risks:

(1) We may not be able to successfully obtain the approval for increasing the student enrolments at Dianchi College, which may adversely affect the tuition and accommodation income of Dianchi College

The number of students enrolled in Dianchi College is one of the major factors affecting the profitability of Dianchi College. Dianchi College is required to submit its increment of student enrollment plan to the relevant PRC education authorities each year, if it was not approved by the relevant authorities, Dianchi College would not be able to increase the number of student enrolment for the year, and therefore adversely affecting the financial results of Dianchi College in terms of its tuition and accommodation income.

(2) We may not be able to sustain the growth of the tuition fee and accommodation fee of Dianchi College, which may adversely affect the tuition and accommodation income of Dianchi College

The student tuition and accommodation fee income of Dianchi College is another major factor affecting the profitability of Dianchi College, there are uncertainties on the increment of the tuition and accommodation fees in the future due to the increasing competition between universities in Yunnan Province which may not meet our expectation of increasing the tuition fees and accommodation fees in the future.

(3) Various taxes imposed on private education service providers which may have an impact on the profitability of Dianchi College

Various taxes imposed on private higher education service provider will be determined along with the improvement of various laws and regulations for private education industry, which may have an impact on the profitability of Dianchi College.

After taking into above, the Directors are of the view that the Acquisition and the Entrustment Arrangements have been entered into on normal commercial terms, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the above risks are manageable.

Completion

The day on which a new Private Non-enterprise Unit Registration Certificate (Legal Person) (民辦非企業單位登記證(法人)) is issued by the Yunnan Provincial Civil Affairs Department (雲南省民政廳) to Dianchi College shall be regarded as the date of Completion for the purpose of the Share Purchase Agreement.

Upon Completion, Leed International will become an indirect subsidiary of the Company and the financial results of Leed International will be consolidated with the Group.

In the event that the Acquisition could not be completed

In the event that the Acquisition could not be completed and that the Share Purchase Agreement is terminated due to:

(i) the event of default by the Vendors or any reasons of the Vendors causing the termination of the Share Purchase Agreement, any amount paid by Minsheng Vocational to the Vendors shall be returned within 10 days from the date on which Minsheng Vocational has notified the Vendors to terminate the Share Purchase Agreement, including the return of 130% of the deposit, all monies deposited into the Joint Account and any monies paid to bank accounts designated by the Vendors. If such amount of money is not returned within the prescribed time, Minsheng Vocational will be entitled to charge a late fee of 0.2% per day on such amount since the overdue date;

(ii) any consequences of any legitimate actions by the regulatory authorities, once it was being terminated, all parties shall not entitle to any further rights arising from the Share Purchase Agreement, similarly, all parties shall not owe any further obligations arising from the Share Purchase Agreement, and the parties shall return to the original status as if the Share Purchase Agreement has ever existed within 60 days, including but not limited to that the Vendors shall return all monies which have been paid by Minsheng Vocational. If the Vendors fail to return the corresponding amounts to Minsheng Vocational within the prescribed timeframe, the Vendors shall pay to Minsheng Vocational a late fee charge of 0.2% per day on the money having not been returned from the 30th day after the due date; and

(iii) failure to pay the Consideration in full and on time by Minsheng Vocational in accordance with the terms and conditions of the Share Purchase Agreement and failure to pay within 10 working days after receipt of the written notice of the Vendors, Minsheng Vocational shall pay to the Vendors a daily late fee charge of 0.2% on the payable amounts.

Possible Post-Completion Transactions

Loan(s) to the Vendors

Pursuant to the Share Purchase Agreement, by taking into account of the future prospects and development of Dianchi College as mentioned in paragraph (4) under the section headed "THE SHARE PURCHASE AGREEMENT – Basis of Consideration" above, according to the Vendors' needs, with a view to maintain a good business relationship with the Vendors, it is contemplated that Minsheng Vocational, its affiliated company(ies) and/or Dianchi College would, at the request of the Vendors, extend loans of up to RMB400 million in aggregate to the Vendors after the Completion pursuant to loan agreement(s) to be entered into by the relevant parties. As at the date of this Circular, no such loan agreement(s) has been entered into by the Group. The Company will comply with the relevant requirements under the Listing Rules if and when such transactions materialize.

Service agreements

Pursuant to the Share Purchase Agreement, it is contemplated that Dianchi College would enter into a service agreement with the Vendors or a company designated by the Vendors pursuant to which the affiliated company(ies) as designed by the Vendors would be entitled to a service fee of RMB75 million for procuring the conversion of Dianchi College into an independent privately owned school of higher education (獨立設置的民辦普通高校). As at the date of this Circular, no such service agreement has been entered into by the Group. The Company will comply with the relevant requirements under the Listing Rules if and when such transaction materializes.

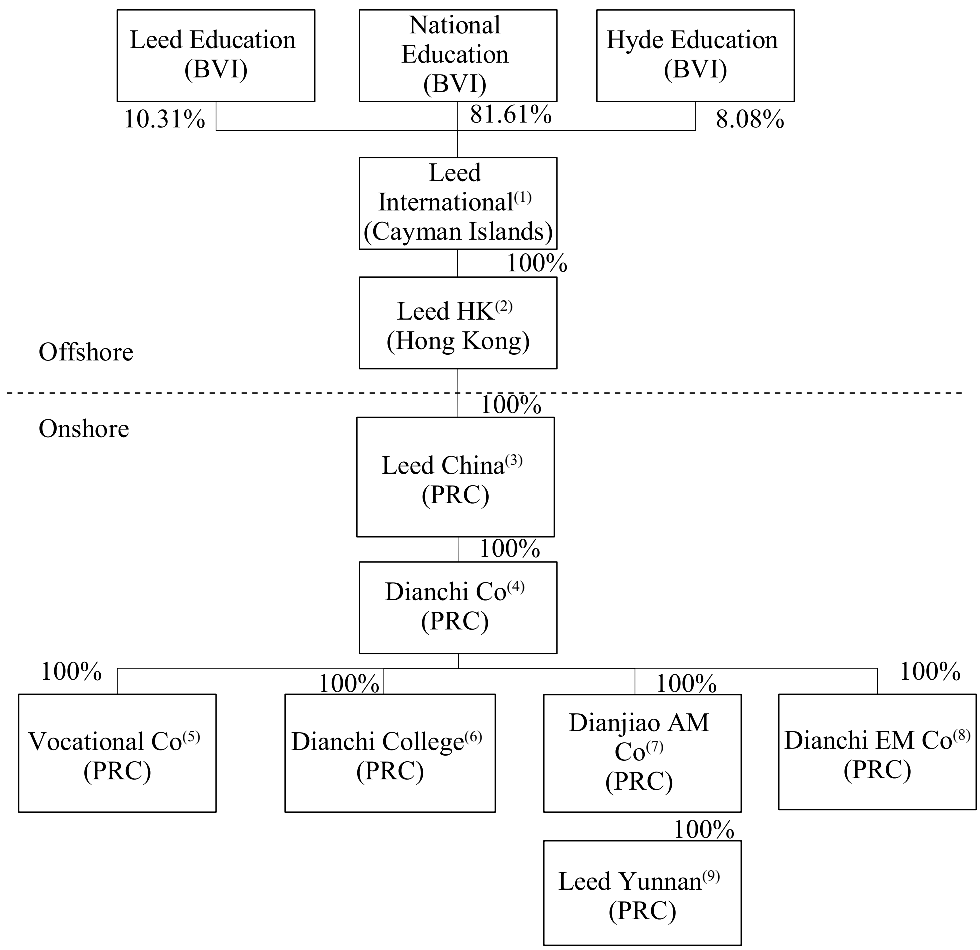
Pursuant to the Share Purchase Agreement, it is further contemplated that Vocational Co would enter into a service agreement with the Vendors or a company designated by the Vendors pursuant to which the affiliated company(ies) as designed by the Vendors would be entitled to a service fee of RMB75 million for procuring the establishment of a new vocational school sponsored by Vocational Co upon successful enrollment of students in such school. As at the date of this Circular, no such service agreement has been entered into by the Group. The Company will comply with the relevant requirements under the Listing Rules if and when such transaction materializes.

INFORMATION ON THE VENDORS

Each of Leed Education, National Education and Hyde Education is a limited liability company established in the British Virgin Islands and is owned by a Chinese citizen respectively. As at the Latest Practicable Date, as the transfer of the title to the Sale Shares to Minsheng Vocational and the relevant procedures in connection with such transfer have been completed, Leed Education, National Education and Hyde Education hold 5.05%, 39.99% and 3.96% of Leed International respectively.

INFORMATION ON THE TARGET GROUP

The following chart sets forth the structure of Leed International and its subsidiaries as at the date of the Share Purchase Agreement:



Notes:

(1) *Leed International was incorporated under the laws of Cayman Island on 15 April 2008 as an exempt limited liability company. The certificate of incorporation of Leed International does not have an expiry date and therefore no annual renewal requirement is needed for Leed International.*

(2) *Leed HK is a company incorporated in Hong Kong with limited liability, its principal business is investment holding.*

(3) *Leed China is a limited liability company established under the laws of the PRC, its principal businesses are education consultation, management and services.*

(4) *For details on Dianchi Co, please see below section headed "INFORMATION ON THE TARGET GROUP - Dianchi Co" in this letter.*

(5) *Vocational Co is a limited liability company established under the law of the PRC. As at the Latest Practicable Date, it has not commenced any business.*

(6) *For details on Dianchi College, please see below section headed "INFORMATION ON THE TARGET GROUP - Dianchi College" in this letter.*

(7) *Dianjiao AM Co is a limited liability company established under the law of the PRC, its principal businesses are management of the assets and facilities in the main campus and Yang Lin campus of Dianchi College.*

(8) *Dianchi EM Co is a limited liability company established under the law of the PRC, its principal business are management and consultation services of education projects.*

(9) *Leed Yunnan is a limited liability company established under the law of the PRC, its principal businesses are educational consultation and services.*

Dianchi Co

Dianchi Co was established under the laws of PRC on 16 September 1999 as a limited liability company. The registration authority of Dianchi Co is Yunnan Administration of Industrial and Commerce (雲南省工商行政管理局). According to the business license of Dianchi Co issued on 24 July 2001 which shall expire on 15 September 2019, its business scope includes training talents and scientific and technological talents in higher education institutions, and providing education consulting services for various professionals; training services, examination services, accommodation services, conference and exhibition services. The annual inspection of Dianchi Co for 2017 was completed and publicized on the National Enterprise Credit Information Publicity System in March 2018, and the annual inspection for 2018 is expected to be completed and publicized by the second quarter of 2019.

Dianchi Co recorded hotel accommodation fees and training service income totaling RMB2,171,000, RMB1,669,000, RMB1,802,000 and RMB1,273,000 for the years ended December 31 2015, 2016 and 2017 and the seven months ended July 31 2018, respectively.

Dianjiao AM Co, a subsidiary of Dianchi Co, recorded rental income of RMB4,919,000, RMB5,100,000, RMB8,569,000 and RMB2,666,000 for the years ended December 31 2015, 2016 and 2017 and the seven months ended July 31 2018, respectively.

The abovementioned rental income, hotel accommodation fees and training service income are recorded as "other income and gains" in the Consolidated Statements of Profit or Loss and Other Comprehensive Income of the Target Group.

Dianchi College

Yunnan University Huamei College* (雲南大學華美學院), the predecessor of Dianchi College, was approved for establishment on 18 February 2000 by Yunnan Provincial Education Committee (雲南省教育委員會), the predecessor of Yunnan Province Education Department, pursuant to the Approval of the Cooperation of Yunnan University and Yunnan Dianchi Education Training Company Limited for Yunnan University Huamei College (Yun Jiao Gao [2000] No. 6) (《關於雲南大學與雲南滇池教育培訓有限公司聯合舉辦"雲南大學華美學院"的批復》(雲教高[2000]6號)).

Pursuant to the Approval for Change of Name from Yunnan University Huamei College to Yunnan University Dianchi College (Dang Fu [2001] No. 35) (《關於"雲南大學華美學院"更名為"雲南大學滇池學院"的批復》(黨複[2001]35號)) issued by the CPC Yunnan University Committee (中共雲南大學委員會) on 20 April 2001, Yunnan University Huamei College has changed its name to Dianchi College.

Pursuant to the written agreement entered into between Yunnan University and Dianchi Co dated 9 December 2013 in relation to Dianchi College, Yunnan University would be mainly responsible for (1) coordination between Dianchi College and the relevant regulatory authorities and (2) providing guidance and personnel support to Dianchi College, and be entitled to 10% of the tuition fee income of Dianchi College; whereas Dianchi Co would be responsible for (1) development planning and execution, (2) capital contribution for campus infrastructure and facilities and the relevant construction, and (3) contribution to the working capital of Dianchi College, and be entitled to 100% of the net profit of Dianchi College. Dianchi Co is entitled to appoint four out of a total of seven directors of Dianchi College and Yunan University is entitled to appoint the remaining three directors.

Dianchi College is an independent college offering full-time general undergraduate education in Kunming, Yunnan Province, China. Pursuant to the 13th Five-Year Plan for the Development of Education in Yunnan Province (《雲南省教育事業發展「十三五」規劃》) promulgated by the Yunnan Government in May 2017, in order to speed up the training of students and improve the gross enrollment rate of higher education in Yunnan Province, Yunnan Province has increased the maximum number of student intake for diploma programs and expanded the enrollment plan for the "Diploma-to-Undergraduate" ("專升本") programs. "Diploma-to-Undergraduate" programs, the graduates of which are awarded with bachelor's degrees, are designed to enable students who have graduated from diploma programs to obtain bachelor's degrees in a shorter period of time than what undergraduate programs typically take. While an undergraduate program typically takes 4 years, a "Diploma-to-Undergraduate" program only takes 2 years, provided that only students who have graduated from diploma programs are eligible to apply and take "Diploma-to-Undergraduate" programs.

Dianchi College started to offer "Diploma-to-Undergraduate" programs in the 2014 – 2015 school year, with an initial approved program size of 200 students in total. For the school year 2018 – 2019, the approved program size was 2,500 students in total, while the actual total number of students registered in the programs was 1,020. The annual tuition fees charged by Dianchi College for the "Diploma-to-Undergraduate" program of a given subject is the same as that of the undergraduate program for that subject. Since the 2016 – 2017 school year, the growth in Dianchi College's student body has been mainly attributable to its "Diploma-to-Undergraduate" programs, as the growth rate of actual total number of students enrolled in undergraduate programs of Dianchi College remain flat. The Directors believe that given the favorable government policies at the national and provincial level in relation to "Diploma-to-

Undergraduate" programs, with the help of the Group's resource and management expertise in the higher education sector in the PRC, the "Diploma-to-Undergraduate" programs will be a major source of growth for Dianchi College in the next few years.

The registration authorities of Dianchi College are Yunnan Provincial Civil Affairs Department and Yunnan Province Education Department. The National Non-Enterprise Registration Certificate of Dianchi College was issued on 7 April 2016, expiring on 7 April 2020. The Private School Permit of Dianchi College was issued on 15 October 2014, expiring on 15 October 2019.

The 2017 annual inspection with Yunnan Provincial Civil Affairs Department of Dianchi College was completed on 23 May 2018 and the 2018 annual inspection is expected to be filed in the second quarter of 2019.

The 2016 annual inspection of Dianchi College with Yunnan Province Education Department was completed in 2017, with the 2017 annual inspection is expected to be completed within 2018.

In the 2017-2018 school year, there were approximately 18,470 students in Dianchi College. As at the Latest Practicable Date, Dianchi College has been reported that it has admitted approximately 5,500 new students and reached approximately 19,200 students in the 2018-2019 school year. The tuition fee for the Dianchi College for the 2018-2019 school year is approximately RMB 16,000 to RMB 24,500 (the tuition fee depends on the major).

Leed International ultimate controls, through Dianchi Co, Dianchi College in terms of, including but not limited to, the composition of the decision-making body of Dianchi College and therefore controls the management, business operations and affairs of Dianchi College. Upon Completion, Dianchi Co and Yunnan University shall continue to be the school sponsors of Dianchi College, and Leed International shall continue through Dianchi Co, to control the management and operation of Dianchi College and other subsidiaries.

As at the Latest Practicable Date, the 100% net profits of Dianchi College and Dianjiao AM Co, are recorded into the financial results of the Group. Upon Completion, the financial results of the Target Group, including Dianchi College and Dianjiao AM Co, will be totally consolidated into the financial results of the Group. As such, after discussing with the Company's auditors, no minority interest of the Target Group will be recognized in the Group's financial statements.

Historical revenue of Dianchi College

Set out below are the revenue of Dianchi College for the three years ended 31 December 2017 and the seven months ended 31 July 2017 and 2018:

	Year ended 31 December			**Seven months ended 31 July**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	213,323	230,721	257,137	135,426	152,850

Financial information on the Target Group

(i) Summary of the audited consolidated financial information of the Target Group:

	As at 31 December 2015	**As at 31 December 2016**	**As at 31 December 2017**	**As at 31 July 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total assets	1,409,160	1,336,692	1,579,929	1,282,918

	For the year ended 31 December 2015	**For the year ended 31 December 2016**	**For the year ended 31 December 2017**	**For the seven months ended 31 July 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net profit before tax	52,889	58,502	75,017	37,641
Net profit after tax	52,831	58,377	74,916	37,595

(ii) The net current liabilities recorded by the Target Group as at 31 December 2015, 2016 and 2017 and 31 July 2018 and the net liability recorded as at 31 December 2015

The Target Group recorded net current liabilities as at 31 December 2015, 2016 and 2017 and 31 July 2018 and recorded net liability as at 31 December 2015, which was mainly due to:

(i) Redeemable preferred shares

On 6 December 2013, the Target Company entered into a share repurchase agreement with the investor of Series A and Series B Preferred Shares ("**Preferred Shares**") to repurchase all 12,500,000 Series A and 20,750,000 Series B Preferred Shares in issue at a consideration of US$64,970,000, equivalent to RMB443,868,000 approximately. Mr. Li Hongtao, the controlling shareholder of the Target Company, took over the Preferred Shares and terminated all the rights attached to the Preferred Shares and the instrument has been measured at amortised cost since 6 December 2013. Meanwhile, Mr. Li Hongtao entered into an agreement with the Target Company that the Target Company should repurchase the Preferred Shares in event of Mr. Li Hongtao sell his ordinary shares of the Target Company.

On 23 July 2018, The Target Company entered into an agreement with Mr. Li Hongtao to repurchase all the Preferred Shares with its internal resources and a loan from China Education Holdings Limited equals to an amount of approximately RMB231,000,000.

(ii) Interest bearing bank loans and finance lease payables

As at 31 December 2015, 2016 and 2017 and 31 July 2018, the Target Group's interest-bearing bank loans were approximately RMB 499.4 million, RMB 356.0, RMB248.0 million and RMB207.0 million, respectively, which were mainly used for the expansion of the existing campus and construction of the new campus and also for daily operation of Dianchi College.

As at 31 December 2017 and 31 July 2018, the finance lease payable was approximately 261.4 million and RMB343.3 million, respectively. The relevant finance lease payables are mainly used for purchase of land, demolition compensation and supporting construction of the buildings of the new campus of Dianchi College. The finance lease payables will be recognized as liabilities for the Target Group's future financial statement.

The net current liabilities of the Target Group were approximately RMB663.4 million as at 31 July 2018. According to the Share Purchase Agreement, Minsheng Vocational will pay RMB231 million to China Education on behalf of Leed International within 30 days from the date of all the payment of consideration have been completed. Once the payment of the USD equivalent of RMB231 million has been completed, the net current liabilities will be reduced to approximately RMB432.4 million. The net cash inflow from the Target Group operating activities from January to December 2017 was approximately RMB108.7 million. Assume the conditions of the operation remain unchanged, the net current liabilities will be gradually decreased.

In addition, the net profit of the Target Group for the period of January to July 2018 has increased by approximately RMB5.0 million to approximately RMB37.6 million, from that of approximately RMB32.6 million for the period of January to July 2017. The net profit of the Target Group for the period of August to December 2017 was approximately RMB42.4 million and it is expected the net profit for the period of August to December 2018 will not lower than the same period of 2017, therefore it is expected the net liabilities position will be changed to net assets position by the end of 2018.

(iii) Nature of the interest-bearing bank and other borrowings

The Target Group's interest-bearing bank loans are secured by mortgage bank loans. The purpose of the bank loans is mainly for the daily operation and campus construction of Dianchi College. The maturity date ranges from 2018 to 2021.

The following is a breakdown of the interest-bearing bank loans and other borrowings of the Target Group as at ended 31 December 2015, 2016 and 2017 and 31 July 2018:

	As at 31 December 2015			As at 31 December 2016			As at 31 December 2017			As at 31 July 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current												
Bank loans – secured	4.85%-7.00%	2016	224,750	5.22%-7.00%	2017	85,000	5.22%	2018	50,000			–
Current portion of long-term bank loans – secured	4.90%-9.23%	2016	80,600	4.90%-8.30%	2017	94,000	4.90%-8.30%	2018	98,500	4.90%-8.30%	2018-2019	93,000
Finance lease payables			–			–	6.50%-6.95%	2018	84,866	6.50%-7.67%	2018-2019	120,588
			305,350			179,000			233,366			213,588
Non-current												
Bank loans – secured	4.90%-8.30%	2017-2020	194,000	4.90%-8.30%	2018-2021	177,000	4.90%-8.30%	2019-2021	99,500	4.90%-8.30%	2019-2021	114,000
Finance lease payables			–			–	6.50%-6.95%	2019-2020	176,507	6.50%-7.67%	2019-2021	222,725
			194,000			177,000			276,007			336,725
			499,350			356,000			509,373			550,313

The following is the ageing analysis of the Target Group's interest-bearing bank loans and other borrowings as at 31 December 2015, 2016 and 2017 and 31 July 2018:

	As at 31 December			As at 31 July
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	305,350	179,000	148,500	93,000
In the second year	54,000	88,500	50,500	101,400
In the third to fifth years, inclusive	140,000	88,500	49,000	12,600
	499,350	356,000	248,000	207,000
Finance lease payables:				
Within one year	–	–	84,866	120,588
In the second year	–	–	86,736	120,521
In the third to fifth years, inclusive	–	–	89,771	102,204
	–	–	261,373	343,313
	499,350	356,000	509,373	550,313

For further financial information on the Target Group, please refer to Appendices II to III to this circular.

POSSIBLE FINANCIAL EFFECTS OF THE ACQUISITION ON THE GROUP

Upon Completion, the Target Group will become a subsidiary of the Company, and the financial and all the results, assets and liabilities of the Target Group will be consolidated to the financial statements of the Group.

Set out below is a summary of the unaudited pro forma financial information of the Group before Completion and the Enlarged Group after Completion, prepared on the basis set out in Appendix IV to this circular:

	The Group before Completion	**Enlarged Group after Completion**
	RMB'000	*RMB'000*
Total assets	4,084,856	6,226,641
Total liabilities	696,880	2,841,665
Net assets	3,387,976	3,384,976
Gearing ratio	0.17	0.46

In accordance with the Share Purchase Agreement, the cash consideration for the Acquisition of 51% of the Target Group by the Company is RMB582.5 million. The Acquisition of the Target Group is assumed to have been completed on 31 July 2018 and thus the consideration payable by the Company to the related parties are included as a pro forma adjustment. As Leed International was still in a net current liabilities position as at 31 July 2018, the Acquisition has increased the current liabilities of the Enlarged Group by approximately RMB1,010.8 million and the debt asset ratio has increased from 17% to 46%.

In light of the future prospects of the Target Group, the Directors are of the view that the Acquisition would likely have a positive impact on the future turnover and earnings of the Enlarged Group.

As the above information is for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the results and financial position of the Enlarged Group for any future financial periods or dates.

For details of the unaudited pro forma financial information on the Enlarged Group immediately following Completion, please refer to Appendix IV to this circular.

For the purpose of illustrating the effect of the Equity Entrustment Agreement in the Group's financial statements according to the relevant financial reporting standards, accounting entries in relation to the Equity Entrustment Agreement are set forth below.

Initial recognition – at the acquisition date:

Dr: The acquiree's identifiable net assets/(liabilities) (net of assets and liabilities)
Goodwill (if any)
Cr: Consideration transferred
Deferred tax liabilities (if any)
Put option liability

With reference to International Financial Reporting Standards ("**IFRS**") 10, IFRS 9 and the guidance in <International GAAP 2018> published by Wiley, the first set of accounting entries above is showing how the identifiable assets and liabilities to be consolidated in the Group's financial statements and the difference between identifiable net assets and the consideration are goodwill. Since the Put Option should have a value, the Group is required to record the value of the Put Option, which is the second set of accounting entries above.

Subsequent measurement from acquisition date till the end of the equity entrustment period:

Dr: Finance cost
Cr: Put option liability

According to the arrangement of net profit during the term of entrustment arrangement, the Group is entitled to the entire net profit of Leed International during the term of entrustment arrangement. Therefore, no allocation of the profits attributable to minority shareholders should be made on the consolidated income statement of the Group during the term of the entrustment arrangement.

All subsequent changes in the carrying amount of the Put Option are recognised in the profit or loss attributable to the parent, and not the non-controlling interest's share of the profit or loss of the subsidiary.

Upon exercise of the Put Option:

Dr: Put option liability
Cr: Cash

Upon the expiration of the non-controlling interest (NCI) Put Option:

Dr: Put option liability
Cr: Reserve attributable to owners of the parent
Non-controlling interest

If the Put Option expires or is not exercised, the carrying value of the Put Option is reclassified to the reserve attributable to owners of the parent with non-controlling interest recognised at the same time.

INFORMATION ON THE GROUP

The Group is principally engaged in providing private formal higher education in the PRC.

The Company has no present intention to downsize, cease, sell and/or dispose any of its existing business.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Taken into consideration that Dianchi College is (i) a quality independent colleges in PRC; (ii) improvement in the number of student enrolment in Dianchi College and the tuition fees collected by Dianchi College for next few school years; and (iii) further expansion in the school network, the Directors consider that the Share Purchase Agreement has been entered into on normal commercial terms and the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The amount of shares in Leed International subject to the acquisition by the Group pursuant to the Share Purchase Agreement, together with the other terms under the Share Purchase Agreement, were determined through arm's length negotiation between the parties. Notwithstanding that (a) the Company is not subject to any restriction to acquire or hold the entire interest in Leed International and (b) the exercise of the Put Option may lead to a higher valuation when acquiring the remaining 49% interest in Leed International in the future, the Directors consider it in the interest of the Company to acquire 51% (instead of 100%) of the issued share capital of Leed International at present, having taken into account (i) the required financial resources for the Acquisition and the Group's current financial conditions and other financial needs; and (ii) the benefit of retaining the Vendors as the management team of the Target Group, as they are familiar with the operation of Leed International and its subsidiaries, including Dianchi College in particular, and will be able to help the Group in operating and developing the business of the Target Group.

For other factors that the Company had taken into account when determining the Consideration, please refer to the section headed "THE SHARE PURCHASE AGREEMENT - Basis of Consideration" in this letter.

IMPLICATIONS UNDER THE LISTING RULES

The Acquisition

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting, announcement and circular and shareholders' approval requirement under the Listing Rules.

The Put Option

As the exercise price of the Put Option, the exercise of which will be subject to the discretion of the Vendors, will be determined based on the valuation of the Company and the net profit Leed International at the time of exercise of the Put Option, it is not possible to determine such exercise price before the exercise of the Put Option. Accordingly, pursuant to Rule 14.76(1) of the Listing Rules, the Directors consider that the grant of the Put Option constitutes a possible major transaction of the Company subject to notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules, as the discretion to excise such option belongs to the Vendors.

IMPLICATIONS UNDER THE PRC LAWS AND REGULATIONS

According to the PRC laws and regulations, higher education is a restricted business to foreign investors and limited to Sino-foreign cooperative operations led by Chinese parties. Dianchi College started to operate as a Sino-foreign joint venture since 2008. As confirmed by the PRC Legal Advisors, in accordance with the Foreign Investment Catalogue which was in effect at that time, higher education belonged to the category of businesses where foreign investment was encouraged, and was limited to joint venture and cooperation. At that time, the relevant laws and regulations did not require any qualification or experience for foreign investors to participate in the provision of higher education services. In accordance with the PRC Legislative Law, laws, administrative regulations, local regulations, autonomous and separate regulations and rules are not retroactive (except for special provisions for the purpose of better protecting the rights and interests of citizens, legal persons and other organizations). In addition, Dianchi College has passed the latest annual inspection conducted by Yunnan Province Education Department and is validly existing at present. Therefore, the existing sponsor structure of Dianchi College complies with the relevant laws of the PRC.

The Acquisition will take place outside of the PRC, and the Vendors, Minsheng Vocational (i.e. the purchaser) and Leed International (i.e. the target company) are incorporated outside of the PRC. Upon Completion, only the actual controller of Dianchi Co, which is a sponsor of Dianchi College, will be changed, while the sponsor of Dianchi College will remain unchanged. As advised in the PRC Legal Advisors, under the current laws of the PRC, there is no requirement to obtain approval from or filing with the relevant Education and Civil Affairs Department in case of changes of actual controller(s) of a school sponsor. Accordingly, as the Acquisition will not directly change the sponsor of Dianchi College or its foreign investment enterprise reinvestment nature, the Acquisition will not affect the legality of the current sponsor structure of Dianchi College.

Therefore, the Group is able to exercise control over Dianchi College and consolidate the financial results of the Target Group into the account of the Group.

APPLICABLE LAWS AND REGULATIONS IN THE PRC

Below sets out the relevant laws and regulations in the PRC regarding the Acquisition as advised by the PRC Legal Advisors.

Laws in relation to Sino-foreign cooperation

Foreign investment in higher education is guided and regulated by Foreign Investment Catalogue in China. Pursuant to Interim Provisions on the Investment by Foreign-Invested Companies (《關於外商投資企業境內投資的暫行規定》), FIEs should comply with the PRC laws and regulations, including the Foreign Investment Catalogue, for their investments in China.

In 1995, SDPC, SETC, MOFTEC jointly issued the Foreign Investment Catalogue, pursuant to which provision of education service is restricted to foreign investors. The Foreign Investment Catalogue was later amended and the amendment of which was issued jointly by the SDPC, the SETC and the MOFTEC in 1997, pursuant to which provision of education through cooperation (excluding elementary education) is restricted to foreign investors. The definition and scope of education services or provision of education services through cooperation as well as classification in management of the education industry were not clearly stipulated in the amendment of the Foreign Investment Catalogue issued in 1997 ("**Foreign Investment Catalogue 1997**").

The Foreign Investment Catalogue 1997 was further amended pursuant to the amendments jointly issued by the SDPC, the SETC and the MOFTEC in 2002 ("**Foreign Investment Catalogue 2002**"). Pursuant to the Foreign Investment Catalogue 2002, provision of higher education is encouraged to foreign investors and is restricted to joint venture and cooperation. The subsequent editions of the Foreign

Investment Catalogue jointly promulgated by NDRC and MOFCOM in 2004, 2007 and 2011 stipulated that foreign investment in provision of higher education was encouraged, but only by way of joint venture and cooperation with Chinese party.

Following the change of foreign capital utilization policy by the PRC government, the Foreign Investment Catalogue promulgated in 2015 and 2017 and the Special Management Measures (collectively, the "**Relevant Regulations**") stipulate that foreign investment in provision of higher education is restricted and can only be conducted by way of Sino-foreign cooperation joint venture under the control of the Chinese party.

As set out above, the foreign-invested education industry in the PRC has experienced a process from restriction to encouragement to restriction in China, as well as the change from allowing Sino-foreign joint ventures to operate schools to only allowing through Sino-foreign cooperation to operate schools. Pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign joint venture education institution should be less than 50% (the "**Foreign Ownership Restriction**"). Besides, according to Regulations on Sino-foreign Cooperative Education (《中外合作辦學條例》) and Implementation Measures for the Regulation on Sino-foreign Cooperative Education (《中外合作辦學條例實施辦法》), the foreign investor in the Sino-foreign joint venture education institution must be a foreign education institution with relevant qualification that provides high quality education (the "**Qualification Requirement**").

Taking into account that (1) Dianchi College commenced its operation as a Sino-foreign joint venture school since 2008. In accordance with the then effective Foreign Investment Catalogue when it was established, provision of higher education was encouraged to foreign investors and limited to joint venture and cooperation. As advised by the PRC Legal Advisors, the establishment of Dianchi College was valid and complied with the then effective relevant laws and regulations; (2) despite the subsequent amendment of the relevant laws and regulations and that provision of higher education was amended to be restricted to foreign investors pursuant to the Foreign Investment Catalogue promulgated in 2015 and 2017 as well as the Special Management Measures, according to the PRC Legislative Law, laws, administrative regulations, local regulations, autonomous and separate regulations and rules in the PRC are not retroactive in principle; (3) Dianchi College has passed the latest annual inspection conducted by Yunnan Province Education Department (雲南省教育廳) and is validly existing at present; and (4) during the Interview, the Yunnan Province Education Department confirmed the view of the PRC Legal Advisors as mentioned in (1) and (2) above that (a) Dianchi College was validly established in accordance with the then effective PRC laws and regulations and (b) the effect of the PRC Legislative Law that the relevant laws and regulations are not retroactive and therefore the subsequent promulgation of the Relevant Regulations would not render Dianchi College any non-compliance of laws and regulations in the PRC, the Directors are of the view that the management and/or operation of Dianchi College upon Completion would not constitute a "restricted" or "prohibited" business to the Company under the relevant PRC laws and regulation.

In addition, taking into account that (1) as advised by the PRC Legal Advisors, the ownership structure of Dianchi College, being a Sino-foreign joint venture, was formed in compliance with the then effective Foreign Investment Catalogue at the time of its establishment; (2) upon Completion, except that Minsheng Vocational will own 51% of the issued share capital of Leed International, i.e. the ultimate shareholder of Dianchi Co and the Vendors will collectively hold the remaining 49% of the issued share capital of Leed International, there will be no other change to the corporate structure of Leed International as well as its subsidiaries, that is, Dianchi Co will continue to be the school sponsor of Dianchi College; (3)

advised by the PRC Legal Advisors, there are no specific guidance or prohibitions on the entrustment arrangements contemplated under the Entrustment Arrangements under the current PRC laws and regulations; and (4) during the Interview, the Company was advised that, (i) Yunnan Province Education Department confirmed the view of the PRC Legal Advisors on the validity and compliance of laws and regulations regarding the establishment of Dianchi College as mentioned in (1) above; (ii) the Acquisition (including the Entrustment Arrangements) was a normal commercial or business arrangement which shall not violate any existing laws and regulations in the PRC and shall not affect the validity of the ownership structure of Dianchi Co, the Directors are therefore of the view that the ownership structure and the Entrustment Arrangements upon Completion will comply with the relevant laws and regulations in the PRC.

Further, as advised by Yunnan Province Education Department during the Interview that (1) the Qualification Requirement does not apply to the ultimate foreign shareholder of Dianchi Co and (2) the Company will not be subject to the Qualification Requirement as a result of the Acquisition.

As at the date of this circular, to the best knowledge of the Directors, Dianchi College has not been requested by Yunnan Province Education Department to provide information on the actual controller of Dianchi Co or to provide proof of Qualification Requirement since 2015.

Potential impact of the review draft of the Draft Amendments

In accordance with the Draft Amendments, group entities engaged in education business cannot control non-profit private school through forms such as merger and acquisition, franchising arrangement and contractual arrangement. As at the date of this circular, there is no certainty, or a definite timeline, as to when the finalized or new Implementation Rules of the Non-state Education Promotion Law of the PRC will come into effect. Pursuant to Law for Promoting Private Education of the PRC, the school sponsor of a non-state school may independently choose to form a non-profit or for-profit non-state school. However, it shall not form any for-profit non-state school providing compulsory education. Considering that (1) Dianchi College does not engage in the provision of compulsory education and it can elect to be registered as a for-profit non-state school; and (2) as confirmed by the Company, the Company will transfer Dianchi College to a for-profit school when it is practicable and, subject to the circumstances, the Company will acquire the remaining 49% of the issued share capital of Leed International, representing the remaining school sponsor interest of Dianchi College. The PRC Legal Advisors are of the view that even if the Draft Amendments will be promulgated in their current draft form, their impact to the Acquisition will be minimal when such Draft Amendments come into effect.

Uncertainties of the interpretation under the Draft Foreign Investment Law and the Explanatory Note issued by MOFCOM on 19 January 2015

On January 19, 2015, MOFCOM published the Draft Foreign Investment Law. In the meantime, MOFCOM published the Explanatory Note, which contains important information about the Draft Foreign Investment Law, including its drafting philosophy and principles, main content and plans to transition to the new legal regime. The Draft Foreign Investment Law is intended to replace the current foreign investment legal regime consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Invested Enterprise Law (《外資企業法》), as well as detailed implementation rules.

According to the Draft Foreign Investment Law, an enterprise established by a foreign investor in accordance with laws and regulations of other jurisdictions and subject to the control of a Chinese party, invests in a restricted business pursuant to the Special Management Measures, may submit written materials when they apply for the entry clearance to show or prove that such investment was made by Chinese domestic investors (as opposed to investors established in jurisdictions outside of the PRC). As such, if the Draft Foreign Investment Law will be promulgated in its current form and Leed HK submits the relevant materials pursuant to the Draft Foreign Investment Law to prove that it was controlled by a Chinese party, the investment of Dianchi Co by Leed China shall be treated as investment by domestic investor and therefore shall not be subject to the restrictions of the Special Management Measures.

Although the Draft Foreign Investment Law had been released for consultation purpose, substantial uncertainty exists regarding the Draft Foreign Investment Law, including, among others, what the actual content of the law will be as well as the adoption timeline or effective date of the final form of the law. While such uncertainty exists, we cannot determine whether the new Foreign Investment Law, when it is adopted and becomes effective, will have a material impact on our corporate structure and business.

WRITTEN SHAREHOLDER'S APPROVAL

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Acquisition and the grant of the Put Option may be obtained by way of written Shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting to obtain such Shareholders' approval; and (b) written Shareholder's approval has been obtained from a Shareholder or a closely allied group of Shareholders who together hold more than 50% in nominal value of the issued share capital of the Company having the right to attend and vote at that general meeting to approve such transactions.

The Directors confirmed that, to the best of their knowledge, information and belief after having made all reasonable enquiries, no Shareholders or any of their respective associates have any material interest in the Acquisition or the grant of the Put Option. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Share Purchase Agreement and the transactions contemplated under it.

As at the Latest Practicable Date, Minsheng Group (formerly known as Honest Cheer), the controlling shareholder of the Company holds 3,000,000,000 shares of the Company, representing approximately 74.67% of the total number of issued shares of the Company and written Shareholder's approval for the Share Purchase Agreement and the transition contemplated under it, including the Acquisition and the grant of Put Option, has been obtained from Minsheng Group (formerly known as Honest Cheer). Accordingly, pursuant to Rule 14.44 of the Listing Rules, such written Shareholder's approval may be accepted in lieu of holding a general meeting of the Company approving the terms of, and the transactions contemplated, under the Share Purchase Agreement upon satisfaction of the conditions set out under Rule 14.44 of the Listing Rules.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the terms of the Acquisition are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole. Although a general meeting will not be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolution to approve the Acquisition.

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
By Order of the Board
Minsheng Education Group Company Limited
Li Xuechun
Chairman

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for the three years ended 31 December 2017 together with the relevant notes thereto are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkex.com.hk) and the website of the Company (www.minshengedu.com):

- pages 109 to 228 in the annual report of the Company for the year ended 31 December 2017 published on 20 April 2018 (the "2017 Annual Report")
(http://www.hkexnews.hk/listedco/listconews/SEHK/2018/0420/LTN20180420572.pdf)

- pages 81 to 188 in the annual report of the Company for the year ended 31 December 2016 published on 27 April 2017
(http://www3.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427537.pdf)

- Appendix I to the prospectus of the Company published on 10 March 2017
(http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0310/LTN20170310005.pdf)

Each of the said consolidated financial statements of the Group is incorporated by reference to this circular and forms part of this circular.

2. INDEBTEDNESS STATEMENT

The Group

As at the close of business on 31 October 2018, being the latest practicable date for the purpose this indebtedness statement, the indebtedness of the Group was as follows:

Security and guarantees

As at the close of business on 31 October 2018, the Group had security including land, properties and buildings approximately RMB90.7 million.

Bank and other borrowings

As at the close of business on 31 October 2018, the Group had other outstanding borrowings of RMB30 million.

Commitments

As at the close of business on 31 October 2018, the Group's capital commitments to make contracted payments amounted to RMB123.7 million.

Contingent liabilities

As at 31 October 2018, the Group did not incur any material contingent liabilities.

Save as aforesaid or as otherwise mentioned herein, and apart from intra-group liabilities, the Group did not have any outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities as at the close of business on 31 October 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular.

Save as aforesaid, the Directors are not aware of any material changes in the indebtedness, contingent liabilities and commitments of the Group since 31 October 2018, the date to which the indebtedness statement is made and up to the Latest Practicable Date.

The Target Group

Security and guarantees

As at the close of business on 31 October 2018, the Target Group had security including land, properties and building of approximately RMB299.2 million.

Bank and other borrowings

As at the close of business on 31 October 2018, the Target Group had (i) interest bearing bank borrowings amounted to approximately RMB186.5 million, while the effective interest rate range from approximately 4.90% to approximately 8.30% per annum; and (ii) finance lease payables amounted to approximately RMB309.5 million, while the effective interest range from approximately 6.50% to 7.86% per annum.

Capital Commitments

As at the close of business on 31 October 2018, the total capital commitments by the Target Group amounted to approximately RMB12.5 million.

Contingent Liabilities

As at the close of business on 31 October 2018, the Target Group did not incur any material contingent liabilities.

Apart from the above, the Group and the Target Group did not have other material outstanding borrowings, mortgages, charges, debentures, loan capital and overdraft, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptance credits or any guarantees or other material contingent liabilities outstanding as at 31 October 2018.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had been no material adverse change in the financial or trading position or prospects of the Enlarged Group since 31 December 2017, being the date to which the latest audited consolidated financial statements of the Group were made up.

4. WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, in the absence of unforeseeable circumstances and after taking into account the Group's financial resources, including internally generated funds, the Enlarged Group will have sufficient working capital for its present requirements for the next twelve months from the date of this circular.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is one of the largest private higher education providers in PRC, as measured by the total number of student enrollment. Currently, the Group owned and operated five private higher education schools and one high school in China, namely Chongqing College of Humanities, Science and Technology, Pass College of Chongqing Technology and Business University, Chongqing Vocational College and Applied Technology, Inner Mongolia Fengzhou Vocational College (Qingcheng Branch) and Chongqing Electronic Information College with the high school Shouguang Bohai Experimental School.

The Group are of the view that upon the completion of the Acquisition, Dianchi College which it has established itself as one of the leading private higher education institution in the PRC, will enhance the competitive advantage of the Enlarged Group over other private education providers in the PRC. The Acquisition is in line with the Group's on-going expansion strategy which will enrich the Group's higher education network in order to further strengthen the financial performance of the Group.

After publication of the 2017 Annual Report, other than the Acquisition, the Group has not acquired or agreed to acquire or is proposing to acquire a business or an interest in the share capital of a company whose profits or assets make or will make a material contribution to the figures in the Company's accountants' report or next published account of the Company. The Company will comply with the relevant requirements under Listing Rules if and when any of such transactions materialize.

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong. Terms defined herein apply to this report only.

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

The Directors
Minsheng Education Group Company Limited

Dear Sirs,

We report on the historical financial information of Leed International Education Group Inc. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") comprising the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group for each of the years ended 31 December 2015, 2016 and 2017 and the seven months ended 31 July 2018 (the "**Relevant Periods**") , and the consolidated statements of financial position of the Target Group and the statements of financial position of the Target Company as at 31 December 2015, 2016 and 2017 and 31 July 2018 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages 50 to 113 forms an integral part of this report, which has been prepared for inclusion in the circular of Minsheng Education Group Company Limited (the "**Company**") dated 20 December 2018 (the "**Circular**") in connection with the Company's proposed acquisition of 51% equity interests of the Target Company.

DIRECTORS' RESPONSIBILITY FOR THE HISTORICAL FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

REPORTING ACCOUNTANTS' RESPONSIBILITY (continued)

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical 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, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group and the Target Company as at 31 December 2015, 2016 and 2017 and 31 July 2018 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REVIEW OF INTERIM COMPARATIVE FINANCIAL INFORMATION

We have reviewed the interim comparative financial information of the Target Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the seven months ended 31 July 2017 and other explanatory information (the "**Interim Comparative Financial Information**"). The directors of the Target Company are responsible for the preparation of the Interim Comparative Financial Information in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

REPORT ON MATTERS UNDER THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE AND THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page 50 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

No historical financial statements for the Target Company

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
20 December 2018

I. HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	Seven months ended 31 July 2017 RMB'000 (unaudited)	2018 RMB'000
REVENUE	5	213,323	230,721	257,137	135,426	152,850
Cost of sales		(110,649)	(123,263)	(133,511)	(76,615)	(81,531)
Gross profit		102,674	107,458	123,626	58,811	71,319
Other income and gains	5	10,618	14,738	14,420	8,102	9,049
Selling and distribution expenses		(2,623)	(3,078)	(3,539)	(2,006)	(1,323)
Administrative expenses		(29,436)	(31,087)	(33,788)	(19,748)	(17,418)
Other expenses		(308)	(405)	(897)	(126)	(60)
Finance costs	7	(28,036)	(29,124)	(24,805)	(12,472)	(23,926)
PROFIT BEFORE TAX	6	52,889	58,502	75,017	32,561	37,641
Income tax expense	10	(58)	(125)	(101)	(8)	(46)
PROFIT FOR THE YEAR/PERIOD		52,831	58,377	74,916	32,553	37,595
Attributable to:						
Owners of the Target Company		52,831	58,377	74,916	32,553	37,595
Non-controlling interests		–	–	–	–	–
		52,831	58,377	74,916	32,553	37,595
OTHER COMPREHENSIVE INCOME						
Exchange differences on translation of financial statements		1,526	2,089	(7,063)	(2,730)	8,798
OTHER COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD		1,526	2,089	(7,063)	(2,730)	8,798
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD		54,357	60,466	67,853	29,823	46,393
Attributable to:						
Owners of the Target Company		54,357	60,466	67,853	29,823	46,393
Non-controlling interests		–	–	–	–	–
		54,357	60,466	67,853	29,823	46,393

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	As at 31 July 2018 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	724,672	699,453	716,522	757,884
Prepaid land lease payments	14	89,525	87,420	106,807	105,177
Goodwill	15	106,590	106,590	106,590	106,590
Prepayment for non-current assets		17,160	17,160	34,127	203,348
Other non-current assets	16	–	–	3,942	4,161
Total non-current assets		937,947	910,623	967,988	1,177,160
CURRENT ASSETS					
Prepayments, deposits and other receivables	16	9,956	8,506	50,277	78,426
Trade receivables	17	3,694	3,284	1,651	1,133
Investments measured at fair value through profit or loss	18	10,000	–	–	–
Cash and cash equivalents	19	71,215	41,669	366,974	25,053
Restricted bank balances	19	60,755	–	–	–
Amounts due from related parties	31	308,593	369,610	193,039	1,146
Amount due from a director	31	7,000	3,000	–	–
Total current assets		471,213	426,069	611,941	105,758
CURRENT LIABILITIES					
Other payables and accruals	20	124,382	85,998	113,350	154,208
Tax payable		–	37	88	–
Interest-bearing bank and other borrowings	21	305,350	179,000	233,366	213,588
Contract liabilities	5	126,078	138,736	157,330	4,561
Deferred income	23	132	138	683	812
Amounts due to related parties	31	180,528	222,848	195,221	396,000
Amounts due to directors	31	40,056	32,086	32,981	20
Redeemable preferred shares	24	443,868	443,868	443,868	–
Total current liabilities		1,220,394	1,102,711	1,176,887	769,189
NET CURRENT LIABILITIES		(749,181)	(676,642)	(564,946)	(663,431)
TOTAL ASSETS LESS CURRENT LIABILITIES		188,766	233,981	403,042	513,729

	Notes	As at 31 December 2015 RMB'000	As at 31 December 2016 RMB'000	As at 31 December 2017 RMB'000	As at 31 July 2018 RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		188,766	233,981	403,042	513,729
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	*21*	194,000	177,000	276,007	336,725
Deferred income	*23*	11,493	13,242	15,443	19,019
Total non-current liabilities		205,493	190,242	291,450	355,744
Net assets/(liabilities)		(16,727)	43,739	111,592	157,985
EQUITY/(DEFICIENCY IN ASSETS)					
Equity attributable to owners of the Target Company					
Share capital	*25*	308	308	308	308
Reserves	*26*	(17,035)	43,431	111,284	157,677
Total equity/(deficiency in assets)		(16,727)	43,739	111,592	157,985

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the Target Company				
	Share capital	Exchange fluctuation reserve	Statutory and other surplus reserves	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 25		*Note 26*		
At 1 January 2015	308	(3,458)	77,733	(145,667)	(71,084)
Profit for the year	–	–	–	52,831	52,831
Other comprehensive income for the year:					
Exchange differences on translation of financial statements	–	1,526	–	–	1,526
Total comprehensive income for the year	–	1,526	–	52,831	54,357
Transfer from retained profits	–	–	15,725	(15,725)	–
At 31 December 2015	308	(1,932)*	93,458*	(108,561)*	(16,727)

Year ended 31 December 2016

	Attributable to owners of the Target Company				
	Share capital	Exchange fluctuation reserve	Statutory and other surplus reserves	Accumulated losses	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 25		*Note 26*		
At 1 January 2016	308	(1,932)	93,458	(108,561)	(16,727)
Profit for the year	–	–	–	58,377	58,377
Other comprehensive income for the year:					
Exchange differences on translation of financial statements	–	2,089	–	–	2,089
Total comprehensive income for the year	–	2,089	–	58,377	60,466
Transfer from retained profits	–	–	17,904	(17,904)	–
At 31 December 2016	308	157*	111,362*	(68,088)*	43,739

Year ended 31 December 2017

	Attributable to owners of the Target Company				
	Share capital	**Exchange fluctuation reserve**	**Statutory and other surplus reserves**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 25		*Note 26*		
At 1 January 2017	308	157	111,362	(68,088)	43,739
Profit for the year	–	–	–	74,916	74,916
Other comprehensive income for the year:					
Exchange differences on translation of financial statements	–	(7,063)	–	–	(7,063)
Total comprehensive income for the year	–	(7,063)	–	74,916	67,853
Transfer from retained profits	–	–	22,092	(22,092)	–
At 31 December 2017	308	(6,906)*	133,454*	(15,264)*	111,592

Seven months ended 31 July 2017

	Attributable to owners of the Target Company				
	Share capital	**Exchange fluctuation reserve**	**Statutory and other surplus reserves**	**Accumulated losses**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 25		*Note 26*		
At 1 January 2017	308	157	111,362	(68,088)	43,739
Profit for the period (unaudited)	–	–	–	32,553	32,553
Other comprehensive income for the period: (unaudited)					
Exchange differences on translation of financial statements (unaudited)	–	(2,730)	–	–	(2,730)
Total comprehensive income for the period (unaudited)	–	(2,730)	–	32,553	29,823
At 31 July 2017 (unaudited)	308	(2,573)*	111,362*	(35,535)*	73,562

Seven months ended 31 July 2018

	Attributable to owners of the Target Company				
	Share capital	**Exchange fluctuation reserve**	**Statutory and other surplus reserves**	**Retained profits/ (accumulated losses)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 25		*Note 26*		
At 1 January 2018	308	(6,906)	133,454	(15,264)	111,592
Profit for the period	–	–	–	37,595	37,595
Other comprehensive income for the period:					
Exchange differences on translation of financial statements	–	8,798	–	–	8,798
Total comprehensive income for the period	–	8,798	–	37,595	46,393
At 31 July 2018	308	1,892*	133,454*	22,331*	157,985

* These reserve accounts comprise the consolidated negative reserves of RMB17,035,000 in the consolidated statements of financial position as of 31 December 2015, and the consolidated reserves of RMB43,431,000, RMB111,284,000 and RMB157,677,000 in the consolidated statements of financial position as of 31 December 2016 and 2017 and 31 July 2018, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2015 RMB'000	Year ended 31 December 2016 RMB'000	Year ended 31 December 2017 RMB'000	Seven months ended 31 July 2017 RMB'000 (unaudited)	Seven months ended 31 July 2018 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		52,889	58,502	75,017	32,561	37,641
Adjustments for:						
Finance costs	7	28,036	29,124	24,805	12,472	23,926
Bank interest income	5	(1,389)	(1,813)	(747)	(117)	(1,031)
Fair value gains on investments at fair value through profit or loss	5	(75)	(148)	–	–	–
Loss on disposal of items of property, plant and equipment	6	102	152	–	–	–
Government grants released	23	(1,488)	(3,283)	(1,938)	(1,017)	(3,660)
Depreciation	13	35,530	36,844	36,602	21,175	22,294
Recognition of prepaid land lease payments	14	2,105	2,105	2,218	1,228	1,630
Provision for expected credit losses of trade receivables	17	406	67	–	–	–
Recovery of trade receivables	17	–	–	(3)	(110)	(26)
		116,116	121,550	135,954	66,192	80,774
Decrease in trade receivables		2,305	343	1,636	2,993	544
(Increase)/decrease in prepayments, deposits and other receivables		14,247	1,562	(41,441)	(2,783)	(27,950)
Increase/(decrease) in other payables and accruals		(22,232)	(9,909)	15,275	11,388	947
Increase/(decrease) in contract liabilities		7,406	12,658	18,594	(131,745)	(152,769)
Increase/(decrease) in amounts due to directors		32,044	(7,970)	895	1,030	(32,961)
Increase/(decrease) in amounts due to related parties		(35,831)	42,320	(27,627)	(14,445)	99,104
Government grants received	23	8,743	5,038	4,684	4,183	7,365
(Increase)/decrease in restricted bank balances		(59,391)	60,755	–	–	–
Cash generated from/(used in) operations		63,407	226,347	107,970	(63,187)	(24,946)
Interest received		1,389	1,813	747	117	1,031
PRC profits tax paid		(58)	(88)	(50)	(45)	(134)
Net cash flows from/(used in) operating activities		64,738	228,072	108,667	(63,115)	(24,049)

	Year ended 31 December			Seven months ended 31 July	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Net cash flows from/(used in) operating activities	64,738	228,072	108,667	(63,115)	(24,049)
CASH FLOWS FROM INVESTING ACTIVITIES					
(Increase)/decrease in prepayments for non-current assets	(17,160)	–	(16,967)	11,033	(169,221)
(Increase)/decrease in amount due from a director	(7,000)	4,000	3,000	–	–
(Increase)/decrease in amounts due from related parties	(75,320)	(61,017)	176,571	110,754	(75,013)
Addition to prepaid land lease payment	–	–	(21,432)	–	–
Purchases of items of property, plant and equipment	(76,427)	(39,069)	(40,986)	(18,064)	(49,358)
Proceeds from disposal of items of property, plant and equipment	–	9	–	–	–
Purchase of investments measured at fair value through profit or loss	(54,000)	(43,000)	–	–	–
Receipt from maturity of investments measured at fair value through profit or loss	44,075	53,148	–	–	–
Net cash flows (used in)/from investing activities	(185,832)	(85,929)	100,186	103,723	(293,592)
CASH FLOWS FROM FINANCING ACTIVITIES					
Increase in other non-current assets	–	–	(3,942)	–	(219)
New bank loans and other borrowings	349,750	210,000	332,000	72,000	135,000
Repayments of bank loans and other borrowings	(135,400)	(353,350)	(180,000)	(107,200)	(76,000)
Interest paid	(39,641)	(30,428)	(24,001)	(11,644)	(22,485)
Interest element of finance lease rental payments	–	–	(542)	–	(10,313)
Capital element of finance lease rental payments	–	–	–	–	(19,674)
Payment of redemption preferred shares	–	–	–	–	(39,387)
Net cash flows from/(used in) financing activities	174,709	(173,778)	123,515	(46,844)	(33,078)

	Note	Year ended 31 December 2015 RMB'000	2016 RMB'000	2017 RMB'000	Seven months ended 31 July 2017 RMB'000 (unaudited)	2018 RMB'000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		53,615	(31,635)	332,368	(6,236)	(350,719)
Cash and cash equivalents at beginning of year/period		16,074	71,215	41,669	41,669	366,974
Effect of foreign exchange rate changes, net		1,526	2,089	(7,063)	(2,730)	8,798
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	19	71,215	41,669	366,974	32,703	25,053
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS						
Cash and bank balances	19	71,215	41,669	366,974	32,703	25,053
Cash and cash equivalents as stated in the statement of cash flows		71,215	41,669	366,974	32,703	25,053

STATEMENTS OF FINANCIAL POSITION OF THE TARGET COMPANY

		As at 31 December			As at 31 July
		2015	**2016**	**2017**	**2018**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
NON-CURRENT ASSET					
Interest in a subsidiary		9	9	9	9
Total non-current asset		9	9	9	9
CURRENT ASSET					
Amount due from a subsidiary		415,200	443,546	417,768	–
Total current asset		415,200	443,546	417,768	–
CURRENT LIABILITIES					
Amount due to a director		4,285	4,575	4,273	4,436
Amount due to subsidiaries		1,575	1,592	1,609	8,722
Redeemable preferred shares	*24*	443,868	443,868	443,868	–
Total current liabilities		449,728	450,035	449,750	13,158
NET CURRENT LIABILITIES		(34,528)	(6,489)	(31,982)	(13,158)
TOTAL ASSETS LESS CURRENT LIABILITIES		(34,519)	(6,480)	(31,973)	(13,149)
Net liabilities		(34,519)	(6,480)	(31,973)	(13,149)
DEFICIENCY IN ASSETS					
Share capital		308	308	308	308
Reserves		(34,827)	(6,788)	(32,281)	(13,457)
Deficiency in assets		(34,519)	(6,480)	(31,973)	(13,149)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Leed International Education Group Inc. (the "**Target Company**") is a limited liability exempted company incorporated in the Cayman Islands on 15 April 2008 under the Companies Law of the Cayman Islands. The registered office of the Target Company is located at the offices of Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KYI-1205 Cayman Islands.

The Target Company is an investment holding company. During the Relevant Periods, the Target Company's subsidiaries (collectively referred to as the "**Target Group**") were principally engaged in providing educational services in the People's Republic of China (the "**PRC**").

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Target Company		Principal activities
			Direct	Indirect	
Leed International Education Group (China) Limited *(note(a))*	Hong Kong 26 May 2008	US$1,282	100%	–	Investment holding
Leed (China) Education Technology Co., Limited *(note(b))*	The PRC/ Mainland China 23 May 2008	RMB198,591,500	–	100%	Provision of education consulting and management services
Yunnan Dianchi Education Training Co., Limited *(note(c))*	The PRC/ Mainland China 16 September 1999	RMB120,000,000	–	100%	Provision of education consulting and management services
Dianchi College of Yunnan University (the "**College**") *(note(d))*	The PRC/ Mainland China 18 February 2000	RMB214,463,641	–	100%	Provision of formal undergraduate college education services
Yunnan Dianchi Education Management Co., Limited *(note(f))*	The PRC/ Mainland China 21 September 2017	RMB100,000,000	–	100%	Provision of education consulting and management services
Yunnan Dianchi Vocational College Co., Limited *(note(f))*	The PRC/ Mainland China 27 April 2018	Nil	–	100%	Provision of education consulting and management services
Yunnan Dianchi Education Assets Management Co., Limited *(note(a))*	The PRC/ Mainland China 12 April 2013	RMB1,000,000	–	100%	Provision of assets management and project investment and management services

Name	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity interests attributable to the Target Company		Principal activities
			Direct	Indirect	
Yunnan Leed Education Technology Co., Limited *(note(e))*	The PRC/ Mainland China 5 January 2009	RMB205,078,000	–	100%	Provision of education consulting and management services

Notes:

(a) No audited financial statements have been prepared for these entities for the years ended 31 December 2015, 2016 and 2017, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(b) The statutory financial statements of this entity for the year ended 31 December 2015, 2016 and 2017 prepared under Accounting Standards for Business Enterprises were audited by Beijing Zhonghe Accounting Office Co., Ltd. certified public accountants registered in China.

(c) The statutory financial statements of this entity for the year ended 31 December 2015 prepared under Accounting Standards for Business Enterprises were audited by Kunming Xialian Certified Public Accountants Co., Ltd., certified public accountants registered in China. The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared under Accounting Standards for Business Enterprises were audited by Joinach Certified Public Accountants registered in China.

(d) The statutory financial statements of this entity for the year ended 31 December 2015 prepared under Accounting System for Non-governmental Non-profit Organizations were audited by Kunming Xialian Certified Public Accountants Co., Ltd., certified public accountants registered in China. The statutory financial statements of this entity for the years ended 31 December 2016 and 2017 prepared under Accounting System for Non-governmental Non-profit Organizations were audited by Joinach Certified Public Accountants registered in China.

(e) The statutory financial statements of this entity for the years ended 31 December 2015 prepared under Accounting Standards for Business Enterprises were audited by Kunming Xialian Certified Public Accountants Co., Ltd., certified public accountants registered in China. No audited financial statements have been prepared for this entity for the years ended 31 December 2016 and 2017, as the entities were not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation.

(f) No statutory audited financial statements have been prepared for the entities as they were newly incorporated/established in 2017/2018.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and accounting principles generally accepted in Hong Kong. All IFRSs effective for the accounting period commencing from 1 January 2018, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Financial Information.

IFRS 15 "*Revenue from contracts with customers*" are effective for the annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Target Group has applied IFRS 15 consistently throughout the Relevant Period. It is considered that the adoption of IFRS 15 did not have significant impact on financial position and performance of the Target Group during the Relevant Period.

IFRS 9 "*Financial Instruments*" are effective for the annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Target Group has applied IFRS 9 consistently throughout the Relevant Period. It is considered that the adoption of IFRS 9 did not have significant impact on financial position and performance of the Target Group during the Relevant Period.

The Historical Financial Information has been prepared under the historical cost convention except for certain short-term investments which have been measured at fair value.

The Historical Financial Information has also been prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

As at 31 July 2018, the Target Group had net current liabilities of RMB663,431,000. The Directors have given careful consideration to the future liquidity and performance of the Target Group and its available sources of finance in assessing whether the Target Group will have sufficient financial resources to continue as a going concern.

Having considered the cash inflow from operations, the Directors are satisfied that the Target Group is able to meet in full its financial obligations as they fall due for the foreseeable future. To mitigate any liquidity issues that might be faced by the Target Group, Minsheng Education Group Company Limited will provide continuous financial support and adequate funds to the Target Group to enable the Target Group to meet its liabilities when they fall due.

Accordingly, the Directors are of the opinion that it is appropriate to prepare the Historical Financial Information on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Target Company and its subsidiaries (collectively referred to as the "**Target Group**") for the years ended 31 December 2015, 2016 and 2017 and the seven months ended 31 July 2018. A subsidiary is an entity, directly or indirectly, controlled by the Target Company. Control is achieved when the Target Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Company the current ability to direct the relevant activities of the investee).

When the Target Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Target Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Target Company obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Target Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Target Group are eliminated in full on consolidation.

The Target Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Target Company loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Target Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Target Group had directly disposed of the related assets or liabilities.

2.2 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Target Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Historical Financial Information.

IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Amendments to IFRS 3	*Definition of a Business*[5]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IAS 1	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to IFRS 3, IFRS 11, IAS 12 and IAS 23*[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption
5 Effective for business combination for which the acquisition's date is on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period

Further information about those IFRSs that are expected to be applicable to the Target Group is described below:

IFRS 16, issued in January 2016, replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from the accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between operating leases and finance leases. IFRS 16 requires lessees and lessors to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Target Group expects to adopt IFRS 16 from 1 January 2019. The Target Group is currently assessing the impact of IFRS 16 upon adoption and is considering the adoption of IFRS 16 in the future is unlikely to have significant impact as the Target Group carried out its business on its own properties as disclosed in note 29 to the Historical Financial Information, the Target Group only had leases of low-value assets and short-term leases as at 31 December 2015, 2016 and 2017 and 31 July 2018, respectively.

IFRIC 23, issued in June 2017, addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of IAS 12 (often referred to as "**uncertain tax positions**"). The interpretation does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Target Group expects to adopt the interpretation from 1 January 2019. The interpretation is not expected to have any significant impact on the Target Group's financial statements.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Target Group measures certain short-term investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Target Group;
- (ii) has significant influence over the Target Group; or
- (iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.4% to 6.3%
Motor vehicles	11.9%
Furniture and equipment	9.5% to 31.7%
Computer equipment	19.0%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress mainly represents buildings under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Group is the lessor, assets leased by the Target Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Target Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) *Financial assets*

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient, the Target Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Target Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

(i) Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Target Group. The Target Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Target Group's financial assets at amortised cost includes trade receivables, cash and cash equivalents, restricted bank balances, amounts due from related parties, amount due from a director and financial assets included in prepayments, deposits and other receivables.

(ii) Financial assets at fair value through OCI (debt instruments)

The Target Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and other comprehensive income and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Target Group does not have debt instruments at fair value through OCI during the Relevant Periods.

(iii) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Target Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, except when the Target Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

The Target Group does not have equity instruments at fair value through OCI during the Relevant Periods.

(iv) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss and other comprehensive income.

This category includes derivative instruments and listed equity investments which the Target Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are also recognised as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired; or

- The Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Target Group applies a simplified approach in calculating ECLs. Therefore, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Target Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due. The Target Group considers a financial asset in default when contractual payments are one year past due. However, in certain cases, the Target Group may also consider a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Group's financial liabilities include other payables and accruals and interest bearing bank loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Target Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss and other comprehensive income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss and other comprehensive income.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss and other comprehensive income.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Target Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the Target Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Target Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Target Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Target Group performs under the contract.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the year, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss and other comprehensive income over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue from contracts with customers

Revenue from contracts with customers is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those services. Specifically, the Target Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Target Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers.

If control of the services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the services. The Target Group recognises revenue when the specific criteria have been met for the following activities:

Tuition and boarding fees received from services of higher education are generally paid in advance prior to the beginning of each academic year, and are initially recorded as contract liabilities. Tuition and boarding fees are recognised proportionately over the relevant periods of the applicable program. The portion of tuition and boarding payments received from students but not earned is recorded as a contract liability and is reflected as a current liability as such amounts represent revenue that the Target Group expects to earn within one year. The academic year of the Target Group's schools is generally from September to June of the following year.

Tuition fees from the provision of other education services to students are collected in advance on a lump sum basis. Revenue is recognised proportionately over the periods of the applicable program.

The Target Group does not expect to have any contracts where the period between the transfer of the promised services to the customer and payment by the customer exceeds one year. As a consequence, the Target Group does not adjust any of the transaction prices for the time value of money.

Rental and ancillary services income is recognised on a time proportion basis over the lease terms.

Interest income from a financial asset is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme. No forfeited contributions may be used by the employer to reduce the existing level of contribution.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Foreign currencies

The Historical Financial Information is presented in RMB, while United State dollar is the Target Company's functional currency. Each entity in the Target Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The Target Company incorporated in the Cayman Islands uses the United States dollar as its functional currency. As the Target Group mainly operates in Mainland China, RMB is used as the presentation currency of the Target Company. As at the end of each of the Relevant Periods, the assets and liabilities of the Target Company and certain overseas subsidiaries, which use currencies other than RMB as their functional currencies, are translated into the presentation currency of the Target Company at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Target Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the Historical Financial Information.

Current and deferred tax

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the Target Group is subject to corporate income tax. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Target Group to change its judgement regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expense in the period that such determination is made. Further details of the current and deferred tax are set out in note 10 to the financial statements.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of goodwill

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Target Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2015, 2016 and 2017 and 31 July 2018, the carrying amount of goodwill was RMB106,590,000. Further details are given in note 15 to the Historical Financial Information.

Impairment of non-financial assets (other than goodwill)

The Target Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each of the Relevant Periods. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. Impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit using key assumptions such as budgeted sales amounts and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives and residual values of items of property, plant and equipment

In determining the useful lives and residual values of items of property, plant and equipment, the Target Group has to consider various factors, such as technical or commercial obsolescence arising from changes or improvements in the production and provision of services, or from a change in the market demand for the product or service output of the asset, expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Target Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances. Further details of the property, plant and equipment are set out in note 13 to the Historical Financial Information.

Fair values of certain investments measured at fair value through profit or loss

Certain investments measured at fair value through profit or loss have been valued based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Target Group to make estimates about expected future cash flows, credit risk, volatility and discount rates, and hence they are subject to uncertainty. The fair value of such investments as at 31 December 2015, 2016 and 2017 and 31 July 2018 was RMB10,000,000, nil, nil and nil, respectively. Further details are included in note 18 to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Target Group is principally engaged in the provision of education services in the PRC.

IFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Target Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess their performance. The information reported to the directors, who are the chief operating decision makers, for the purpose of resource allocation and assessment of performance does not contain discrete operating segment financial information and the directors reviewed the financial results of the Target Group as a whole. Therefore, no further information about operating segments is presented.

Geographical information

During the Relevant Periods, the Target Group operated within one geographical segment because all of its revenue was generated in the PRC and over 90% of its long-term assets/capital expenditure were located/incurred in the PRC. Accordingly, no geographical segment information is presented.

Information about major customers

No service provided to a single customer accounted for 10% or more of the total revenue of the Target Group during the Relevant Periods and the seven months ended 31 July 2017.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered during the Relevant Periods.

The Target Group's revenue is recognised over time and subject to seasonal fluctuation. Where students are required to pay tuition fees and boarding fees at the beginning of academic year, recognition of tuition fees and boarding fees may be affected by regular school term breaks and vacation periods.

An analysis of revenue, other income and gains is as follows:

	Year ended 31 December			Seven months ended 31 July	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Revenue from contract with customers					
Tuition fees	194,113	212,157	238,397	124,631	141,775
Boarding fees	19,210	18,564	18,740	10,795	11,075
	213,323	230,721	257,137	135,426	152,850
Other income and gains					
Bank interest income	1,389	1,813	747	117	1,031
Rental income	4,919	5,100	8,569	5,480	2,666
Hotel accommodation fees	2,171	1,669	1,802	828	1,273
Government grants *(Note a)*					
– Related to assets	132	138	683	253	812
– Related to income	1,356	3,145	1,255	764	2,848
Exchange gain, net	85	105	–	–	85
Fair value gains on investments at fair value through profit or loss	75	148	–	–	–
Others	491	2,620	1,364	660	334
	10,618	14,738	14,420	8,102	9,049

Note:

a. Government grants are related to the subsidies received from local government for the purpose of compensating the operating expenses arising from the College's teaching activities and expenditures on teaching facilities. There were no unfulfilled conditions or contingencies relating to these grants.

The Target Group has recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 31 December 2015, 2016 and 2017 and 31 July 2018 and will be expected to be recognised within one year:

	As at 31 December			As at 31 July
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contract liabilities related to tuition fees	113,676	126,367	144,093	2,342
Contract liabilities related to boarding fees	12,402	12,369	12,681	1,573
Others	–	–	556	646
Total contract liabilities	126,078	138,736	157,330	4,561

The Target Group receives tuition fees, boarding fees and other education service income from students in advance prior to the beginning of each academic year. Tuition and boarding fees are recognised proportionately over the relevant periods of the applicable program. The students are entitled to the refund of payments in relation to the proportionate services not yet rendered.

Significant changes in the contract liabilities balances during the Relevant Periods and the seven months ended 31 July 2017 are as follows.

	Year ended 31 December			Seven months ended 31 July
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At the beginning of the year/period	118,672	126,078	138,736	157,330
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year/period	(118,067)	(126,078)	(138,736)	(156,774)
Other income and gains recognised that was included in the balance of contract liabilities at the beginning of the year/period	(605)	–	–	(556)
Increases due to cash received, excluding amounts recognised as revenue during the year/period	126,078	138,736	157,330	4,561
At the end of the year/period	126,078	138,736	157,330	4,561

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the Relevant Periods.

	Seven months ended 31 July 2018
	RMB'000
Tuition fees	2,342
Boarding fees	1,573
Others	646
Total	4,561

There were no contract assets at the end of each reporting period recognised in the consolidated statement of financial position.

6. PROFIT BEFORE TAX

The Target Group's profit before tax is arrived at after charging/(crediting):

		Year ended 31 December			Seven months ended 31 July	
	Notes	2015	2016	2017	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Depreciation	*13*	35,530	36,844	36,602	21,175	22,294
Recognition of prepaid land lease payments	*14*	2,105	2,105	2,218	1,228	1,630
Employee benefit expense (excluding directors' and chief executive's remuneration *(Note 8)*):						
Wages and salaries		40,620	43,663	49,486	28,196	30,132
Pension scheme contributions (defined contribution schemes)		11,201	12,907	15,640	10,891	11,287
Provision for expected credit losses of trade receivables*	*17*	406	67	–	–	–
Recovery of trade receivables*	*17*	–	–	(3)	(110)	(26)
Fair value gains on investments at fair value through profit or loss	*5*	75	148	–	–	–
Loss on disposal of items of property, plant and equipment, net		102	152	–	–	–
Donation expense		105	253	160	107	56

* Provision for expected credit losses of trade receivables and recovery of trade receivables are included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December			Seven months ended 31 July	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Interest on bank loans	37,549	30,060	21,143	12,472	9,276
Interest on finance leases	–	–	3,662	–	14,650
Total interest expense on financial liabilities not at fair value through profit or loss	37,549	30,060	24,805	12,472	23,926
Less: Interest capitalised	(9,513)	(936)	–	–	–
	28,036	29,124	24,805	12,472	23,926

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

There was no director's and chief executive's remuneration paid by the Target Group during the Relevant Periods and the seven months ended 31 July 2017.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Target Group during the Relevant Periods and the seven months ended 31 July 2017 included no directors and the chief executive, respectively, details of whose remuneration are set out in Note 8 above. Details of the remuneration of the five highest paid employees who are neither a director nor chief executive of the Target Group during the Relevant Periods and seven months ended 31 July 2017 are as follows:

	Year ended 31 December			Seven months ended 31 July	
	2015	2016	2017	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Salaries, allowances and benefits in kind	578	638	755	486	598
Pension scheme contributions	113	69	118	65	70
	691	707	873	551	668

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Seven months ended 31 July	
	2015	2016	2017	2017	2018
				(unaudited)	
Nil to HK$1,000,000	5	5	5	5	5

During the Relevant Periods and the seven months ended 31 July 2017, no emoluments were paid by the Target Group to the five highest paid employee as an inducement to join or upon joining the Target Group. None of the five highest paid employee have waived any remuneration during the Relevant Periods and the seven months ended 31 July 2017.

10. INCOME TAX

The Target Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Target Group are domiciled and operate.

The Target Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax.

Leed International Education Group (China) Limited, which was incorporated in Hong Kong, was subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong since the date of its incorporation. No provision for Hong Kong income tax has been made as the Target Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods and the seven months ended 31 July 2017.

According to the Implementation Rules for the Law for Promoting Private Education (the "**Implementation Rules**"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatments. Private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns. It is stated in the Implementation Rules that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns.

During the Relevant Periods and the seven months ended 31 July 2017, no separate policies, regulations or rules have been introduced by the authorities in this regard. In accordance with the historical tax returns filed to the relevant tax authorities, the Target Group's school, Dianchi College of Yunnan University had enjoyed the preferential corporate income tax exemption during the Relevant Periods and the seven months ended 31 July 2017.

As a result, no income tax expense was recognised for the Target Group's school for the Relevant Periods and the seven months ended 31 July 2017.

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, the non-school subsidiaries of the Target Group which operate in Mainland China are generally subject to Corporate Income Tax ("**CIT**") at a rate of 25% on their respective taxable income.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Target Group operates:

	Year ended 31 December			Seven months ended 31 July	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Current – Mainland China					
Charge for the year/period	58	125	101	8	46

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the countries (or jurisdictions) in which the Target Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rate, are as follows:

	Year ended 31 December						Seven months ended 31 July			
	2015		2016		2017		2017		2018	
	RMB'000	%	*RMB'000*	%	*RMB'000*	%	*RMB'000* (unaudited)	%	*RMB'000*	%
Profit before tax	52,889		58,502		75,017		32,561		37,641	
Tax at the statutory tax rates	13,213	25	14,605	25	18,754	25	8,140	25	9,410	25
Lower tax rates enacted by local authority	(5)	–	–	–	(55)	–	1	–	22	–
Income not subject to tax	(15,682)	(30)	(17,810)	(30)	(22,015)	(29)	(10,368)	(32)	(9,499)	(25)
Expenses not deductible for tax	77	–	60	–	95	–	42	–	53	–
Tax losses not recognised	2,455	5	3,270	5	3,322	4	2,193	7	60	–
Tax charged at the Target Group's effective rate	58	–	125	–	101	–	8	–	46	–

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Target Group, the applicable rate is 10%. The Target Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at 31 December 2015, 2016 and 2017 and 31 July 2018, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Target Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Target Group's earnings will be retained in Mainland China for the expansion of the Target Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

There are no income tax consequences attaching to the payment of dividends by the Target Company to its shareholders.

As at 31 December 2015, 2016 and 2017 and 31 July 2018, the Target Group has tax losses arising in Mainland China of RMB31,552,000, RMB35,297,000, RMB36,353,000 and RMB36,353,000, respectively, which will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

11. DIVIDENDS

No dividends have been paid or declared by the Target Company since the date of its incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE TARGET COMPANY

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the proposed acquisition and the preparation of the results of the Target Group for the Relevant Periods and seven months ended 31 July 2017.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Motor vehicles	Furniture and equipment	Computer equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2015						
At 1 January 2015:						
Cost	721,065	8,865	100,890	1,632	6,339	838,791
Accumulated depreciation	(91,860)	(4,765)	(52,252)	(1,191)	–	(150,068)
Net carrying amount	629,205	4,100	48,638	441	6,339	688,723
At 1 January 2015, net of accumulated depreciation	629,205	4,100	48,638	441	6,339	688,723
Additions	–	912	3,606	32	67,031	71,581
Disposals	–	–	(102)	–	–	(102)
Transfers	67,961	–	1,506	–	(69,467)	–
Depreciation provided during the year *(note 6)*	(24,379)	(821)	(10,202)	(128)	–	(35,530)
At 31 December 2015, net of accumulated depreciation	672,787	4,191	43,446	345	3,903	724,672
At 31 December 2015:						
Cost	787,885	9,777	103,961	1,664	3,903	907,190
Accumulated depreciation	(115,098)	(5,586)	(60,515)	(1,319)	–	(182,518)
Net carrying amount	672,787	4,191	43,446	345	3,903	724,672

	Buildings	Motor vehicles	Furniture and equipment	Computer equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2016						
At 1 January 2016:						
Cost	787,885	9,777	103,961	1,664	3,903	907,190
Accumulated depreciation	(115,098)	(5,586)	(60,515)	(1,319)	–	(182,518)
Net carrying amount	672,787	4,191	43,446	345	3,903	724,672
At 1 January 2016, net of accumulated depreciation	672,787	4,191	43,446	345	3,903	724,672
Additions	–	866	4,490	142	6,288	11,786
Disposals	–	(159)	(2)	–	–	(161)
Transfers	–	–	64	–	(64)	–
Depreciation provided during the year *(note 6)*	(25,912)	(655)	(10,173)	(104)	–	(36,844)
At 31 December 2016, net of accumulated depreciation	646,875	4,243	37,825	383	10,127	699,453
At 31 December 2016:						
Cost	787,385	9,909	108,464	1,806	10,127	917,691
Accumulated depreciation	(140,510)	(5,666)	(70,639)	(1,423)	–	(218,238)
Net carrying amount	646,875	4,243	37,825	383	10,127	699,453

	Buildings	Motor vehicles	Furniture and equipment	Computer equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2017						
At 1 January 2017:						
Cost	787,385	9,909	108,464	1,806	10,127	917,691
Accumulated depreciation	(140,510)	(5,666)	(70,639)	(1,423)	–	(218,238)
Net carrying amount	646,875	4,243	37,825	383	10,127	699,453
At 1 January 2017, net of accumulated depreciation	646,875	4,243	37,825	383	10,127	699,453
Additions	–	–	12,543	190	41,552	54,285
Transfers	14,547	–	5,646	–	(20,807)	(614)
Depreciation provided during the year *(note 6)*	(25,237)	(778)	(10,467)	(120)	–	(36,602)
At 31 December 2017, net of accumulated depreciation	636,185	3,465	45,547	453	30,872	716,522
At 31 December 2017:						
Cost	800,108	9,909	126,653	1,996	30,872	969,538
Accumulated depreciation	(163,923)	(6,444)	(81,106)	(1,543)	–	(253,016)
Net carrying amount	636,185	3,465	45,547	453	30,872	716,522

	Buildings	Motor vehicles	Furniture and equipment	Computer equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 July 2018						
At 1 January 2018:						
Cost	800,108	9,909	126,653	1,996	30,872	969,538
Accumulated depreciation	(163,923)	(6,444)	(81,106)	(1,543)	–	(253,016)
Net carrying amount	636,185	3,465	45,547	453	30,872	716,522
At 1 January 2018, net of accumulated depreciation	636,185	3,465	45,547	453	30,872	716,522
Additions	717	–	3,381	–	59,558	63,656
Depreciation provided during the period *(note 6)*	(14,977)	(429)	(6,810)	(78)	–	(22,294)
At 31 July 2018, net of accumulated depreciation	621,925	3,036	42,118	375	90,430	757,884
At 31 July 2018:						
Cost	800,825	9,909	130,034	1,996	90,430	1,033,194
Accumulated depreciation	(178,900)	(6,873)	(87,916)	(1,621)	–	(275,310)
Net carrying amount	621,925	3,036	42,118	375	90,430	757,884

The Target Group's buildings are situated in Mainland China.

As at 31 December 2015, 2016 and 2017 and 31 July 2018, certain of the Target Group's buildings with a net carrying amount of approximately RMB286,283,000, RMB274,896,000, RMB271,245,000 and RMB236,743,000, respectively,were pledged to secure bank loans and other borrowings (note 21).

Finance leases

The carrying value of the Target Group's buildings and equipment held under finance leases as at 31 December 2017 and 31 July 2018 were RMB125,848,405 and RMB302,033,841, respectively. Leased assets were pledged as security for the related finance lease payables.

14. PREPAID LAND LEASE PAYMENTS

	Notes	As at 31 December 2015	2016	2017	As at 31 July 2018
		RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year/period		93,735	91,630	89,525	109,353
Addition		–	–	22,046	–
Recognised during the year/period	6	(2,105)	(2,105)	(2,218)	(1,630)
Carrying amount at end of year/period		91,630	89,525	109,353	107,723
Current portion included in prepayments, deposits and other receivables	16	(2,105)	(2,105)	(2,546)	(2,546)
Non-current portion		89,525	87,420	106,807	105,177

These pieces of leasehold lands are located in Mainland China and are held under long term leases.

As at 31 December 2015, 2016 and 2017 and 31 July 2018, certain of the leasehold lands with the net carrying amounts of RMB91,630,000, RMB79,634,000, RMB78,039,000 and RMB64,611,000, respectively, were pledged to secure bank loans (Note 21).

15. GOODWILL

	As at 31 December 2015	2016	2017	As at 31 July 2018
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At beginning and end of year/period	106,590	106,590	106,590	106,590
Accumulated impairment:				
At beginning and end of year/period	–	–	–	–
Net carrying amount:				
At beginning and end of year/period	106,590	106,590	106,590	106,590

Impairment testing of goodwill

Goodwill acquired through business combination is allocated to the cash-generating unit of Dianchi College of Yunnan University.

The recoverable amount of Dianchi College of Yunnan University cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December			**As at 31 July**
	2015	**2016**	**2017**	**2018**
Sales amount (% annual growth rate)	5%	8%	11%	13%
Gross margins (% of revenue)	48%	47%	48%	47%
Long term growth rate	3%	3%	3%	3%
Pre-tax discount rate	17%	17%	17%	17%

Budgeted sales amounts – The budgeted sales amounts are based on the historical data and management's expectation on the future market.

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Long term growth rate – The long term growth rate is based on the historical data and management's expectation on the future market.

Pre-tax discount rate – The pre-tax discount rate reflects specific risks relating to the relevant unit, which is determined using the capital asset pricing model with reference to the beta coefficient and debt ratio of certain publicly listed companies conducting business in the PRC education industry.

The values assigned to the key assumptions on market development of the cash-generating unit and discount rate are consistent with external information sources.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Year ended 31 December			**As at 31 July**
	Note	**2015**	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepaid expenses		721	20	–	–
Prepaid land lease payments	*14*	2,105	2,105	2,546	2,546
Advance to staff		1,273	2,380	88	522
Advance to third parties		533	806	6,833	9,181
Deposits and other receivables		5,324	3,195	44,752	70,338
		9,956	8,506	54,219	82,587
Non-current portion		–	–	(3,942)	(4,161)
		9,956	8,506	50,277	78,426

The Target Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Long ageing balances are reviewed regularly by senior management. In view of the fact that the Target Group's deposits and other receivables relate to a large number of diversified counterparties, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its deposits and other receivable balances. Other receivables are non-interest-bearing.

Other receivables were settled within 12 months and had no historical default, the financial assets included in the above balances were categorized in stage 1 at the end of each reporting period. In calculating the expected credit loss rate, the Target Group considers the historical loss rate and adjusts for forward looking macroeconomic data. During the Relevant Periods, the Target Group estimated the expected loss rate for other receivables is minimal

17. TRADE RECEIVABLES

	Year ended 31 December			**As at 31 July**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Tuition fee and boarding fees receivables	7,100	6,757	5,121	4,577
Provision for expected credit losses	(3,406)	(3,473)	(3,470)	(3,444)
	3,694	3,284	1,651	1,133

The Target Group's students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in September. The outstanding receivables represent amounts due from students who have applied for the delayed payment of tuition fees and boarding fees. The Target Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Target Group's trade receivables relate to a large number of diversified students, there is no significant concentration of credit risk. The Target Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of each of the Relevant Periods, based on the transaction date and net of provisions, is as follows:

	Year ended 31 December			**As at 31 July**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	2,635	2,797	1,425	1,063
1 to 2 years	49	487	226	70
2 to 3 years	189	–	–	–
Over 3 years	821	–	–	–
	3,694	3,284	1,651	1,133

The Target Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. The Target Group overall considers the credit risk and days past due of the trade receivables to measure the expected credit losses. During the Relevant Periods, the expected losses for students are determined as follows:

		As at 31 December						As at 31 July	
		2015	2015	2016	2016	2017	2017	2018	2018
	Expected credit loss rates	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses	Estimated total gross carrying amount at default	Expected credit losses
	%	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Category 1 *(Note(a))*	0	3,694	–	3,284	–	1,651	–	1,133	–
Category 2 *(Note(b))*	100	3,406	3,406	3,473	3,473	3,470	3,470	3,444	3,444
		7,100	3,406	6,757	3,473	5,121	3,470	4,577	3,444

Note (a): Category 1 represents trade receivables due from undergraduate students.

Note (b): Category 2 represents trade receivables due from graduated students.

There was no change in the ECL rates during the Relevant Periods, which was mainly due to no significant changes in the historical default rates of trade receivables, economic conditions and performance and behavior of the students were noted, based on which the ECL rates are determined.

The movements in the allowance for expected credit losses of trade receivables are as follows:

		Year ended 31 December			As at 31 July
	Note	2015	2016	2017	2018
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period		3,000	3,406	3,473	3,470
Provision for expected credit losses	*6*	406	67	–	–
Amounts written off as uncollectible	*6*	–	–	(3)	(26)
		3,406	3,473	3,470	3,444

18. INVESTMENTS MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December			As at 31 July
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products issued by licensed banks, at fair value	10,000	–	–	–

Wealth management products were denominated in RMB, with an expected rate of return ranging from 2.05% to 3.35%, for the year ended 31 December 2015.

Under IFRS 9, during the years ended 31 December 2015, 2016 and 2017, the Target Group designated the investments of wealth management products upon initial recognition as at fair value through profit or loss. Upon the adoption of IFRS 9 for the period beginning on 1 January 2018, as assessed by the Target Group, the return on all of these wealth management products is not guaranteed, and hence their contractual cash flows do not qualify for solely payments of principal and interest. Therefore, they are measured at fair value through profit or loss.

None of these investments are past due. The fair values are based on cash flow discounted using the expected return based on management judgement and are within level 3 of fair value hierarchy.

19. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK BALANCES

	As at 31 December			As at 31 July
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances	131,970	41,669	366,974	25,053
Less: Restricted bank balances	60,755	–	–	–
Cash and cash equivalents	71,215	41,669	366,974	25,053
Denominated in:				
– RMB	131,961	41,603	328,395	24,832
– Hong Kong dollars (HK$)	9	29	–	–
– United States dollars (US$)	–	37	38,579	221

The RMB is not freely convertible into other currencies, however, under the Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

In accordance with the relevant laws and regulations imposed by the relevant PRC government authorities or the terms and conditions set out in the relevant government grant agreements, proceeds from government grants are required to be deposited into designated bank accounts and restricted to be used in the relevant projects. As at 31 December 2015, 2016 and 2017 and 31 July 2018, such balances were RMB10,643,000, RMB11,951,000, RMB 6,483,000 and RMB8,730,000, respectively.

20. OTHER PAYABLES AND ACCRUALS

	Year ended 31 December			As at 31 July
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accrued bonus and other employee benefits	12,927	15,084	14,216	12,133
Payables for catering services	14,325	13,338	12,099	5,987
Payables for purchase of property, plant and equipment	55,826	28,655	41,842	56,339
Payables for management fee	24,824	6,603	28,335	23,443
Miscellaneous expenses received from students *(Note (a))*	4,048	4,542	1,711	9,645
Other payables	11,051	16,473	14,276	45,085
Interest payable	892	707	486	1,281
Other tax payable	489	596	385	295
	124,382	85,998	113,350	154,208

Other payables are non-interest-bearing and repayable on demand.

Note (a): The amount represents the miscellaneous expenses received from students which will be paid out on behalf of students.

21. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2015			As at 31 December 2016			As at 31 December 2017			As at 31 July 2018		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current												
Bank loans – secured	4.85%-7.00%	2016	224,750	5.22%-7.00%	2017	85,000	5.22%	2018	50,000			–
Current portion of long-term bank loans – secured	4.90%-9.23%	2016	80,600	4.90%-8.30%	2017	94,000	4.90%-8.30%	2018	98,500	4.90%-8.30%	2018-2019	93,000
Finance lease payables *(Note 22)*			–			–	6.50%-6.95%	2018	84,866	6.50%-7.67%	2018-2019	120,588
			305,350			179,000			233,366			213,588
Non-current												
Bank loans – secured	4.90%-8.30%	2017-2020	194,000	4.90%-8.30%	2018-2021	177,000	4.90%-8.30%	2019-2021	99,500	4.90%-8.30%	2019-2021	114,000
Finance lease payables *(Note 22)*			–			–	6.50%-6.95%	2019-2020	176,507	6.50%-7.67%	2019-2021	222,725
			194,000			177,000			276,007			336,725
			499,350			356,000			509,373			550,313

	As at 31 December			As at 31 July
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Analysed into:				
Bank loans repayable:				
Within one year	305,350	179,000	148,500	93,000
In the second year	54,000	88,500	50,500	101,400
In the third to fifth years, inclusive	140,000	88,500	49,000	12,600
	499,350	356,000	248,000	207,000
Finance lease payables:				
Within one year	–	–	84,866	120,588
In the second year	–	–	86,736	120,521
In the third to fifth years, inclusive	–	–	89,771	102,204
	–	–	261,373	343,313
	499,350	356,000	509,373	550,313

Notes:

(a) During the Relevant Periods, the Target Group's bank facilities amounting to RMB40,000,000, RMB40,000,000, RMB9,600,000 and RMB39,600,000, of which RMB40,000,000, nil, RMB9,600,000 and RMB39,600,000 had been utilised as at the end of the Relevant Period, are secured by mortgage over certain of the Target Group's leasehold lands situated in Mainland China, which had aggregate carrying value of RMB10,119,000, by mortgage over certain of the Target Group's leasehold lands situated in Mainland China, which had aggregate carrying value of RMB9,891,000, by mortgage over the charging right of the college, by mortgage over the charging right of the college and by guaranteed from a related party, as at the 31 December 2015, 2016 and 2017 and 31 July 2018, respectively.

(b) During the Relevant Periods, certain of the Target Group's bank loans were secured by mortgages over certain of the Target Group's leasehold lands situated in Mainland China, which had aggregate carrying values of RMB91,630,000, RMB79,634,000, RMB78,039,000 and RMB64,611,000, respectively.

(c) During the Relevant Periods, certain of the Target Group's bank loans were secured by mortgages over certain of the Target Group's buildings situated in Mainland China, which had aggregate carrying values of RMB286,283,000, RMB274,896,000, RMB271,245,000 and RMB236,743,000, respectively.

(d) During the Relevant Periods, certain of the Target Group's bank loans were secured by the tuition fee charging right of the College from 21 September 2012 to 17 June 2021, which had aggregate carrying values of RMB304,600,000, RMB321,000,000, RMB248,000,000 and RMB207,000,000, respectively.

(e) All borrowings are denominated in RMB.

22. FINANCE LEASE PAYABLES

The Target Group leased buildings and equipment in year ended 31 December 2017 and the seven months ended 31 July 2018 and the leases were classified as finance leases and have remaining lease terms of 3 years.

At 31 December 2017 and 31 July 2018, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payment		Present value of minimum lease payment	
	As at 31 December 2017	As at 31 July 2018	As at 31 December 2017	As at 31 July 2018
Amounts payable:				
Within one year	98,342	135,471	84,866	120,588
In the second year	97,294	133,533	86,736	120,521
In the third year to fifth years, inclusive	95,894	107,039	89,771	102,204
Total minimum finance charges	291,530	376,043	261,373	343,313
Future finance charges	(30,157)	(32,730)		
Total net finance lease payables	261,373	343,313		
Portion classified as current liabilities *(Note 21)*	84,866	120,588		
Non-current portion *(Note 21)*	176,507	222,725		

23. DEFERRED INCOME

	As at 31 December			As at 31 July
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Government grants *(Note a)*				
At beginning of year/period	4,370	11,625	13,380	16,126
Grants received	8,743	5,038	4,684	7,365
Charged to profit or loss	(1,488)	(3,283)	(1,938)	(3,660)
At end of year/period	11,625	13,380	16,126	19,831
Current	132	138	683	812
Non-current	11,493	13,242	15,443	19,019
	11,625	13,380	16,126	19,831

Note:

(a) These government grants are related to the subsidies received from the local government for the purpose of compensating the operating expenses arising from the Target Group's school's teaching activities and expenditures on teaching facilities. Upon completion of the operating activities and the related projects, the grants related to the expense items will be recognised as other income directly in profit or loss and the grants related to an asset will be released to profit or loss over the expected useful life of the relevant asset.

24. REDEEMABLE PREFERRED SHARES

On 6 December 2013, the Target Company entered into a share repurchase agreement with the investor of Series A and Series B Preferred Shares ("Preferred Shares") to repurchase all 12,500,000 Series A and 20,750,000 Series B Preferred Shares in issue at a consideration of US$64,970,000, equivalent to RMB443,868,000 approximately. Mr. Li Hongtao, the controlling shareholder of the Target Company, took over the Preferred Shares and terminated all the rights attached to the Preferred Shares and the instrument has been measured at amortised cost since 6 December 2013. On 7 December 2013, Mr. Li Hongtao entered into an agreement with the Target Company, which stated that the Target Company should repurchase the Preferred Shares in the event that Mr. Li Hongtao sells his ordinary shares of the Target Company.

On 23 July 2018, The Target Company entered into an agreement with Mr. Li Hongtao to repurchase all the Preferred Shares with its internal resources and a loan from China Education Holdings Limited equals to an amount of approximately RMB231,000,000.

25. SHARE CAPITAL

Shares

The Target Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 15 April 2008 with an authorised share capital of US$44,875 divided into 44,875,000 shares of US$0.001 each, of which 36,625,000, 3,625,000 and 4,625,000 shares were issued and allotted to National Education Holding Limited, Hyde Education Holding Limited and Leed Education Holding Limited, respectively, credited as fully paid. National Education Holding Limited, Hyde Education Holding Limited and Leed Education Holding Limited are companies incorporated in the British Virgin Islands and controlled by Mr. Li Hongtao, Mr. Bai Xuebiao and Ms. Ouyang Chenyan, respectively.

	As at 31 December			As at 31 July
	2015	**2016**	**2017**	**2018**
Ordinary shares	44,875,000	44,875,000	44,875,000	44,875,000

	As at 31 December			As at 31 July
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Issued and fully paid:				
Ordinary shares	308	308	308	308

During the Relevant Periods, there was no movement in the Target Company's share capital.

26. RESERVES

The amounts of the Target Group's reserves and the movements therein for each of the years are presented in the consolidated statement of changes in equity on pages 54 to 56 of this report.

Statutory and other surplus reserves

Pursuant to the relevant laws in the PRC, the Target Company's subsidiaries in Mainland China shall make appropriations from after-tax profit to non-distributable reserve funds as determined by the boards of directors of the relevant PRC subsidiaries. These reserves include (i) the general reserve of the limited liability companies and (ii) the development fund of school.

(i) In accordance with the Company Law of the PRC, certain subsidiaries of the Target Group which are domestic enterprises are required to allocate 10% of their profit after tax, as determined in accordance with the relevant PRC accounting standards, to their respective statutory surplus reserves until the reserves reach 50% of their respective registered capital. Subject to certain restrictions set out in the Company Law of the PRC, part of the statutory surplus reserve may be converted to registered capital, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(ii) According to the relevant PRC laws and regulations, for a private school which requires reasonable returns, it is required to appropriate to development fund of not less than 25% of the annual net income of the relevant school as determined in accordance with generally accepted accounting principles in the PRC, while in the case of a private school that does not require reasonable returns, the appropriation amount is at least 25% of annual net income or the annual increase in the net assets of the school. The development fund is for the construction or maintenance of the school, or procurement or upgrading of educational equipment.

27. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Changes in liabilities arising from financial activities:

	Interest-bearing bank loans			
				As at
	As at 31 December			**31 July**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	285,000	499,350	356,000	248,000
Changes from financing cash flows	214,350	(143,350)	(108,000)	(41,000)
At end of year/period	499,350	356,000	248,000	207,000

	Finance lease payables			
				As at
	As at 31 December			**31 July**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At beginning of year/period	–	–	–	261,373
Changes from financing cash flows	–	–	259,458	70,013
Interest expense	–	–	1,915	11,927
At end of year/period	–	–	261,373	343,313

28. CONTINGENT LIABILITIES

As at 31 December 2015, 2016 and 2017 and 31 July 2018, the Target Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threat.

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Target Group leases its certain buildings under operating lease arrangements, with leases negotiated for terms ranging from one to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

As at 31 December 2015, 2016 and 2017 and 31 July 2018, the Target Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 31 December			As at 31 July
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	6,728	6,396	5,647	4,442
In the second to fifth years, inclusive	9,338	4,191	4,528	4,685
	16,066	10,587	10,175	9,127

(b) As lessee

The Target Group leases certain of its buildings under operating lease arrangements. Leases for buildings were negotiated for initial terms ranging from one to two years.

As at 31 December 2015, 2016 and 2017 and 31 July 2018, the Target Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 31 December			As at 31 July
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	7	151	2,663	1,092
In the second to fifth years, inclusive	158	302	–	–
	165	453	2,663	1,092

30. COMMITMENTS

In addition to the operating lease commitments detailed in Note 29(b) above, the Target Group had the following capital commitments at the end of each of the Relevant Periods:

	As at 31 December			As at 31 July
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Contracted, but not provided for:				
Buildings	–	–	66,919	12,456

At the end of each of the Relevant Periods, the Target Group did not have significant capital commitments that are authorised but not contracted for.

31. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties

Name	Relationship
Mr. Li Hongtao	Director of the Target Company
Mr. Bai Xuebiao	Director of the Target Company
Ms. Ouyang Chenyan	Director of the Target Company
National Education Holding Limited	The ultimate holding company
Hyde Education Holding Limited	The non-controlling shareholder of the Target Company
Leed Education Holding Limited	The non-controlling shareholder of the Target Company
Leed National Education Technology (Beijing) Company Limited (勵德國教教育科技(北京)有限公司) ("Leed National Education")	Fellow subsidiary
Beijing National Education Investment Company Limited (北京國教投資有限公司) ("Beijing National Education Investment")	Fellow subsidiary
Beijing National Education Asset Management Company Limited (北京國教資產管理有限公司) ("Beijing National Education Asset Management")	Fellow subsidiary
Taicang National Education Development Company Limited (太倉國教教育發展有限公司) ("Taicang National Education")	Fellow subsidiary
Changzhou National Education Investment and Development Center Company Limited (常州國教投資發展中心有限公司) ("Changzhou National Education")	Fellow subsidiary
Changzhou International School (常州國際學校)	Fellow subsidiary
Beijing Meiyang Property Management Company Limited (北京美洋物業管理有限公司) ("Beijing Meiyang Property")	Fellow subsidiary
Beijing Tianxinjia Engineering Management Company Limited (北京天信嘉工程管理有限公司) ("Beijing Tianxinjia")	Fellow subsidiary
Beijing Jingrong Tiandi Decoration Design Company Limited (北京境容天地裝飾設計有限公司) ("Beijing Jingrong Tiandi")	Fellow subsidiary
Jiandong Vocational and Technical College (建東職業技術學院)	Fellow subsidiary
Colyde Software (Shanghai) Company Limited (科萊德軟件(上海)有限公司) ("Colyde Software")	Fellow subsidiary
RED CANDLE INC.	Fellow subsidiary
WINFOR INVESTMENT LIMITED	Fellow subsidiary
China Education Holdings Limited	Fellow subsidiary
WINFOR GROUP LIMITED	Fellow subsidiary

WINFOR TRAVEL HOLDING LIMITED	Fellow subsidiary
Taicang Shibei Shanghai International School (太倉市北上海國際學校)	Fellow subsidiary
Changzhou Laite Education Service Company Limited (常州萊特教育服務有限公司) ("Changzhou Laite")	Fellow subsidiary
Changzhou Jiandong Office Automation Equipment Company Limited (常州建東辦公自動化設備有限公司) ("Changzhou Jiandong")	Fellow subsidiary
Zhengzhou Leed Bilingual School (鄭州勵德雙語學校)	Fellow subsidiary
Huzhou Haoding Construction Company Limited (湖州昊鼎建設有限公司) ("Huzhou Haoding")	Fellow subsidiary
Beijing Yise Terui Business Consulting Company Limited (北京伊斯特瑞商務諮詢有限公司) ("Beijing Yise Terui")	Fellow subsidiary
Huzhou Jujian Construction Company Limited (湖州聚建建設有限公司) ("Huzhou Jujian")	Fellow subsidiary
Beijing Xinmao Trading Company Limited (北京欣茂貿易有限公司) ("Beijing Xinmao")	Fellow subsidiary
Beijing Hengcheng Trading Company Limited (北京恒成貿易有限公司) ("Beijing Hengcheng")	Fellow subsidiary

(b) Outstanding balances with related parties

As disclosed in the consolidated statements of financial position, the Target Group had outstanding balances due from/to related parties at 31 December 2015, 2016 and 2017 and 31 July 2018, respectively.

Amount due from a director:

		As at 31 December			As at 31 July
	Note	**2015**	**2016**	**2017**	**2018**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Ouyang Chenyan	*32*	7,000	3,000	–	–

Amounts due from related parties:

	As at 31 December			As at 31 July
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leed National Education	73,021	40,136	11,476	–
Beijing National Education Investment	6,013	11,201	2,119	–
Beijing National Education Asset Management	50,781	41,372	5,092	–
Taicang National Education	7,018	7,018	1,054	–
Changzhou National Education	35,259	10,259	45	–
Changzhou International School	5	5	5	–
Beijing Meiyang Property	8,260	25,760	8,260	–
Beijing Tianxinjia	99,126	82,344	144	–
Beijing Jingrong Tiandi	6,077	577	592	146
Jiandong Vocational and Technical College	2,100	33,612	–	–
Colyde Software	44	44	20	–
National Education Holding Limited	35	39	42	–
Hyde Education Holding Limited	31	34	38	–
Leed Education Holding Limited	31	34	37	–
RED CANDLE INC.	–	–	78,416	–
WINFOR INVESTMENT LIMITED	–	62,433	58,808	–
China Education Holdings Limited	–	–	7	–
WINFOR GROUP LIMITED	–	–	5	–
WINFOR TRAVEL HOLDING LIMITED	–	–	9	–
Changzhou Jiandong	700	–	–	–
Zhengzhou Leed Bilingual School	92	92	–	–
Huzhou Haoding	20,000	20,000	17,000	–
Beijing Xinmao	–	34,650	9,870	1,000
	308,593	369,610	193,039	1,146

Amounts due to directors:

	As at 31 December			As at 31 July
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Li Hongtao	19	21	19	20
Ms. Ouyang Chenyan	40,037	32,065	32,962	–
	40,056	32,086	32,981	20

Amounts due to related parties:

	As at 31 December			As at 31 July
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Leed National Education	46,957	20,075	20,557	–
Beijing National Education Investment	200	58,966	75,230	150,000
Beijing National Education Asset Management	17,546	21,428	17,956	–
Taicang National Education	1,720	1,720	1,735	–
Changzhou National Education	–	–	11,216	–
Beijing Meiyang Property	17,500	17,500	–	–
Beijing Tianxinjia	7,142	25,662	7,942	–
Beijing Jingrong Tiandi	6,100	600	–	–
Jiandong Vocational and Technical College	33,845	32,257	32,257	–
Colyde Software	24	24	–	–
China Education Holdings Limited (a)	–	–	–	231,000
Taicang Shibei Shanghai International School	4	4	–	–
Changzhou Laite	10,930	10,930	–	–
Zhengzhou Leed Bilingual School	8,560	5,682	328	–
Huzhou Haoding	20,000	20,000	20,000	–
Beijing Yise Teru	10,000	–	–	–
Beijing Xinmao	–	8,000	8,000	–
Beijing Hengcheng	–	–	–	15,000
	180,528	222,848	195,221	396,000

Note (a) The Target Company has repurchased its issued preferred shares from Mr. Li Hongtao (Note 24) with its internal resources and a loan from China Education Holdings Limited equals to an amount of approximately RMB231,000,000.

Except for part of the amounts due from the related parties as set out in note 31(c), The amounts due from/to directors and related parties were unsecured, interest-free, non-trade in nature and had no fixed terms of repayment.

(c) Other related party transactions

In addition to the transactions detailed elsewhere in this report, during the Relevant Periods and the seven months ended 31 July 2017, the Target Group entered into the following transactions with its related parties:

	Year ended 31 December			Seven months ended 31 July	
	2015	2016	2017	2017	2018
Rental Fee	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Beijing Jingrong Tiandi	–	8	186	105	302
Beijing Xinmao	–	–	–	–	1,400
	–	8	186	105	1,702

The purchases from the related parties were made according to the published prices and conditions offered by the related parties to their major customers.

32. LOANS TO A DIRECTOR

Loans to a director, disclosed pursuant to section 383(1)(d) of the Hong Kong Companies Ordinance and Part 3 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, are as follows:

Name	As at 1 January 2015	As at 31 December 2015	Maximum amount outstanding during the year 2015	As at 31 December 2016	Maximum amount outstanding during the year 2016	As at 31 December 2017	Maximum amount outstanding during the year 2017	As at 31 July 2018	Maximum amount outstanding during the seven months ended 31 July 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Ms. Ouyang Chenyan	–	7,000	17,725	3,000	7,000	–	3,000	–	–

The loans granted to a director bear no interest and have no fixed terms of repayment.

33. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments of the Target Group as at the end of each of the Relevant Periods are as follows:

Financial assets – at amortised costs	**As at 31 December**			**As at 31 July**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets included in prepayments, deposits and other receivables	4,067	1,445	11,910	70,310
Trade receivables	3,694	3,284	1,651	1,133
Cash and cash equivalents	71,215	41,669	366,974	25,053
Restricted bank balances	60,755	–	–	–
Amounts due from related parties	308,593	369,610	193,039	1,146
Amount due from a director	7,000	3,000	–	–
	455,324	419,008	573,574	97,642

Financial assets – at fair value	**As at 31 December**			**As at 31 July**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Investments measured at fair value through profit or loss	10,000	–	–	–

Financial liabilities – at amortised costs	**As at 31 December**			**As at 31 July**
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	110,966	70,318	98,749	141,780
Interest-bearing bank and other borrowings	499,350	356,000	509,373	550,313
Amounts due to related parties	180,528	222,848	195,221	396,000
Amounts due to directors	40,056	32,086	32,981	20
Redeemable preferred shares	443,868	443,868	443,868	–
	1,274,768	1,125,120	1,280,192	1,088,113

34. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2015, 2016 and 2017 and 31 July 2018, the fair values of the Target Group's financial assets or liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and bank balances, financial assets included in prepayments, deposits and other receivables, trade receivables, financial liabilities included in other payables and accruals, amounts due from/to directors and amounts from/to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The directors review the results of the fair value measurement of financial instruments periodically for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of the non-current portion of finance lease payables and interest-bearing bank loans have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Target Group's own non-performance risks for finance lease payables and interest-bearing bank loans as at 31 December 2015, 2016 and 2017 and 31 July 2018 were assessed to be insignificant.

The fair values of unlisted banks' wealth management products have been estimated using a discounted cash flow valuation model based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Target Group's financial instruments:

Assets measured at fair value

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Wealth management products	–	–	10,000	10,000

During the year ended 31 December 2015, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

The Target Group did not have any financial liability measured at fair value at the end of each of the Relevant Periods.

Liabilities for which fair values are disclosed:

As at 31 December 2015

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	–	194,000	–	194,000

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	–	177,000	–	177,000

As at 31 December 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	–	99,500	–	99,500
Finance lease payables	–	176,507	–	176,507
	–	276,007	–	276,007

As at 31 July 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank loans	–	114,000	–	114,000
Finance lease payables	–	222,725	–	222,725
	–	336,725	–	336,725

35. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise interest-bearing bank loans, finance lease payables, the amounts due from related parties and cash and bank balances and wealth management products. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Target Group has various other financial assets and liabilities such as trade receivables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Target Group's exposure to the risk of changes in market interest rates relates primarily to the Target Group's bank loans with floating interest rates. It is the Target Group's policy to keep certain borrowings at floating rates of interest so as to minimise the fair value interest rate risk. The Target Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. However, the directors of the Target Company will consider hedging significant interest rate risk should the need arise.

The sensitivity analysis below has been determined based on the exposure to interest rates for variable rate bank borrowings at the end of each of the Relevant Periods and assumed that the amount of liabilities outstanding at the end of each Relevant Period was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Target Group's post-tax profit for the years ended 31 December 2015, 2016 and 2017 and the seven months ended 31 July 2018 would decrease/increase by RMB814,000, RMB892,000, RMB979,000 and RMB524,000, respectively. This is mainly attributable to the Target Group's exposure to variable interest rates on its bank loans.

Foreign currency risk

All of the Target Group's turnover and substantially all of the Target Group's operating expenses are denominated in RMB, which is not a freely convertible currency. The PRC Government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortages in the availability of foreign currencies may restrict the ability of the Target Group's PRC subsidiaries to remit sufficient foreign currencies to pay dividends or other amounts to the Target Group.

The following table demonstrates the sensitivity as at the end of each of the Relevant Periods to a reasonably possible change in the US$ exchange rate, with all other variables held constant, of the Target Group's profit before tax and equity.

Effect on profit before tax

	As at 31 December			As at 31 July
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase in the US$ rate by 3%	(133)	(44,161)	(86,391)	(10,136)
Decrease in the US$ rate by 3%	133	44,161	86,391	10,136

Effect on equity (including effect on profit before tax)

	As at 31 December			As at 31 July
	2015	**2016**	**2017**	**2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Increase in the US$ rate by 3%	(834)	(10,037)	(12,960)	6,897
Decrease in the US$ rate by 3%	834	10,037	12,960	(6,897)

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Target Group is exposed to credit risk from cash and cash equivalents placed with banks, trade receivables, short-term investments measured at fair value through profit or loss, amounts due from related parties and other receivables.

Cash and cash equivalents and short-term investments

As disclosed in note 19 to the Historical Financial Information, most of the bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The expected credit loss is close to zero.

Trade receivables

The Target Group's trade receivables are due from a number of individual students, credit quality of each student is assessed and outstanding receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on financial situation and historical payment records for groupings of various student segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written-off after one year of the graduation of the specific students and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in Note 17. The Target Group does not hold collateral as security.

Other receivables

Other receivables were mainly loans to third parties and other receivables. The Target Group considers the probability of default upon initial recognition of asset and whether there has been significant increase in credit risk on ongoing basis during the Relevant Periods. To assess whether there is a significant increase in credit risk, the Target Group compares risk of a default occurring on the assets as the reporting date with the risk of default as at the date of initial recognition.

A significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within one year of when they fail due.

Financial assets are written-off when there is no reasonable expectation of recovery. The Target Group categories a receivable for write off when a debtor fails to make contractual payments greater than two years past due.

Amount due from related parties

The Target Group analysed the credit risk related to amount due from related parties and categorised all the amount due from related parties in stage 1 at the end of each reporting period. During the Relevant Periods, the Target Group estimated the expected loss rate for amount due from related parties is minimal.

Liquidity risk

The Target Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operations, bank and other borrowings. The Target Group regularly reviews its major funding positions to ensure that it has adequate financial resources in meeting its financial obligations.

The maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

As at 31 December 2015	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	110,966	–	–	–	110,966
Amounts due to related parties	180,528	–	–	–	180,528
Amounts due to the directors	40,056	–	–	–	40,056
Redeemable preferred shares	443,868	–	–	–	443,868
Interest-bearing bank and other borrowings	–	47,491	335,646	152,107	535,244
	775,418	47,491	335,646	152,107	1,310,662

As at 31 December 2016	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	70,318	–	–	–	70,318
Amounts due to related parties	222,848	–	–	–	222,848
Amounts due to the directors	32,086	–	–	–	32,086
Redeemable preferred shares	443,868	–	–	–	443,868
Interest-bearing bank and other borrowings	–	21,640	147,039	221,697	390,376
	769,120	21,640	147,039	221,697	1,159,496

As at 31 December 2017	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	98,749	–	–	–	98,749
Amounts due to related parties	195,221	–	–	–	195,221
Amounts due to the directors	32,981	–	–	–	32,981
Redeemable preferred shares	443,868	–	–	–	443,868
Interest-bearing bank and other borrowings	–	33,143	203,479	322,441	559,063
	770,819	33,143	203,479	322,441	1,329,882

As at 31 July 2018	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities included in other payables and accruals	141,780	–	–	–	141,780
Amounts due to related parties	396,000	–	–	–	396,000
Amounts due to the directors	20	–	–	–	20
Interest-bearing bank and other borrowings	–	55,251	192,231	349,925	597,407
	537,800	55,251	192,231	349,925	1,135,207

Capital management

The Target Group's policy is to maintain a strong capital base so as to maintain creditor and market confidence and to sustain future development of business.

The directors of the Target Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Target Group will balance its overall capital structure through raising new debts as well as redemption of existing debts. The Target Group's overall strategy remained unchanged during the Relevant Periods.

The Target Group monitors capital using a debt-to-asset ratio which is total liabilities divided by total assets. The debt-to-asset ratios as at the end of each of the Relevant Periods are as follows:

	As at 31 December			As at 31 July
	2015	2016	2017	2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total liabilities	1,425,887	1,292,953	1,468,337	1,124,933
Total assets	1,409,160	1,336,692	1,579,929	1,282,918
Debt-to-asset ratios	101%	97%	93%	88%

36. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies now comprising the Target Group in respect of any period subsequent to 31 July 2018.

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

The following is the management discussion and analysis of the Target Group for the years ended 31 December 2015, 31 December 2016 and 31 December 2017, and for the seven months ended 31 July 2018.

The following management discussion and analysis should be read in conjunction with the consolidated financial information of the Target Group as set out in Appendix II to this circular.

BUSINESS REVIEW

For the years ended 31 December 2015, 2016 and 2017 and for the seven months ended 31 July 2018, Leed International is serving as an investment holding company and did not have any material business operation. As at 31 December 2015, 2016 and 2017 and 31 July 2018, Leed International did not have material assets other than owning (i) 100% equity interest in Leed HK directly; (ii) 100% equity interest in Leed China, Dianchi Co, Vocational Co, Dianjiao AM Co, Dianchi EM Co and Yunnan Leed indirectly; and (iii) the sponsorship interests of Dianchi College through Dianchi Co. For further information of the Target Group, please refer to "Information on the Target Group" as stated in the Letter from the Board in this circular.

REVENUE

The Target Group derives revenue primarily from tuition fees and boarding fees of Dianchi College from students.

The revenue increased by approximately 20.5% to approximately RMB257.1 million for the year ended 31 December 2017 from that of approximately RMB213.3 million for the year ended 31 December 2015, which was mainly due to the increase of the student enrollment and average tuition fees.

The revenue increased by approximately 12.9% to approximately RMB152.9 million for the seven months ended 31 July 2018 from that of approximately RMB135.4 million for the seven months ended 31 July 2017, which was mainly due to the increase of the student enrollment and average tuition fees.

COST OF SALES

Cost of sales of The Target Group consists primarily of staff cost of Dianchi College, depreciation and amortization, cost of cooperative education, utilities, cost of repairs, office expenses, student study fees and other costs.

The cost of sales increased by approximately 20.7% to approximately RMB133.5 million for the year ended 31 December 2017 from that of approximately RMB110.6 million for the year ended 31 December 2015, which was mainly due to the increase in (i) staff costs of Dianchi College; and (ii) cost of cooperative education.

The cost of sales increased by approximately 6.4% to approximately RMB81.5 million for the seven months ended 31 July 2018 from that of approximately RMB76.6 million for the seven months ended 31 July 2017, which was mainly due to the increase in (i) staff costs of Dianchi College; and (ii) cost of cooperative education.

GROSS PROFIT

The gross profit increased by approximately 20.4% to approximately RMB123.6 million for the year ended 31 December 2017 from that of approximately RMB102.7 million for the year ended 31 December 2015, while gross profit margin for the year ended 31 December 2017 was approximately 48.1%, which was same as the year ended 31 December 2015 which mainly due to the better cost-control strategy.

The gross profit increased by approximately 21.3% to approximately RMB71.3 million for the seven months ended 31 July 2018 from that of approximately RMB58.8 million for the seven months ended 31 July 2017, while gross profit margin increased from approximately 43.4% for the seven months ended 31 July 2017 to approximately 46.7% for the seven months ended 31 July 2018, which was mainly due to the amount of increase in student enrolment and average tuition fees have outpace the increase in cost of sales during the period.

OTHER INCOME AND GAINS

Other income and gains of the Target Group consists primarily of rental income, bank interest income and government grants.

Other income and gains increased by approximately 35.8% to approximately RMB14.4 million for the year ended 31 December 2017 from that of approximately RMB10.6 million for the year ended 31 December 2015, mainly due to the increase in rental income.

Other income and gains increased by approximately 11.1% to approximately RMB9.0 million for the seven months ended 31 July 2018 from that of approximately RMB8.1 million for the seven months ended 31 July 2017, mainly due to an increment in (i) bank interest income; and (ii) government grants.

SELLING AND DISTRIBUTION EXPENSES

Selling and distribution expenses of the Target Group consists primarily of advertising expenses and office expenses.

Selling and distribution expenses increased by approximately 34.6% to approximately RMB3.5 million for the year ended 31 December 2017 from that of approximately RMB2.6 million for the year ended 31 December 2015, mainly due to the increase in the advertising expenses of Dianchi College.

Selling and distribution expenses decreased by approximately 35.0% to approximately RMB1.3 million for the seven months ended 31 July 2018 from that of approximately RMB2.0 million for the seven months ended 31 July 2017, mainly due to the decrease in the advertising expenses of Dianchi College.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Target Group consists primarily of salaries and other benefits for general and administrative staff, office-related expenses, depreciation of office buildings and equipment, environment and health expenses, travel and transportation expenses and rental expenses.

Administrative expenses increased by approximately 15.0% to approximately RMB33.8 million for the financial year ended 31 December 2017 from that of approximately RMB29.4 million for the year ended 31 December 2015, mainly due to the increase in (i) staff salary and other benefits; and (ii) office-related expenses.

Administrative expenses was only slightly decreased to approximately RMB17.4 million for the seven months ended 31 July 2018 from that of approximately RMB19.7 million for the seven months ended 31 July 2017 which mainly due to the better cost-control strategy.

FINANCE COSTS

Finance costs represent interest on bank loans and finance lease payables.

Finance costs decreased by approximately 11.4% to approximately RMB24.8 million for the year ended 31 December 2017 from that of approximately RMB28.0 million for the year ended 31 December 2015, mainly due to part of the loans being repaid during the period.

Finance costs increased by approximately 91.2% to approximately RMB23.9 million for the seven months ended 31 July 2018 from that of approximately RMB12.5 million for the seven months ended 31 July 2017, mainly due to the new loan has been acquired.

PROFIT FOR THE PERIOD

As a result of the above factors, profit of the Target Group increased by approximately 42.0% to approximately RMB75.0 million for the financial year ended 31 December 2017 from that of approximately RMB52.8 million for the period as of 31 December 2015.

Profit increased by approximately 15.3% to approximately RMB37.6 million for the seven months ended 31 July 2018 from that of approximately RMB32.6 million for the seven months ended 31 July 2017.

LIQUIDITY POSITION, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Total Assets and Total Liabilities

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 July 2018, the total assets of the Target Group were amounted to approximately RMB1,409.2 million, RMB1,336.7 million, RMB1,579.9 million and RMB1,282.9 million, respectively.

For the value of the Target Group's buildings and prepaid land lease payments, please refer to Appendix V of this circular.

A reconciliation of the net book value of the Target Group's buildings and prepaid land lease payments as at 31 July 2018 to their fair value as at 30 September 2018 as required under Rule 5.07 of the Listing Rules is set out below:

	RMB'000
Net book value of the Target Group's buildings, construction in progress and prepaid land lease payments as at 31 July 2018	820,078
Prepayment for non-current assets as at 31 July 2018 in relation to the acquisition of the land	203,348
Depreciation and recognition of prepaid land lease payments for the two months ended 30 September 2018	(4,745)
Unaudited net book value of the Target Group's buildings, construction in progress and prepaid land lease payments as at 30 September 2018	1,018,681
Valuation Surplus	177,919
Valuation of the Target Group's buildings, construction in progress and prepaid land lease payments as at 30 September 2018	1,196,600

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 July 2018, the total liabilities of the Target Group were amounted to approximately RMB1,425.9 million, RMB1,293.0 million, RMB1,468.3 million and RMB1,124.9 million, respectively.

Current Assets and Current Liabilities

As at 31 December 2015, the current assets and current liabilities of the Target Group were approximately RMB471.2 million and approximately RMB1,220.4 million, respectively. The current assets of the Target Group as at 31 December 2015 consists primarily of (i) amounts due from related parties of approximately RMB308.6 million; and (ii) cash and cash equivalents of approximately RMB71.2 million and restricted bank balances of approximately RMB132.0 million. The current liabilities of the Target Group as at 31 December 2015 consist of (i) redeemable preferred shares of approximately RMB443.9 million; (ii) amounts due to related parties of approximately RMB180.5 million; (iii) interest-bearing bank and other borrowings of approximately RMB305.4 million; and (iv) other payables and accruals of approximately RMB124.4 million. As at 31 December 2015, the net current liabilities of the Target Group was approximately RMB749.2 million.

As at 31 December 2016, the current assets and current liabilities of the Target Group were approximately RMB426.1 million and approximately RMB1,102.7 million, respectively. The current assets of the Target Group as at 31 December 2016 consists primarily of (i) amounts due from related parties of approximately RMB369.6 million; and (ii) cash and cash equivalents of approximately RMB41.7 million. The current liabilities of the Target Group as at 31 December 2016 consist primarily of (i) redeemable preferred shares of approximately RMB443.9 million; (ii) amounts due to related parties of approximately RMB222.8 million; (iii) interest-bearing bank and other borrowings of approximately RMB179.0 million; and (iv) other payables and accruals of RMB86.0 million. As at 31 December 2016, the net current liabilities of the Target Group was approximately at RMB676.6 million.

As at 31 December 2017, current assets and current liabilities of the Target Group were approximately RMB611.9 million and RMB1,176.9 million, respectively. The current assets of the Target Group as of 31 December 2017 consist of (i) amounts due from related parties of approximately RMB193.0 million; and (ii) cash and cash equivalents of approximately RMB367.0 million. The current liabilities of the Target Group as of 31 December 2017 consist of (i) redeemable preferred shares of approximately RMB443.9 million; (ii) amounts due to related parties of approximately RMB195.2 million; (iii) interest-bearing bank and other borrowings of approximately RMB233.4 million; and (iv) other payables and accruals of approximately RMB113.4 million. As of 31 December 2017, net current liabilities of the Target Group was approximately RMB565.0 million.

As at 31 July 2018, current assets and current liabilities of the Target Group were approximately RMB105.8 million and approximately RMB769.2 million, respectively. The current assets of the Target Group as of 31 July 2018 consist of (i) amounts due from related parties of approximately RMB1.1 million; and (ii) cash and cash equivalents of approximately RMB25.1 million. The current liabilities of the Target Group as of 31 July 2018 consist primarily of (i) amounts due to related parties of RMB396.0 million; (ii) interest-bearing bank and other borrowings of approximately RMB213.6 million; and (iii) other payables and accruals of RMB154.2 million. As of 31 July 2018, net current liabilities of the Target Group were at RMB663.4 million.

Bank Borrowings

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 July 2018, the interest-bearing bank loans and finance lease payables were amounted to approximately RMB499.4 million, RMB356.0 million, RMB509.4 million and RMB550.3 million, respectively, while the effective interest rate range from approximately 4.85% to approximately 9.23%.

As at 31 July 2018, the interest-bearing bank loans and finance lease payables (i) of approximately RMB213.6 million will be repaid within one year; (ii) approximately RMB221.9 million will be repaid within second year; and (iii) approximately RMB114.8 million will be repaid between the third and the fifth years.

SEGMENT INFORMATION

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the seven months ended 31 July 2018, majority of the revenue of the Target Group was derived from provision of education services in the PRC.

CHARGE ON ASSETS

As at 31 December 2015, 31 December 2016 and 31 December 2017 and 31 July 2018, the Target Group's bank loans were secured by mortgages over certain of the Target Group's buildings situated in Mainland China, which had aggregate carrying values of approximately RMB286.3 million, RMB274.9 million, RMB271.2 million and RMB236.7 million, respectively.

As at 31 December 2015, 31 December 2016 and 31 December 2017 and 31 July 2018, the Target Group's bank loans were secured by mortgages over certain of the Target Group's lands situated in Mainland China, which had aggregate carrying values of approximately RMB91.6 million, RMB79.6 million, RMB78.0 million and RMB64.6 million, respectively.

EMPLOYMENT AND RENUMERATION POLICIES

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 July 2018, the Target Group had a total of 613, 635, 649 and 615 employees, respectively. For the years ended 31 December 2015, 31 December 2016 and 31 December 2017 and for the seven months ended 31 July 2018, the staff costs were approximately RMB51.8 million, RMB56.6 million, RMB65.1 million and RMB41.4 million, respectively.

The Target Group has a remuneration policy in line with market practice and provides employees remuneration and benefits based on the needs of its subsidiaries and the positions, the duties and responsibilities of the employees. As required by the PRC laws and regulations, the Target Group participate in various employee social security plans for its employees that are administered by local governments, including housing provident fund, pension, medical, maternity insurance, work-related injury insurance and unemployment insurance.

FOREIGN EXCHANGE EXPOSURE

All of the Target Group's revenue and substantially all of the Target Group's operating expenses are denominated in RMB, which is a not a freely convertible currency. The PRC government imposes controls on the convertibility of RMB into foreign currencies and, in certain cases, the remittance of currency out of Mainland China. Shortage in the availability of foreign currencies may restrict the ability of the Target Group's PRC subsidiaries remit sufficient foreign currencies to pay dividends or other amounts to the Target Group.

As at the Latest Practicable Date, the Target Group did not have any foreign currency hedging policies. The management of the Target Group will continue the Target Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

MATERIAL INVESTMENTS

For the years ended 31 December 2015, 31 December 2016 and 31 December 2017, the Target Group does not have any material investments.

For the seven months ended 31 July 2018, the Target Group has paid approximately RMB169.2 million in relation to the cost of land, land compensation and land reclamation fee.

MATERIAL ACQUISITIONS AND DISPOSALS

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the seven months ended 31 July 2018, the Target Group has not completed any material acquisition or disposal of subsidiaries, jointly controlled entities and associated companies.

TREASURY POLICY AND HEDGING ARRANGEMENT

For the years ended 31 December 2015, 31 December 2016, 31 December 2017 and for the seven months ended 31 July 2018, the Target Group did not have any treasury policy or hedging arrangement.

CAPITAL COMMITMENTS

The capital commitments of the Target Group consist primarily of (i) operating lease arrangements; and (ii) contracted but not provided for buildings.

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 July 2018, the total capital commitments by the Target Group amounted to approximately RMB165,000, RMB453,000, RMB69.6 million and RMB13.5 million.

CONTINGENT LIABILITIES

As at 31 December 2015, 31 December 2016, 31 December 2017 and 31 July 2018, the Target Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threat.

The information set out in this appendix does not form part of the accountants' reports prepared by the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, set out in Appendix II "Accountants' Report of the Target Group" to this circular, and is included to herein for information only.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

INTRODUCTION

The accompanying unaudited pro forma financial information (the "**Unaudited Pro Forma Financial Information**") of Minsheng Education Group Company Limited (the "**Company**") and its subsidiaries (hereafter collectively referred to as the "**Group**"), Leed International Education Group Inc. (the "**Target Company**") and its subsidiaries (hereafter collectively referred to as the "**Target Group**") (the Group and the Target Group are hereafter collectively referred to as the "**Enlarged Group**"), comprising the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 July 2018, has been prepared by the Directors in accordance with rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the proposed acquisitions of the Target Group (the "**Acquisition**") to the Group.

The preparation of the Unaudited Pro Forma Financial Information is based on (i) the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2018, which has been extracted from the unaudited interim report of the Group for the six months ended 30 June 2018 dated 24 August 2018 and (ii) the audited consolidated statement of financial position of the Target Group as at 31 July 2018, which has been extracted from the accountants' report as set out in Appendix II to this Circular, respectively, after making certain pro forma adjustments that are directly attributable to the Acquisition and factually supportable, as summarised in the accompanying notes, as if the Acquisition had been completed on 31 July 2018.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared based on a number of assumptions, estimates, uncertainties, currently available information and is prepared for illustrative purpose only. Because of its hypothetical nature, it may not purport to describe the financial positions of the Enlarged Group had the Acquisition been completed as at the respective dates to which it is made up to or at any future dates. Furthermore, the Unaudited Pro Forma Financial Information of the Enlarged Group does not purport to predict the Enlarged Group's future financial positions.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in the conjunction with the financial information of the Group as set out in Appendix I, the published unaudited interim report of the Company for the six months ended 30 June 2018, the financial information of the Target Group as set out in Appendix II to this Circular, the Company's announcements dated 21 August 2018, supplemental announcement dated 5 October 2018 and other financial information included elsewhere in this Circular.

The Unaudited Pro Forma Financial Information of the Enlarged Group does not take into account any trading or other transactions subsequent to the dates of the respective financial statements of the companies comprising the Enlarged Group.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP AS AT 31 JULY 2018

	The Group as at 30 June 2018	The Target Group as at 31 July 2018	Pro forma adjustments		Pro forma Enlarged Group as at 31 July 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)				
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
NON-CURRENT ASSETS					
Property, plant and equipment	1,212,300	757,884			1,970,184
Prepaid land lease payments	356,693	105,177	177,919		639,789
Goodwill	303,937	106,590	1,266,448		1,676,975
Intangible assets	4,611	–			4,611
Investments in associates	44,716	–			44,716
Equity investment at fair value through other comprehensive income	8,450	–			8,450
Equity investment at fair value through profit or loss	112,774	–			112,774
Prepayment for non-current assets	–	203,348			203,348
Other non-current assets	–	4,161			4,161
Deposits for acquisition of land use rights	15,500	–			15,500
Total non-current assets	2,058,981	1,177,160			4,680,508
CURRENT ASSETS					
Inventories	1,277	–			1,277
Trade receivables	532	1,133			1,665
Prepayments, deposits and other receivables	71,625	78,426			150,051
Short-term investments measured at fair value through profit or loss	291,454	–			291,454
Short-term investments measured at amortised cost	339,430	–			339,430
Amounts due from related parties	–	1,146			1,146
Restricted bank balances	5,189	–			5,189
Cash and cash equivalents	1,316,368	25,053	(582,500)	(3,000)	755,921
Total current assets	2,025,875	105,758			1,546,133

	The Group as at 30 June 2018	The Target Group as at 31 July 2018	Pro forma adjustments		Pro forma Enlarged Group as at 31 July 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(unaudited)				
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
CURRENT LIABILITIES					
Other payables and accruals	355,470	154,208			509,678
Amounts due to related parties	–	396,000	241,600		637,600
Amounts due to directors	–	20			20
Interest-bearing bank and other borrowings	28,761	213,588			242,349
Contract liability	16,654	4,561			21,215
Deferred income	17,936	812			18,748
Tax payable	1,488	–			1,488
Total current liabilities	420,309	769,189			1,431,098
NET CURRENT ASSETS/(LIABILITIES)	1,605,566	(663,431)			115,035
TOTAL ASSETS LESS CURRENT LIABILITIES	3,664,547	513,729			4,795,543
NON-CURRENT LIABILITIES					
Interest-bearing bank and other borrowings	30,000	336,725			366,725
Deferred income	246,571	19,019			265,590
Put option liability	–	–	778,252		778,252
Total non-current liabilities	276,571	355,744			1,410,567
Net assets	3,387,976	157,985			3,384,976

Notes:

1. The unaudited interim financial information of the Group as at 30 June 2018 was extracted from the published interim report of the Company dated 24 August 2018. The Directors assumed that unaudited interim financial information of the Group as at 30 June 2018 approximated to those as at 31 July 2018, as if the Acquisition has been completed as at 31 July 2018 for the purpose of preparing the unaudited pro forma consolidated statement of assets and liabilities.

2. The audited consolidated statements of financial position of the Target Group as at 31 July 2018 was extracted from the accountants' report on the Target Group as set out in Appendix II to this Circular.

3. Under International Financial Reporting Standard 3 (Revised) *Business Combinations* issued by the International Accounting Standards Board (the "**IASB**"), the Group will apply the acquisition accounting to account for the Acquisition of the Target Group in the consolidated financial statements of the Group. The goodwill arising from the Acquisitions is calculated as follows:

		Notes	*RMB'000*
Cash consideration	a	*(i)*	582,500
Non-controlling interest put option liability	b	*(ii)*	778,252
Total consideration for the Acquisition of the Target Group	c=a+b		1,360,752
Pro forma assumed fair value of the identifiable net assets of the Target Group	d	*(iii)*	229,314
Less: assets of the Target Group not included in the Acquisition	e	*(v)*	241,600
Pro forma assumed fair value of the identifiable net liability of the Acquisition	f = d-e	*(iv)*	(12,286)
Goodwill arising from the Acquisition (the "**Goodwill**")	g = c-f	*(vi)*	1,373,038

(i) In accordance with the Share Purchase Agreement (as defined in this Circular), the cash consideration for the Acquisition of 51% of the Target Group by the Company is RMB582,500,000. The Acquisition of the Target Group is assumed to have been completed on 31 July 2018 and thus the consideration payable by the Company to the Vendors (as defined in this Circular) are included as a pro forma adjustment.

(ii) As paragraph 23 of IAS 32 states: "An entity's contractual obligation to purchase its own equity instruments gives rise to a financial liability for the present value of the redemption amount even if the obligation to purchase is conditional on the counterparty exercising a right to redeem", in the consolidated financial statements, the equity instruments of non-controlling interests are considered equity of the group; hence, any option granted is considered a conditional obligation to purchase its own equity, giving rise to a liability. In the November 2006 IFRIC Update, it stated: "Paragraph 23 of IAS 32 states that a parent must recognise a financial liability when it has an obligation to pay cash in the future to purchase the non-controlling interest' shares, even if the payment of that cash is conditional on the option being exercised by the holder." Therefore, the put option is recognised as a financial liability at the present value of the redemption amount.

The financial liability for the put option is recognised at the present value of the expected amount payable of RMB981.5 million upon exercise of the put option assuming that the purchase will take place in the fifth year. Such present value is calculated as RMB778.3 million with discount date of 4.75% (the published People's Bank of China benchmark rate).

The Directors take the view that the Group has a present ownership interest in the 49% of Target Group's shares that are subject to the put, the Group accounts for the acquisition of 100% of the shares of the Target Group (i.e., as if the remaining 49% of equity interest was acquired) on the date of acquisition. The consideration given includes the fair value of the liability to the non-controlling interest holders. No non-controlling interest is recognised and the liability for the put option to the Vendors is accounted as an financial liability in accordance with IFRS 39.

(iii) Pro forma assumed fair value of the identifiable net assets of the Target Group were calculated using the net assets of the Target Group as at 31 July 2018 amounting to RMB157,985,000 minus the goodwill of RMB106,590,000 which is not an identifiable asset and plus the valuation surplus of the property and prepaid land lease payments amounting to RMB177,919,000 as at 31 July 2018 from a report issued by LCH (Asia-Pacific) Surveyors Limited ("**LCH**").

(iv) Upon the completion, the Group directly owns 51% equity interests and has a present ownership of the remaining 49% in the Target Company. Accordingly, the Target Company will become an indirect non-wholly owned subsidiary of the Company and whose financial statements will be consolidated into the Company's consolidated financial statements from the Acquisition onwards.

The identifiable assets and liabilities of the Target Group acquired by the Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values as at the completion date of the Acquisition. The allocation of the purchase consideration to the Target Group's identifiable assets and liabilities acquired is made as the Acquisition had taken place on 31 July 2018. The pro forma allocation of purchase consideration to the identifiable assets and liabilities is determined with reference to the valuation results (which is for the purchase price allocation for the pro forma accounting purpose) of property and prepaid land lease payments of the Target Group as at 31 July 2018 preliminary assessed by LCH.

The pro forma adjustment to the identifiable assets and liabilities arising from the Acquisition is calculated as follows:

	Notes	**Allocation of the adjusted consideration** *RMB'000*	**Previous carrying amount** *RMB'000*
Property, plant and equipment	*i)*	757,884	757,884
Prepaid land lease payments	*i)*	283,096	105,177
Other assets		313,267	313,267
Total liabilities		(1,366,533)	(1,124,933)
Pro forma assumed fair value of the identifiable net assets/ (liabilities) of the Acquisition		(12,286)	51,395

i) The Directors have determined the pro forma fair values of property, plant and equipment and prepaid land lease payments of the Target Company as at 31 July 2018 with reference to a valuation report on property and prepaid land lease payments issued by LCH.

The pro forma fair value of property was established by depreciated replacement cost ("**DRC**") approach. The DRC approach is a procedural valuation approach and is an application of the Cost Approach in valuing specialised properties like the real properties when there is no readily identifiable market sale comparable, and the buildings cannot be valued by comparable market transactions. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works or improvement works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the real properties. The land use right of the real properties has been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, in the opinion of the Directors, the Target Group's fair values of the assets and liabilities being acquired is subject to changes upon completion of the Acquisitions because the fair value of the assets and liabilities being acquired shall be assessed on the date of completion. The possible changes to fair values of the identifiable assets and liabilities of the Target Group being acquired were not reflected in the Unaudited Pro Forma Financial Information of the Enlarged Group.

(v) According to the Share Purchase Agreement, the school campus of Dianchi College of Yunnan University which is owned by Dianchi Co shall not form part of the Acquisition (the "**Non-acquired Assets**"). After the completion of the Acquisition, the Company has the right to continually use the Non-acquired Assets for free until new campus of same size is established by Dianchi College of Yunnan University, and meanwhile the Company has the obligation to transfer the Non-acquired Assets to the Vendors with all taxes and charges arising from born by the Vendors. As such, the Directors considered the fair value of the Non-acquired Assets should be recorded as payable to the Vendors.

(vi) As mentioned in note 3(iii) above, in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors considered the pro forma fair value adjustments of all assets and liabilities based on a preliminary valuation. Upon the completion of the Acquisition, the fair values of all identifiable assets and liabilities of the Target Group as at the date of completion, will be assessed. Accordingly, the Goodwill so calculated, if any, may be materially different from that in the calculation above. The recognition of the estimated goodwill of approximately RMB1,373,038,000 arising from the Acquisition on the basis that no impairment charges concerning the above estimated goodwill is considered necessary.

The Directors determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Directors to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 July 2018, the carrying amount of goodwill arising from the Acquisition was RMB1,373,038,000 with no impairment charges. The impairment test of goodwill has been reviewed with no exception and will be undertaken and evaluated by the consistent accounting policies and key assumptions of the Group annually.

4. For the purpose of this Unaudited Pro Forma Financial Information of the Enlarged Group, the direct expenses and other professional services related to the Acquisition are estimated to be approximately RMB3,000,000 according to respective quotations from the professional parties, which should be charged to profit or loss.

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of Minsheng Education Group Company Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Minsheng Education Group Company 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 pro forma consolidated statement of assets and liabilities as at 31 July 2018, and related notes as set out on pages 121 to 126 of the circular dated 20 December 2018 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition as defined in the Circular (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in note 1 to 4.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 July 2018 as if the transaction had taken place at 31 July 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's unaudited financial statements for the six months ended 30 June 2018 as set out in the interim report of the Company dated 24 August 2018.

Directors' responsibility 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 ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**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*, 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 Circular* 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 the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition 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 Proposed Acquisition 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 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 Proposed Acquisition 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 purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong

20 December 2018

The following is the valuation report, prepared for the purpose of incorporation in this circular received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuation as at 30 September 2018 of the property interests held by Leed International.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUERS
BUSINESS & FINANCIAL ASSETS VALUERS

*The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standards 2017 ("**IVS**") and published by the International Valuation Standards Council. The standards entitles the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader's identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitute to this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to us at the Latest Practicable Date of this Circular. If additional documents and facts are made available, we reserve the right to amend this report and its conclusions.*

17th Floor
Champion Building
287 – 291 Des Voeux Road Central
Hong Kong

20 December 2018

The Board of Directors
Minsheng Education Group Company Limited
Room 3202A, 32nd Floor
Tower 1, Lippo Centre
89 Queensway Road
Admiralty
Hong Kong

Dear Sirs,

In accordance with the instructions given to us by the present management of Minsheng Education Group Company Limited (hereinafter referred to as the "**Instructing Party**") to conduct an agreed-upon procedures valuation of the designated real properties (same as the word "**properties**" in this report) under the list provided and presented to us by Minsheng Education Group Company Limited (hereinafter referred to as the "**Company**") and its subsidiaries (collectively, together with the Company hereinafter referred to as the "**Group**") in the People's Republic of China (hereinafter referred to as the "**PRC**" or "**China**"), we confirm that we have followed the agreed upon procedures to conduct inspections, to make relevant enquiries and investigation as we consider necessary to support our working, and to perform an independent valuation of the properties by using the most appropriate method as at 30 September 2018 (hereinafter referred to as the "**Valuation Date**") for the Instructing Party's internal management reference purpose. The properties under the list provided are held by Leed International Education Group Inc. (勵德國際教育集團有限公司) (hereinafter referred to as the "**Leed International**") and its subsidiaries. We are given to understand that this valuation report to this circular (the "**Circular**") is also for the Company's shareholders' reference purpose. This valuation report comprises the text section, summary of values section and property particulars with values section.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party's due diligence but we have not been engaged to make specific sales or purchase recommendations, or to give opinion for any financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the Instructing Party should conduct in reaching its business decision regarding the properties valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and values of the properties are documented in this valuation report and submitted to the Instructing Party at today's date.

VALUATION OF PROPERTIES

Basis of Value and Assumptions

According to the IVS, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, having considered the inherent characteristic of each of the properties, that is, whether the property can be freely transferred in the market, we have provided our value of each of the properties on the market value basis.

The term "**Market Value**" is defined by the IVS as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Unless otherwise stated, our valuation of each of the properties has been made on the assumptions, that, as at the Valuation Date:

1. the legally interested party in each of the properties has absolute title to its relevant properties interests;

2. the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant properties interest for the whole of the unexpired term as granted, and any premiums payable have already been fully paid;

3. the legally interested party in each of the properties sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which would serve to increase the value of the property interest;

4. each of the properties has obtained relevant government's approval for the sale of the property and is able to be disposed of and transferred it free of all encumbrances (including but not limited to the cost of transaction) in the market; and

5. each of the properties can be freely disposed and transferred free of all encumbrances at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the value as reported.

Approach to Value

In valuing the properties in Group I, having considered the general and inherent characteristics of the properties, we have adopted the depreciated replacement cost ("**DRC**") approach. The DRC approach is a procedural valuation approach and is an application of the Cost Approach in valuing specialised properties like the properties when there is no readily identifiable market sales comparable, and the buildings cannot be valued by comparable market transactions. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the new replacement cost of the buildings and other site works or improvement works from which deductions are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The land use rights of the properties have been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

For owner-occupied specialised properties where it is impracticable to identify the Market Value by the Sales Comparison Approach, the DRC approach is considered as the most appropriate approach. The underlying theory of this approach is the Market Value of the valued properties should, at least, be equivalent to the replacement cost of the remaining service potential of the valued properties i.e. the DRC of the valued properties. In our opinion, the estimated DRC generally furnishes the most reliable indication of value for property where it is not practicable to ascertain its value on market basis.

The valuation of each of the properties is on the assumption that the property is subject to the adequate potential profitability of the business having due regard to the value of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the building, the estimated gross replacement cost of the building should take into consideration everything which is necessary to complete the construction from a new green field site to provide building as it is, as at the valuation date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect building in the future but have the building available for occupation at the valuation date, the work having commenced at the appropriate time.

We need to state that our opinion of value of each of the properties is not necessarily intended to represent the amount that might be realised from disposition of its land use rights or various buildings on piecemeal basis in the open market.

In valuing the property in Group II, which was acquired by Leed International via an auction closed to the Valuation Date, we have adopted the Sales Comparison Approach. This approach considers the sales, listings or offering of similar or substitute properties and related market data and establishes a value of a property that a reasonable investor would have to pay for a similar property of comparable utility and with an absolute title.

We have not carried out a valuation on possible alternative development basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

MATTERS THAT MIGHT AFFECT THE VALUE REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided, and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the right to revise our report and the valuation accordingly.

Unless otherwise stated, no allowance has been made in our valuation for any charges, mortgages, outstanding premium, idle land penalties or amounts owing on each of the properties valued nor any expenses or taxation which may be incurred in affecting a sale of each of the properties. It is further assumed that each of the properties is free from all encumbrances, restrictions, and outgoings of an onerous nature which could affect its value.

Unless otherwise stated, we have assumed that each of the properties is able to be sold and purchased in the market without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported value significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

Unless otherwise stated, as at the Latest Practicable Date of this Circular, we are unable to identify any adverse news against each of the properties which may affect the reported findings or value(s) in our work product. Thus, we are not in the position to report and comment on its impact (if any) on each of the properties. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the findings or value(s) reported herein.

ESTABLISHMENT OF TITLES

Due to the purpose of this engagement, the Instructing Party or the appointed personnel of the Company provided us the necessary documents to support that the legally interested party in each of the properties (i.e. Leed International) has free and uninterrupted rights to assign, to transfer, to mortgage, to let or to use the property at its existing use (in this instance, an absolute title), for the whole of the unexpired terms as granted, free of all encumbrances or any premiums payable have already been paid in full or outstanding procedures have been completed. Our agreed procedures to value, as agreed with the Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained each of the properties from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal adviser to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to each of the properties.

We have been provided with copies of the title documents of the properties for report writing. However, we have not examined the original documents to verify the ownership and encumbrances or to ascertain the existence of any amendments, which may not appear on the copies handed to us. All documents disclosed (if any) are for reference only and no responsibility is assumed for any legal matters concerning the legal titles and the rights (if any) to the properties valued. Any responsibility for our misinterpretation of the documents cannot be accepted.

The land registration system of China forbids us to search the original documents of the properties that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties in China. However, we have complied with the requirements as stated in the Listing Rules (defined in this Circular) and relied solely on the copies of document and the copy of the PRC legal opinions provided by the Instructing Party with regard to the legal titles of the properties. We are given to understand that the PRC legal opinions were prepared by the Group's PRC legal adviser, Global Law Office in December 2018. No responsibility or liability from our part is assumed in relation to those legal opinions.

By referencing to the legal opinions, we understand that the legally interested party in each of the properties has obtained all the approval and/or endorsement from the relevant authorities, and that there would have no legal impediment (especially from the regulators) for the legally interested party to continue its titles in the property. Should this not be the case, it will affect our findings and value(s) in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability from our part is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES

Most of the properties were inspected by Sr Elsa Ng (a Registered Professional Surveyor in Hong Kong and a Registered Real Estate Appraiser in the PRC) in August 2018 at the direction and under the companion of the staff of Leed International. As advised, the staff possesses the ability to accompany us to conduct inspection. We have inspected the exterior, and where possible, the interior of the inspected properties in respect of which we have been provided with such information as we have requested for the purpose of our valuation. We have not inspected those parts of the properties which were not presented, covered, unexposed or inaccessible and such parts have been assumed to be in reasonable condition. We cannot express an opinion about or advice upon the condition of uninspected parts and our work should not be taken as making any implied representation or statement about such parts. No building survey, structural survey, investigation or examination has been made, but in the course of our inspection we did not note any serious defects in the properties inspected. We are not, however, able to report that each of the properties is free from rot, infestation or any other structural defects. No tests were carried out to the services (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

For properties under construction, internal inspection was not conducted due to safety concerns. We consider that though no internal inspection for these buildings was conducted, it will not affect the fairness and reasonableness of our assessment.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and official plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries and the exact location of the properties that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of the properties, or have since been incorporated into the properties, and we are therefore unable to report that the properties are free from risk in this respect. For the purpose of this valuation, we have assumed that such investigations would not disclose the presence of any such materials to any significant extent.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at any of the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the value(s) now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION

In the course of our work, we have been provided with copies of the documents regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our agreed procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state that we are not legal professionals, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Company.

We have relied solely on the information provided by the appointed personnel of the Group or the Instructing Party without further verification, and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, tenancy, occupation, development parameters and schedule, site and floor areas and all other relevant matters.

The scope of our work has been determined by reference to the properties list provided by the Instructing Party. All properties on the list has been included in our report. The Instructing Party has confirmed to us that Leed International has no property interests other than those specified on the list supplied to us.

Information furnished by others, upon which all or portions of our work product are based, is believed to be reliable but has not been verified in all cases. Our agreed procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our work product.

Our valuation of each of the properties has been made only based on the advice and information made available to us. While a limited scope of general inquiries have been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

When we adopted the work products from other professions, external data providers and the appointed personnel of the Group or the Instructing Party in our valuation, the assumptions and caveats that adopted by them in arriving at their figures/opinions also applied in our valuation. The procedures we have taken as agreed do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the appointed personnel of the Group or the Instructing Party. Also, we have sought and received confirmation from the appointed personnel of the Group or the Instructing Party that no materials factors have been omitted from the information supplied. Our analysis and valuation were based upon full disclosure between us and the Group or the Instructing Party of material and latent facts that may affect our work.

We have had no reason to doubt the truth and accuracy of the information provided to us by the appointed personnel of the Group or the Instructing Party. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("**RMB**").

OPINION OF VALUE

Based on the above information and assumptions, we are of the opinion that the Market Value of the properties held by Leed International for internal management reference purpose of the Instructing Party as at the Valuation Date in its existing states and assuming free of all encumbrances, was in the order of **ONE THOUSAND ONE HUNDRED NINETY SIX MILLION AND SIX HUNDRED THOUSAND YUAN ONLY (RMB1,196,600,000).**

LIMITING CONDITIONS

Our findings and values of the properties in this report are valid only for the stated purpose and only at the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this report, and we accept no responsibility whatsoever to any other person. Our valuation has been made on the assumption that no unauthorised alteration, extension or addition has been made in each of the properties, and that the inspection and the use of this report do not purport to be a building survey of each of the properties.

No responsibility is taken for changes in market conditions and local government policy, and no obligation is assumed to revise this report to reflect events or conditions, which occur or make known to us subsequent to the date hereof. Neither the whole nor any part of this report or any reference made hereto may be included in any published documents, circular or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this report in this Circular to the Company's shareholders' reference.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding the charges paid to us for the portion of services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt, our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

It is agreed that the Instructing Party and the Company would indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, wilful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

Our report is prepared in line with the reporting requirements contained in Chapter 5 of the Listing Rules as well as the reporting guidelines contained in the IVS. The valuation has been undertaken by us, acting as external valuer, for the purpose of the valuation.

We retain a copy of this report together with the data and documents provided by the Instructing Party for the purpose of this assignment, and these data and documents will, according to the Laws of Hong Kong, be kept for a period of 6 years from the date it provided to us and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us in writing. Moreover, we will add the Company's information into our client list for our future reference.

The analysis and valuation of the properties depend solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or value(s) significantly.

We hereby certify that the fee for this service is not contingent upon our opinion of values and we have no significant interests in the properties, Leed International, the Group or the values reported.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. RPS (GP)*
Executive Director

Contributing Valuer:
J. Junior Ho *B.Sc. M.Sc. RPS (GP)*

Sr Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Fellow of The Hong Kong Institute of Surveyors ("The HKIS") and a valuer on the List of Properties Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.

SUMMARY OF VALUES

Group I – Properties held by Leed International under long-term title certificates in the PRC and valued on market value basis

	Property	Amount of valuation in its existing state as at 30 September 2018 *RMB*	Interest of Leed International	Amount of valuation in its existing state attributable to Leed International as at 30 September 2018 *RMB*
1.	A campus located at No. 2 Hongta East Road, on the south of Hongta East Road Resort Area Kunming, Yunnan Province The People's Republic of China 650228	241,600,000	100 per cent.	241,600,000
2.	A developing campus erected on two various parcels of land known as Lot Nos. 530127202-013-003-10013 and 530111109005GB00001, and located at Songming County Vocational Education Base Songming County Kunming, Yunnan Province The People's Republic of China 651701	762,700,000	100 per cent.	762,700,000
	Sub-total:	**RMB1,004,300,000**		**RMB1,004,300,000**

Group II – Property held by Leed International for future development under long-term title certificates in the PRC and valued on market value basis

	Property	Amount of valuation in its existing state as at 30 September 2018 *RMB*	Interest of Leed International	Amount of valuation in its existing state attributable to Leed International as at 30 September 2018 *RMB*
3.	A parcel of land known as Lot No. 530125503047GB00001 and located at Caodian Zone Tangchijiedao Office Yang Zong Hai Scenic Area Kunming Yunnan Province The People's Republic of China 652116	192,300,000	100 per cent.	192,300,000
	Sub-total:	**RMB192,300,000**		**RMB192,300,000**
	Grand Total:	**RMB1,196,600,000**		**RMB1,196,600,000**

PROPERTY PARTICULARS WITH VALUES

Group I – Properties held by Leed International under long-term title certificates in the PRC and valued on market value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to Leed International as at 30 September 2018
1.	A campus located at No. 2 Hongta East Road, on the south of Hongta East Road Resort Area Kunming Yunnan Province The People's Republic of China 650228	The property comprises a campus known as 雲南大學滇池學院 (translated as Yunnan University Dianchi College) and erected on four various parcels of adjoining land having a total site area of 162,391.7 square meters ("sq. m."). According to information provided by the appointed personnel of the Group, the campus comprises 27 various building and ancillary structures with a total gross floor area of approximately 126,433.34 sq.m. for education, student quarters and supporting facilities. They were completed in between 2002 to 2014. *(See Note 2 below)* The locality of the property is a well developed residential area. The property is subject to various rights to use the land for terms to be expired between 10 November 2050 to 26 April 2060 for education and science and education usages. *(See Note 1 below)*	As inspected by us and confirmed by the Instructing Party and the appointed personnel of Leed International, as at the Valuation Date, the property was occupied as a private higher education institution. We were advised that portions of the property were subject to various tenancies. *(See Note 4 (v) below)*	RMB241,600,000 100 per cent. interest (See Notes 3 and 5 below)

Notes:

1. The rights to possess the land is held by the State and the rights to use the land has been granted by the State to 雲南滇池教育培訓有限公司 (translated as Yunnan Dianchi Education Training Company Limited and hereinafter referred to as "Dianchi Co") via the following ways:

   (i) *a parcel of land with a site area of 60,000.1 sq.m.*

   via a State-owned Land Use Rights Certificate known as Du Jia Qu Guo Yong (2000) Zi Di 019 Hao (度假區國用(2000)字第019號) and issued by the People's Government of Kunming City and dated November 2000 with a site area of 60,000.1 sq.m. and for a term till 10 November 2050 for educational usage.

   (ii) *a parcel of land with a site area of 18,628.06 sq.m.*

   via a State-owned Land Use Rights Certificate known as Kun Guo Yong (2003) Zi Di 00453 Hao (昆國用(2003)字第00453號) and issued by the People's Government of Kunming City and dated November 2003 with a site area of 18,628.06 sq.m. and for a term till 27 October 2053 for educational usage.

   (iii) *two various parcels of land with a total site area of 83,763.54 sq.m.*

   via two various State-owned Land Use Rights Certificate known as Kun Guo Yong (2010) Zi Di 00217 and 00218 Hao (昆國用(2010)字第00217及00218號) and issued by the People's Government of Kunming City and both dated 12 June 2010 with a total site area of 83,763.54 sq.m. and for a term till 26 April 2060 for science and educational usages.

2. Pursuant to 19 various Building Ownership Certificate (房屋所有權證) known as Kun Ming Shi Fang Quan Zheng Zi Di 200212963, 200212964, 200212965, 200213234, 200213235, 200213237, 200411913 to 200411919, 200529713, 200530956 and 200731161 Hao (昆明市房權證字第200212963, 200212964, 200212965, 200213234, 200213235, 200213237, 200411913至200411919, 200529713, 200530956及200731161號) and dated between 20 February 2002 and 11 July 2005 and issued by the Building Ownership Administrative Bureau of Kunming City (昆明市房產管理局), and Kun Fang Quan Zheng (Kun Ming Shi) Zi Di 201105569, 201105588 and 201419204 Hao (昆房權證(昆明市)字第201105569, 201105588及201419204號) and registered between 20 February 2002 and 18 March 2014 and issued by the Housing and Urban-Rural Development Bureau of the Kunming City (昆明市住房和城鄉建設局), the legally interested party in these buildings and ancillary structures for a total gross floor area of 126,433.34 sq.m. is Dianchi Co.

3. We noticed that there are 4 various buildings without title documents erecting on the land as mentioned in Note 1(iii) above. These buildings include a composite building and 3 various quarters and having a total gross floor area of 30,333.58 sq.m. We were advised that Dianchi Co is in the process of applying the relevant permits.

4. According to the legal opinions prepared by the Group's PRC legal adviser, the following opinions are noted:

   (i) Dianchi Co has obtained the right to use the land and buildings of the property as mentioned in Notes 1 and 2 above legally;

   (ii) portions of the property are subject to mortgage;

   (iii) in relation to the buildings as mentioned in Note 3 above, Dianchi Co has the risk of a fine or being requested to demolish or stop using the buildings;

   (iv) Dianchi Co has an absolute right to possess, use, transfer, let, mortgage or other legal uses regarding the land use rights of the property and buildings as mentioned in Note 2 above within the remaining specified land use terms save except for the portions of the mortgaged property that required the approval from the mortgagee; and

(v) Portions of the property are subject to 22 various tenancy agreements entered by 雲南滇教資產管理有限公司 (translated as Yunnan Dianjiao Asset Management Company Limited and hereinafter referred to as "Dianjiao AM Co") with various tenants. However, Dianjiao AM Co has not yet received authorisation from Dianchi Co for entering the relevant tenancy agreements on its behalf, validity of the agreements is still subject to confirmation from Dianchi Co.

5. In view of the PRC legal opinion as mentioned above in Note 4, we have not assigned any commercial value to the buildings as mentioned in Note 3 above, and we have not taken into accounts the effect of the tenancy agreements as mentioned in Note 4 (v) into our valuation.

6. For reconciliation of the difference between the book value of the property recognised in the financial statement as at 31 July 2018 and the amount of valuation as at 30 September 2018, please refer to the section headed "LIQUIDITY POSITION, FINANCIAL RESOURCES AND CAPITAL STRUCTURE" in Appendix III to this circular.

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to Leed International as at 30 September 2018
2.	A developing campus erected on two various parcels of land known as Lot Nos. 530127202-013-003-10013 and 530111109005GB00001, and located at Songming County Vocational Education Base Songming County Kunming Yunnan Province The People's Republic of China 651701	The property comprises a campus known as 滇池學院楊林校區 (translated as Yang Lin Campus of Dianchi College) erected on two various parcels of adjoining land having a total site area of 330,466.78 square meters ("sq. m."). According to information provided by the appointed personnel of Leed International, the campus comprises 30 various building and ancillary structures with a total gross floor area of approximately 179,127.79 sq.m. for education, student quarters and supporting facilities. They were completed in between 2013 to 2016. *(See Note 2 below)* We were given to understand that 6 various student quarters with a total gross floor area of 42,451.72 sq.m. upon completion were under construction as at the Valuation Date. As advised, these buildings were completed in early December 2018. *(See Notes 5, 7 (iv) and 10 below)* The locality of the property is vocational education base with educational institutions establishing in the surrounding. The property is subject to various rights to use the land for various terms to be expired between 16 September 2061 and 12 July 2067 for science and education usages. *(See Note 1 below)*	As inspected by us and confirmed by the appointed personnel of Leed International, as at the Valuation Date, majority part of the property was occupied as a private higher education institution and part of the property was under construction with superstructures work completed. Portions of the property were subject to various tenancies. *(See Note 7 (v) below)*	RMB762,700,000 100 per cent. interest *(See Notes 6 and 8 below)*

Notes:

1. The rights to possess the land is held by the State and the rights to use the land has been granted by the State to 雲南大學滇池學院 (translated as Yunnan University Dianchi College and hereinafter referred to as "Dianchi College") via the following ways:

   (i) a parcel of land with a site area of 294,749.67 sq.m.

   via a State-owned Land Use Rights Certificate known as Song Guo Yong (2011) Di 1242 Hao (嵩國用(2011)第1242號) and dated 27 September 2011 and issued by the People's Government of Songming County with a site area of 294,749.67 sq.m. for a term till 16 September 2061 for science and educational usages.

   (ii) a parcel of land with a site area of 35,717.11 sq.m.

   - via a Contract for the Grant of State-owned Construction Usage Land Use Rights (國有建設用地使用權出讓合同) dated 21 July 2017 and made between Yunnan Dianzhong Xinqu Land Resources Bureau and Dianchi College, a parcel of land having a site area of approximately 35,717.11 sq. m. was granted to Dianchi College at a consideration of RMB 21,432,000 for a term of 50 years for science and educational usages. According to information provided by the Instructing Party, the consideration has been fully paid; and

   - via a Real Estate Registration Certificate known as Yun (2017)Guan Du Qu Bu Dong Chan Quan Di 0143092 Hao (雲(2017)官渡區不動產權第0143092號) and dated 13 November 2017 and issued by the Land and Resources Bureau of Kunming City with a site area of 35,717.11 sq.m. for a term till 12 July 2067 for science and educational usages.

2. Pursuant to 30 various Building Ownership Certificate (房屋所有權證)) known as Kun Ming Shi Fang Quan Zheng Song Ming Xian Zi Di 20131362, 20131363, 20131364, 20131365, 20131366, 20131367, 20131368, 20131369, 20131370, 20131371, 20131372, 20150071, 20150072, 20150073, 20150074, 20150075, 20150076, 20150077, 20150078, 20150079, 20160905, 20160906, 20160907, 20160908, 20160909, 20160910, 20160911, 20160912, 20160913 and 20160914 Hao (昆明市房權證嵩明縣字第20131362, 20131363, 20131364, 20131365, 20131366, 20131367, 20131368, 20131369, 20131370, 20131371, 20131372, 20150071, 20150072, 20150073, 20150074, 20150075, 20150076, 20150077, 20150078, 20150079, 20160905, 20160906, 20160907, 20160908, 20160909, 20160910, 20160911, 20160912, 20160913及20160914號) and registered between 16 July 2013 and 12 June 2016 and issued by the People's Government of Songming County, the legally interested party in these building and ancillary structures for a total gross floor area of 179,127.79 sq.m. is Dianchi College.

3. Pursuant to a Planning Permit for Using Construction Usage Land (建設用地規劃許可證) Di Zi Di 2010051 Hao (地字第2010051號) dated 9 December 2010 and issued by the Planning and Development Bureau of Songming County (嵩明縣規劃建設局), Dianchi College was permitted to develop a parcel of land and having a total site area of approximately 294,749.672 sq. m. for higher educational usage.

4. Pursuant to a Planning Permit for Construction Project (建設工程規劃許可證) Jian Zi Di 2015006 Hao (建字第2015006號) issued by the Housing and Urban-Rural Development Bureau of Songming County (嵩明縣住房和城鄉建設局), Dianchi College was permitted to construct buildings with a total gross floor area of 42,451.72 sq.m. upon completion.

5. Pursuant to a Permit to Commence Construction (建設工程施工許可證) No. Zhi Jian Shi 2017013 (編號職建施2017013) dated 25 September 2017 and issued by the Housing and Urban-Rural Development Bureau of Songming County, Dianchi College was permitted to commence construction of a development having a total gross floor area of 42,451.72 sq.m.

6. According to the information provided, we are given to understand that the cost incurred for the construction work was approximately RMB111.72 million as at the Valuation Date.

7. According to the legal opinions prepared by the Group's PRC legal adviser, the following opinions are noted:

   (i) Dianchi College has obtained the right to use the property legally;

   (ii) land mentioned in Note 1(i) above and the construction in progress items of the property are subject to mortgage;

   (iii) Dianchi College has an absolute right to possess, use, transfer, let, mortgage or other legal uses regarding the land use rights of the property within the remaining specified land use terms save except for the land and construction in progress items which are mortgaged that required approval from the mortgagee;

   (iv) for the construction in progress items (that is the 6 various student quarters), construction work was completed, and obtained the relevant Completion and Acceptance Registration Form of Construction Project and Fire Services Acceptance. Dianchi College is in the progress of applying for the relevant title certificates for the buildings. Among the 6 student quarters, 2 of them have been in use; and

   (v) portions of the property are subject to 18 various tenancy agreements entered by 雲南滇教資產管理有限公司 (translated as Yunnan Dianjiao Asset Management Company Limited and hereinafter referred to as "Dianjiao AM Co") with various tenants. However, Dianjiao AM Co has not yet received authorisation from Dianchi Co for entering the relevant tenancy agreements on its behalf, validity of the agreements is still subject to confirmation from Dianchi Co.

8. In view of the PRC legal opinion as mentioned above in Note 7, we have not taken into accounts the effect of the tenancy agreements as mentioned in Note 7(v) into our valuation.

9. For reconciliation of the difference between the book value of the property recognised in the financial statement as at 31 July 2018 and the amount of valuation as at 30 September 2018, please refer to the section headed "LIQUIDITY POSITION, FINANCIAL RESOURCES AND CAPITAL STRUCTURE" in Appendix III to this circular.

10. Pursuant to a Completion and Acceptance Registration Form of Construction Project No. 2018-233 Hao (建設工程竣工驗收備案表2018-233號) dated 7 December 2018 and registered at the relevant government department(s), Phase 4 of the campus (that is the 6 various student quarters) with a total gross floor area of 42451.72 sq.m. was completed in early December 2018.

Group II – Property held by Leed International for future development under long-term title certificates in the PRC and valued on market value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in existing state attributable to the Leed International as at 30 September 2018
3.	A parcel of land known as Lot No. 530125503047GB00001 and located at Caodian Zone Tangchijiedao Office Yang Zong Hai Scenic Area Kunming Yunnan Province The People's Republic of China 652116	The property comprises a parcel of vacant land having a site area of 366,241.28 sq. m. The property is located at scenic area of Yangzong Sea. The property is subject to a right to use the land for a term till 28 June 2068 for science and educational usages. *(See Note 1 below)*	As confirmed by the appointed personnel of Leed International, as at the Valuation Date, the property was vacant.	RMB192,300,000 (100 per cent. interest)

Notes:

1. The rights to possess the land is held by the State and the rights to use the land has been granted by the State to 雲南大學滇池學院 (translated as Yunnan University Dianchi College and hereinafter referred to as "Dianchi College") via the following ways:

   - via a Contract for the Grant of State-owned Land Use Rights (國有土地使用權出讓合同) dated 9 July 2018 and made between Kunming Land Resources Bureau and Dianchi College, a parcel of land having a site area of approximately 366,236.56 sq. m. was granted to Dianchi College at a consideration of RMB 192,272,500 for a term of 50 years for science and educational usages. According to information provided by the Instructing Party, the consideration has been fully paid; and

   - via a Real Estate Registration Certificate known as Yun (2018) Yi Liang Xian Bu Dong Chan Quan Di 0002292 Hao (雲(2018)宜良縣不動產權第0002292號) and dated 27 September 2018 and issued by the Land and Resources Bureau of Yiliang County with a site area of 366,241.28 sq.m. for a term till 28 June 2068 for science and educational usages.

2. Pursuant to the Contract for the Grant of State-owned Land Use Rights mentioned in Note 1 above, the property is mainly subject to the following development parameters:

Plot Ratio	≤1
Building Height	≤30 meters
Density	≤25%
Greenery Area	≥35%

3. Pursuant to a Planning Permit for Using Construction Usage Land (建設用地規劃許可證) Di Zi Di Yang Zong Hai Feng Jing Ming Sheng Qu 201800006 Hao (地字第陽宗海風景名勝區201800006號) dated 10 August 2018 and issued by the Planning Bureau of Management Committee of Yang Zong Hai Scenic Area of Kunming (昆明陽宗海風景名勝管理委員會規劃局), Dianchi College was permitted to develop a parcel of land and having a total site area of approximately 366,236.56 sq. m. for higher educational usage.

4. Pursuant to a Planning Permit for Construction Project (建設工程規劃許可證) Jian Zi Di Yang Zong Hai Feng Jing Ming Sheng Qu 201800007 Hao (建字第陽宗海風景名勝區201800007號) dated 19 November 2018 and issued by the Planning Bureau of Management Committee of Yang Zong Hai Scenic Area of Kunming (昆明陽宗海風景名勝管理委員會規劃局), Dianchi College was permitted to construct buildings with a total gross floor area of 195,156 sq.m. (including 183,491 sq.m. above ground and 11,665 sq.m. below ground) upon completion.

5. According to the legal opinions prepared by the Group's PRC legal adviser, the following opinions are noted:

   (i) Dianchi College has obtained the right to use the property legally; and

   (ii) Dianchi College has an absolute right to possess, use, transfer, let, mortgage or other legal uses regarding the land use rights of the property within the remaining specified land use terms.

6. For reconciliation of the difference between the book value of the property recognised in the financial statement as at 31 July 2018 and the amount of valuation as at 30 September 2018, please refer to the section headed "LIQUIDITY POSITION, FINANCIAL RESOURCES AND CAPITAL STRUCTURE" in Appendix III to this circular.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or the chief executive of our Company or their respective associates had or was deemed to have any interests and short positions in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO); (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules:

Long Position in the Shares

Name of Director	Capacity/Nature of interest	Number of Shares[2]	Approximate percentage of shareholding in the Company
Mr. Li Xuechun[1]	Interest in a controlled corporation	3,000,000,000 (L)	74.67%
Ms. Zhang Weiping	Beneficial owner	30,000,000 (L)	0.75%
Mr. Zuo Yichen	Beneficial owner	8,000,000 (L)	0.20%
Mr. Lam Ngai Lung	Beneficial owner	8,000,000 (L)	0.20%

Notes:

1. Mr. Li Xuechun holds 90% of the issued share capital of Minsheng Group (formerly known as "Honest Cheer") and is the sole director and therefore, by virtue of the SFO, he is deemed to be interested in all the shares held by Minsheng Group (formerly known as "Honest Cheer"). Ms. Li Ning, daughter of Mr. Li Xuechun, holds the remaining 10% of the issued share capital of Minsheng Group (formerly known as "Honest Cheer").

2. The letter "L" denotes a long position in the Shares.

(b) Substantial Shareholders' interests and short positions in Shares and underlying Shares

As at the Latest Practicable Date, save as disclosed in this circular, so far as was known to the Directors, persons other than a Director or chief executives of the Company who had, or were deemed to have, interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company under Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company, were as follows:

Long Position in Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares(1)	Approximate percentage of shareholding in the Company
Minsheng Group (formerly known as "Honest Cheer")	Beneficial owner	3,000,000,000 (L)	74.67%
City Legend International Limited 華昌國際有限公司	Beneficial owner	332,000,000 (L)	8.26%

Note:

(1) The letter "L" denotes a long position in the Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or a proposed Director was a director or employee of a company which had, or was deemed to have, an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Save as disclosed above, so far as was known to the Directors or the chief executive of the Company, as at the Latest Practicable Date, no persons other than a other than a Director or chief executives of the Company who had, or were deemed to have, interests or short positions in the Shares or underlying Shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or required to be recorded in the register maintained by the Company under Section 336 of the SFO, or were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which would not expire or would not be determinable by such member of the Group within one year without payment of compensation other than statutory compensation.

4. OTHER INTERESTS OF THE DIRECTORS

Save as disclosed in this circular, as at the Latest Practicable Date:

(a) none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2017, being the date of the latest published audited accounts of the Group, up to the Latest Practicable Date, acquired or disposed of by, or leased to any member of the Group, or are proposed to be acquired or disposed of by, or leased to, any member of the Group; and

(b) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and their respective close associates was interested in any business apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with that of the Group pursuant to Rule 8.10 of the Listing Rules.

6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claims of material importance to the Group and no litigation, arbitration or claims of material importance to the Group was known to the Directors to be pending or threatened by or against any member of the Group.

Based on the information provided by the Vendors, as at the Latest Practicable Date, no member of the Target Group, was engaged in any litigation or arbitration or claims of material importance and no litigation, arbitration or claims was known to be pending or threatened by or against any member of the Target Group.

7. MATERIAL CONTRACTS

The following contracts (being contracts entered into outside the ordinary course of business carried by the Group) had been entered into by members of the Group within the two years immediately preceding the date of this circular and up to the Latest Practicable Date:

(a) a deed of indemnity dated 6 March 2017 entered by the Controlling Shareholders in favour of the Company;

(b) the IFC Cornerstone Investment Agreement;

(c) a policy agreement dated 8 March 2017 between International Finance Corporation and the Company, pursuant to which our Company agreed to adopt certain corporate governance and reporting measures prescribed by International Finance Corporation;

(d) an amendment agreement to cornerstone investment agreement dated 9 March 2017 entered into by and among International Finance Corporation, Citigroup Global Markets Asia Limited, Macquarie Capital Limited and our Company, pursuant to which certain terms of the IFC Cornerstone Investment Agreement were amended;

(e) a cornerstone investment agreement dated 6 March 2017 entered into by and among City Legend International Limited (華昌國際有限公司), Citigroup Global Markets Asia Limited, Macquarie Capital Limited and our Company, pursuant to which City Legend International Limited (華昌國際有限公司) agreed to subscribe for 332,000,000 Shares at the Offer Price;

(f) a deed of non-competition dated 6 March 2017 executed by Honest Cheer (currently known as "Minsheng Group"), Mr. Li Xuechun and Ms. Li Ning in favour of the Company regarding certain non-competition undertakings provided by them; and

(g) the Hong Kong Underwriting Agreement.

8. EXPERT'S QUALIFICATION AND CONSENT

The following are the qualifications of the expert whose name, opinions and/or reports are contained in this circular:

Name	Qualification
Ernst & Young	Certified Public Accountants
Global Law Office	PRC legal advisers
LCH (Asia-Pacific) Surveyors Limited	Professional Surveyors

Each of the experts named above has given and confirmed that it has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter, report, valuation certificate, advice, opinion and/or references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group; and (iii) had given and had not withdrawn its consent to the issue of this circular with the inclusion of its letter, opinions and/or reports and the reference to its name included herein in the form and context in which they respectively appear.

9. MISCELLANEOUS

(a) The company secretary of the Company is Ms. Ng Wing Shan. Ms. Ng is a fellow member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

(b) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(c) The headquarters and principal place of business of the Company in the PRC is located at Room 301, Full Tower, No. 9 Dongsanhuan Zhonglu, Chaoyang District, Beijing, PRC.

(d) The principal place of business of the Company in Hong Kong is located at Room 3202A, 32/F., Tower 1, Lippo Centre, 89 Queensway Road, Admiralty, Hong Kong.

(e) The Cayman Islands principal share registrar and transfer office of the Company is Codan Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(f) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(g) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail over its Chinese text unless otherwise specified.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any weekday (except public holidays) at the offices of the Company's principal place of business in Hong Kong at Room 3202A, 32/F., Tower 1, Lippo Centre, 89 Queensway Road, Admiralty, Hong Kong for a period up to and including the date falling on 14 days from the date of this circular:

(1) memorandum and articles of association of the Company;

(2) annual reports of the Group for the financial years ended 31 December 2016 and 2017 and the interim report of the Group for the six months ended 30 June 2018;

(3) the prospectus of the Company published on 10 March 2017;

(4) the accountants' report on the Target Group from Ernst & Young, the text of which is set out in Appendix II to this circular;

(5) the report on the unaudited pro forma financial information of the Enlarged Group from Ernst & Young, the text of which is set out in Appendix IV to this circular;

(6) the valuation report on the property interests held by Leed International issued by LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in Appendix V to this circular;

(7) the legal opinion issued by Global Law Office;

(8) the written consents referred to in the paragraph headed "8. Experts' qualification and consents" in this appendix;

(9) the service contracts and letters of appointment referred to in the section headed "Directors' Service Contracts" in this appendix;

(10) the material contracts referred to in the section headed "7. Material contracts" in this appendix; and

(11) this circular.