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, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **Minsheng Education Group Company Limited,** you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) 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(s) or the transferee(s).

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 50% OF THE EQUITY INTEREST OF OPEN UNIVERSITY ONLINE TO HOLD 100% EQUITY INTEREST IN OPEN UNIVERSITY ONLINE AND OPEN DISTANCE EDUCATION

A letter from the Board is set out on pages 4 to 19 of this circular.

The Equity Transaction Agreement and the transactions contemplated thereunder have been approved by written shareholder's approval obtained from Minsheng Group Company Limited, pursuant to Rule 14.44 of the Listing Rules in lieu of holding a general meeting of the Company. This circular is being despatched to the Shareholder for information only.

26 May 2021

CONTENTS

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

"Acquisition"	the acquisition of the Target Equity Interest
"Announcements"	the announcements of the Company dated 28 December 2020, 6 January 2021 and 13 January 2021
"Beijing Minsheng"	Beijing Minsheng Times Education Technology Company Limited* (北京民晟時代教育科技有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
"Board"	the board of Directors
"Business Days"	a calendar day excluding Saturday, Sunday or all statutory holidays in the PRC
"BVI"	British Virgin Islands
"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 Equity Interest Transfer Agreement
"connected person"	has the meaning ascribed to it under the Listing Rules
"Director(s)"	the directors of the Company
"EGM"	extraordinary general meeting of the Company
"Enlarged Group"	the Group as enlarged by the Acquisition after the Completion
"Equity Interest Transfer Agreement"	the equity transaction agreement dated 31 December 2020 entered into between the Transferor and the Transferee in respect of the Acquisition
"Group"	the Company and its subsidiaries
"Guokai Xiangyun"	Guokai Xiangyun (Beijing) Asset Management Company Limited* (國開祥雲(北京)資產管理有限責任公司), a company established in the PRC and a wholly-owned subsidiary of The Open University of China

"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Independent Third Party(ies)"	third party(ies) which is/are independent of and not connected with the Company and its connected persons and not otherwise a connected person of the Company
"Latest Practicable Date"	21 May 2021, being the latest practicable date for ascertaining certain information in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Minsheng Education Technology"	Minsheng Education Technology Company Limited (民生教育科技有限公司), a limited liability company incorporated in the Cayman Islands and a direct wholly-owned subsidiary of the Company
"Open Culture"	Beijing Open Culture Media Company Limited* (北京奥鵬文化傳媒有限公司), a company established in the PRC
"Open Distance Education"	Beijing Open Distance Education Centre Company Limited* (北京奥鵬遠程教育中心有限公司), a company established in the PRC and a wholly-owned subsidiary of Open University Online
"Open University Online"	Open University Online Long Distance Learning Education Technology Company Limited* (電大在線遠程教育技術有限公司), a company established in the PRC and a parent company of Open Distance Education
"PRC" or "China"	the People's Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	the ordinary share(s) of US$0.00001 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s)
"Shenzhen TCL"	Shenzhen TCL Education Technology Company Limited* (深圳TCL教育科技有限責任公司), a company established in the PRC

"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules
"Target Equity"	50% equity interests in Open University Online
"Target Group"	Open University Online and its subsidiaries
"TCL Educational Web"	TCL Educational Web Limited, a limited liability company incorporated in the BVI and an indirectly wholly-owned subsidiary of the Company
"TCL Share Purchase Agreement"	the share purchase agreement entered into between Minsheng Education Technology and TCL Technology dated 25 March 2020, pursuant to which Minsheng Education Technology agreed to acquire, and TCL Technology agreed to sell, 100% of the issued share capital of TCL Educational Web, at a total consideration of RMB420,000,000 equivalent USD
"TCL Technology"	TCL Technology Investments Limited, a company incorporated in Hong Kong
"Tianjin PRE"	Tianjin Property Rights Exchange Centre (天津產權交易中心)
"Transferee"	Beijing Minsheng
"Transferor"	Guokai Xiangyun
"Transfer Price"	RMB410,000,000, being the transfer price for the Acquisition
"US$"	US$, the lawful currency of the United States of America
"Written Shareholders' Approval"	the written shareholders' approval dated 29 October 2020 in respect of the Equity Transaction Agreement given by Minsheng Group
"%"	per cent.

* *for identification purpose 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 of the Board)*
Ms. Zhang Weiping *(Vice-chairperson of the Board)*
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:

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Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

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Hong Kong

26 May 2021

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE
ACQUISITION OF 50% OF THE EQUITY
INTEREST OF OPEN UNIVERSITY ONLINE TO HOLD 100% EQUITY
INTEREST IN OPEN UNIVERSITY ONLINE AND
OPEN DISTANCE EDUCATION**

INTRODUCTION

Reference is made to the Announcements.

The purpose of this circular is to provide the Shareholders with, among other things, (i) details of the Equity Transaction Agreement and the transactions contemplated thereunder; (ii) financial information of the Group; (iii) financial information of the Target Group; (iv) the unaudited pro forma financial information of the Enlarged Group; and (v) other general information of the Company.

BACKGROUND

On 27 November 2020, Guokai Xiangyun, as the Transferor published the transfer information discourse announcement for the disposal of the Target Equity on Tianjin PRE, with an initial Transfer Price of RMB410,000,000.

On 23 December 2020, Beijing Minsheng, an indirect wholly-owned subsidiary of the Company, as the Transferee with intention, submitted an equity transfer application to Tianjin PRE to apply for transfer of the Target Equity, i.e. 50% the equity interest of Open University Online held by Guokai Xiangyun, at the initial Transfer Price of RMB410,000,000 and has paid RMB82,000,000 as deposit to Tianjin PRE on 24 December 2020.

On 28 December 2020, Beijing Minsheng received a notification of agreement signing which issued by Tianjin PRE on 25 December 2020 from the agent. The notification of agreement signing has confirmed Beijing Minsheng to be the Transferee of the Target Equity, and Beijing Minsheng was notified to enter into the Equity Transaction Agreement with Guokai Xiangyun in accordance with the relevant arrangements as stated in the transfer information disclosure announcement published by Guokai Xiangyun on Tianjin PRE.

On 31 December 2020, Beijing Minsheng (as the Transferee, an indirect wholly-owned subsidiary of the Company), and Guokai Xiangyun (as the Transferor) entered into the Equity Transaction Agreement, pursuant to which Beijing Minsheng agreed to acquire, and Guokai Xiangyun agreed to transfer, the Target Equity at the Transfer Price of RMB410,000,000. The deposit of RMB82,000,000 paid by Beijing Minsheng to Tianjin PRE on 24 December 2020 will be applied towards the settlement of the Transfer Price.

On 13 January 2021, the industrial and commerce registration filings of Open University Online and Open Distance Education have been completed, and the completion of the Acquisition has completely taken place. The Company has indirectly held 100% of the equity interests of Open University Online and Open Distance Education, Open University Online and Open Distance Education have become indirect wholly-owned subsidiaries of the Company, and their financial results are consolidated into the Company from 13 January 2021.

EQUITY TRANSACTION AGREEMENT

The principal terms of the Equity Transaction Agreement are summarized as follows:

Date	:	31 December 2020 (after trading hours)
Parties	:	Beijing Minsheng, as the Transferee; and
		Guokai Xiangyun, as the Transferor

		To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Transferor and its ultimate beneficial owners are Independent Third Parties.
Target Equity	:	50% the equity interest of Open University Online
Transfer Price	:	RMB410,000,000
Payment of the Transfer Price	:	1. The deposit of RMB82,000,000 that Beijing Minsheng paid to Tianjin PRE on 24 December 2020 would be applied towards the partial settlement of the Transfer Price. 2. The remaining part of the Transfer Price which amounted to RMB328,000,000, would be remitted to the special settlement account of Tianjin PRE in one lump sum within five working days from the effective date of the Equity Transaction Agreement for settlement.
Completion	:	Beijing Minsheng shall, with the cooperation from Guokai Xiangyun, complete the industrial and commerce registration filings at the market supervision and management department of which Open University Online locate in within 15 business days from the issue of transaction certificate by Tianjin PRE, upon which the transfer of the Target Equity is deemed completed. From the date of Completion, Beijing Minsheng entitles all the sole shareholder's rights and obligations of the Target Equity.

BASIS OF DETERMINATION OF THE CONSIDERATION

The Transfer Price is RMB410,000,000. In determining the Transfer Price, the Company has taken into account of, among others, the following factors:

(1) the Transferor has evaluated the Target Equity in accordance with the relevant policy requirements for the transfer of state-owned assets and determined that the initial Transfer Price was RMB410,000,000. According to the Tianjin PRE State-Owned Enterprise Property Right Transaction Rules (天津產權交易中心有限公司企業國有產權交易規則), the initial Transfer Price at the first information disclosure of the property right transaction shall not be lower than the recorded or approved evaluation result of the target property right. And according to the first information disclosure of the Target Equity transaction publicized by Tianjin PRE, the evaluation result of the Target Equity approved by the Ministry of Education of the PRC is RMB403,500,000, and the initial Transfer Price of the Target Equity is

RMB410,000,000. RMB410,000,000, being the initial Transfer Price, was the minimum amount of consideration at which the application by the Transferee for the transfer of the Target Equity could be successful.

(2) the consideration of RMB420,000,000 for the acquisition of the 100% of the issued shares of TCL Educational Web (which then held 50% of the equity interest in Open University Online) by Minsheng Education Technology in March 2020, which was determined having taken into account of, among others, the following factors:

(i) Open Distance Education was then the largest distance education service operator and the only operator served as public service system of distance education in a national scale, with broad market coverage and a large number of students and users;

(ii) Open Distance Education then operated with a few dozen nationwide prestigious universities, providing varieties of subject and program choices to their students that suit their different needs or interests;

(iii) at the 2019 (18th) China Distance Education Conference in 2019 (2019年(第十八屆)中國遠程教育大會), serveral learning centres of Open Distance Education won the honorary title of "National Outstanding Learning Center of Modern Distance Education in Modern Universities" (全國高校現代遠程教育優秀校外學習中心) and the number of awards received by Open Distance Education ranked the first among all nationwide institutions and service operators providing distance web education. Such recognition enhanced the brand of Open Distance Education, thereby attracting new students while infusing confidence in existing students regarding their learnings in Open Distance Education; and

(iv) the growth potential of online education industry in the PRC was huge, according to the analysis report of "China's Online Education Industry Market Forecast and Investment Strategy Analysis Report"《中國在線教育行業市場前瞻與投資戰略規劃分析報告》 issued by China Foresight Industry Research Institute (中國前瞻產業研究院), it was predicted that the size of China's online education market would reach RMB315 billion by 2020 and a compound growth rate of about 19.2% from 2016 to 2020.

In terms of the valuation of TCL Educational Web (which has taken into account of its investments in subsidiaries and joint ventures, i.e. including its investment in Open University Online and Silk Road (Beijing) International Educational Technology Center Company Limited* (絲綢之路(北京)國際教育科技中心有限公司) ("**Silk Road**")) by reference to its earnings and net assets, based on the financial information of TCL Educational Web provided by TCL Technology, as at 31 December 2019, (i) its unaudited net profit after tax amounted to approximately RMB23,240,277, representing an implied P/E ratio ("**P/E ratio**") of approximately 18 times; and (ii) its unaudited net assets amounted to approximately RMB164,475,694, representing an implied price-to-book ratio ("**P/B ratio**") of approximately 2.6 times.

By way of illustration, the table below sets forth certain acquisitions of online education business companies conducted in the past three years by other issuers listed on the Stock Exchange, Shanghai Stock Exchange or Shenzhen Stock Exchange which the Company considers comparable to the acquisition of TCL Educational Web.

Listed companies and its principal business	Transaction nature and total consideration	Net profit/(loss) of the target	Net asset/ (liabilities) of the target	Implied P/E ratio	Implied P/B ratio
Koolearn Technology Holding Limited (Stock Exchange stock code: 1797), an online education service provider in China	Acquisition of 49% equity interests in a target company, which is an online education service operator that provides recording courses, at a total consideration of RMB94 million(1)	(RMB49,700,000)	(RMB64,400,000)	Not applicable as the target company was in a loss position	Not applicable as the target company had net liabilities
NetDragon Websoft Holdings Limited (stock code: 777), a company with principal business including online and mobile game development, education business and mobile solution, products and marketing	Acquisition of a target company, which is a global education network offering a free communication and collaboration platform to K-12 schools targeting teachers, students, administrators and parents, by way of merger at a total consideration of US$137,500,000(2)	(US$19,515,000)	US$5,027,000	Not applicable as the target company was in a loss position	27.4x
北京立思辰科技股份有限公司 (Beijing Lanxum Technology Co., Ltd.*) (Shenzhen Stock Exchange stock code: 300010), an education service provider in China	Acquisition of 39% equity interests in a target company, which is an online and offline education service provider, at a consideration of RMB702 million(3)	RMB23,211,829	RMB63,424,278	77.5x	28.3x
長沙開元儀器股份有限公司 (Changsha Kaiyuen Instruments Co., Ltd.) (Shenzhen Stock Exchange stock code: 300338), a research and development, production and sales provider of coal quality testing equipment company in China	Acquisition of 30% equity interests in a target company, which is an online education service provider, at a consideration RMB144 million(4)	RMB27,621,400	RMB70,976,200	17.4x	6.8x
中國高科集團股份有限公司 (China Hi-Tech Group Co., Ltd.) (Shanghai Stock Exchange stock code: 600730), an educational technology service provider in China	Acquisition of 51% equity interests in a target company, which is a medical mobile online learning solutions and platform provider, at a consideration of RMB114 million(5)	RMB6,415,991	RMB30,757,526	35x	7.3x

Notes:

(1) Based on the information set out in the announcement of Koolean Technology Holding Limited dated 16 August 2019.

(2) Based on the information set out in the announcement of NetDragon Websoft Holdings Limited dated 8 April 2018.

(3) Based on the information set out in the announcement of 北京立思辰科技股份有限公司 (Beijing Lanxum Technology Co., Ltd.*) dated 5 November 2018.

(4) Based on the information set out in the announcement of 長沙開元儀器股份有限公司 (Changsha Kaiyuen Instruments Co., Ltd.) dated 4 June 2019.

(5) Based on the information set out in the announcement of中國高科集團股份有限公司 (China HiTech Group Co., Ltd.) dated 30 June 2017.

The above transactions were selected as references by the Directors when considering the valuation of the acquisition of TCL Educational Web, based on the following criteria: (1) the acquisition took place within the past three years; (2) the main business of the target company is the provision of online education service; and (3) the purchaser is a listed company (in Hong Kong, Shanghai or Shenzhen, as the case may be), which represent the key characteristics of the acquisition of TCL Educational Web.

As illustrated in the table above, the implied P/E ratio of the above comparable companies ranged from 17.4x to 77.5x, and with an average of 43.3x; and the implied P/B ratio of the above comparable companies ranged from 6.8x to 28.3x, with an average of 17.5x. The implied P/E ratio of TCL Educational Web falls within the relevant range but below the average of that of the comparable transactions and the P/B ratio of TCL Educational Web is lower than both the range and average of that of the comparable transactions. In light of the consideration for the comparable transactions and the financial performance and conditions of the targets in such transactions, the amount of the consideration for the acquisition of TCL Educational Web represents a favorable price for the level of financial performance and conditions of the targets to be acquired under the acquisition of TCL Educational Web from the Company's perspective. No other quantitative factors other than the implied P/E ratio and P/B ratio as set out above were taken into account in the determination of the consideration for the acquisition of TCL Educational Web. Accordingly, the Directors considered that these transactions are comparable transactions which are fair and representative references for the acquisition of TCL Educational Web; and are of the view that the consideration for the acquisition of TCL Educational Web is fair and reasonable.

The Group first obtained the 50% equity interest in Open University Online through the acquisition of TCL Educational Web, which had 100% equity interest in Shenzhen TCL and 50% equity interest in Open University Online. As of 31 March 2020, the unaudited consolidated net assets of the Shenzhen TCL was approximately RMB15,400,000. The consideration for the acquisition of TCL Educational Web was RMB420,000,000. After deduction of the the unaudited consolidated net assets of the Shenzhen TCL of approximately

RMB15,400,000, the net consideration for acquisition of the 50% equity interest in Open University Online in March 2020 was approximately RMB404,600,000, which is about the same as the Transfer Price of RMB410,000,000; and

(3) the Company holds 100% equity interests in Open University Online after the completion of the Acquisition. After the Completion, the Group gained full control over Open University Online and fully consolidated the financial statements of Open University Online into those of the Group's.

In view of the factors above, the Directors consider that the Transfer Price is fair and reasonable since the Transfer Price was the minimum possible amount that the Group shall pay in order to be awarded the transfer of Target Equity, which was determined in accordance with the relevant policy requirements for the transfer of state-owned assets. At the same time, such Transfer Price is close to the consideration for the acquisition of the first 50% of the equity interest of Open University Online. The Directors consider that such comparison illustrated that the Transfer Price is favorable to the Group as it enabled the Group to fully control Open University Online at a reasonable consideration.

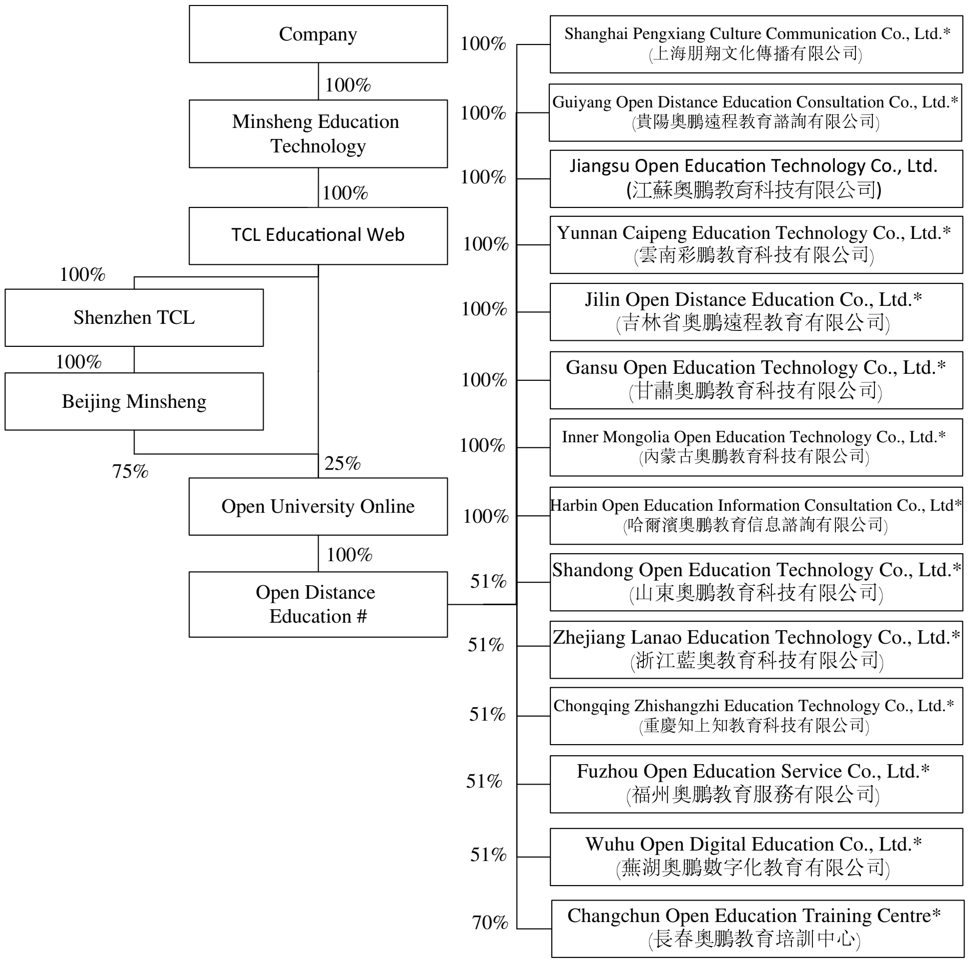
COMPLETION

On 6 January 2021, the remaining part of the Transfer Price which amounted to RMB328,000,000 was remitted to the special settlement account of Tianjin PRE. On 13 January 2021, the industrial and commerce registration filings of Open University Online and Open Distance Education have been completed, and the completion of the Acquisition has completely taken place. The Company has indirectly held 100% of the equity interests of Open University Online and Open Distance Education, Open University Online and Open Distance Education have become indirect wholly-owned subsidiaries of the Company, and their financial results are consolidated into the Company from 13 January 2021.

INFORMATION OF THE TARGET GROUP

Group Structure

The following sets forth the group structure of the Target Group at the Latest Practicable Date:



\# As at the Latest Practicable Date, Open Distance Education has branch companies and subsidiaries in Zhengzhou, Ningbo, Chengdu, Hefei, Huizhou, Nanchang, Xi'an, Shijiazhuang, Taiyuan, Nanning, Shanghai, Shenzhen, Shenyang, Changsha, Jinan, Guangzhou, Hangzhou, Qingdao, Nanjing and Wuhan.

Open University Online

Open University Online is a limited liability company established under the law of the PRC on 2 April 2001, which was owned as to 50% by the Transferor, 25% by the Transferee and 25% by TCL Educational Web (an indirect wholly-owned subsidiary of the Company). After the Completion of the Acquisition, the Transferee owns 75% of shares of Open University Online and TCL Educational Web owns 25% of shares of Open University Online and therefore Open University Online become an indirectly wholly-owned subsidiary of the Company, whose financial performance has been fully consolidated into the Company. Open University Online is the national operator of the public service system for distance education and mainly engaged in the software development and production of computer software and hardware and distance education software; technology development of information networks and other businesses. As at the date of this circular, Open University Online holds 100% equity interests of Open Distance Education.

Open Distance Education

Open Distance Education is a limited liability company established under the law of the PRC on 26 September 2003, to undertake the construction, management and operation of China's first public service system for distance education and the only national public service system for distance education. Open Distance Education provides enrollment, payment, educational support, educational administration, operation, learning center management, brand promotion, student assistance, exams, teaching materials, platform and technology, big data support and other services for cooperative universities and learners, it ranked the first in terms of the number and services of cooperative universities in the area of distance education, the number of students and the number of channels and centres, and it is the largest distance education service operator in China. In addition, Open Distance Education has also developed business sectors with open university system cooperation in running schools, teacher continuing education and training, IMOOC.com, and examination business, and holds a leading position in China.

As of the Latest Practicable Date, (i) Open Distance Education has carried out online education cooperation with more than 30 well-known domestic universities including Peking University, Nankai University, Tianjin University, Beijing Normal University, etc., providing a few hundred undergraduate and junior college majors, with approximately 1 million students enrolled, with more than 1,800 learning centers in 31 provinces (autonomous regions, municipalities) across China; (ii) Open Distance Education has cooperated with 9 open universities; (iii) Open Distance Education has trained teachers throughout 2020 for approximately 2.9 million person counts cumulatively, (iv) IMOOC.com, having been registered by over 20 million users, provides more than 3,000 courses; (vi) the national unified examination for online education takes an average of about 2 million person counts per year, an average of 4.6 million persons counts per year for course examinations and social examinations.

Set out below is the summary of audited consolidated financial information of the Target Group:

	For the year ended 31 December 2018 *(RMB'000)*	**For the year ended 31 December 2019** *(RMB'000)*	**For the year ended 31 December 2020** *(RMB'000)*
Revenue	776,983	938,932	833,843
Net profit before taxation	53,738	169,682	84,923
Net profit after taxation	52,934	148,200	78,756

As at 31 December 2020, the audited consolidated total assets and net assets of the Target Group:

	As at 31 December 2020 *(RMB'000)*
Total assets	1,541,790
Net assets	151,515

FINANCIAL EFFECT OF THE ACQUISITION

After the Completion, the Target Group become a subsidiary of the Company, and the financial and all the results, assets and liabilities of the Target Group has been 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 *(RMB'000)*	**Enlarged Group after Completion** *(RMB'000)*
Total assets	9,110,346	10,557,172
Total liabilities	4,948,467	6,401,517
Net assets	4,161,879	4,155,655
Gearing ratio *(Note)*	42.3%	42.4%

Note: The gearing ratio is calculated by dividing total bank and other borrowings with interest from the financial institutions by total equity.

In light of the future prospects of the Open University Online, 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.

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSACTION AGREEMENT

1. In-line with national education policy guidance and future education development trends

In recent years, China has clearly pointed out through a series of important conferences and policy documents the propositions of "building an education system that serves the life-long learning of all people, and strive to form a new pattern of education governance with the participation of the whole society". The Acquisition is in line with China's policy orientation to encourage the development of online education, lifelong education, and continuing education, and it also conforms to the "Internet +" Education, online and offline education integrated development in the future education development trend and carries great opportunity.

2. Open University Online/Open Distance Education are leading companies in the industry with huge development potential

Open University Online/Open Distance Education is the only operator approved by the Ministry of Education for the national modern distance education public service system, it cooperates with more than 30 well-known universities nationwide, more than 1,800 learning centers covering 31 provincial administrative regions nationwide, serving approximately 1 million college students nationwide, and has a number of invention patents and software copyrights, through big data, artificial intelligence and other technologies to build a comprehensive online learning platform, with a huge potential in further development.

3. Contribute to the implementation of the Company's overall development strategy

The Company implements the overall development strategy of "empowering education with technology, creating a new ecology of smart education, advancing the two-wheel drive of general higher education + vocational education, and the integrated development of campus education + online education", and actively explores online education business. Upon the completion of the Acquisition, the Company will position itself in an industry leading position in terms of business scale and technical level in online education. Based on these fundamental and the leading position, it will help the Company to realize the organic integration of its various online business segments, and realise the complementary advantages of the Company's on-campus education and online education resources and the collaborative development of business.

4. Enhancing the Company's financial performance

The valuation of the Transfer Price of the Acquisition is reasonable and better than the average level of comparable companies in the market. The acquisition of the remaining 50% of the equity of Open University Online will enable the Company to consolidate the financial results of Open University Online/Open Distance Education, which is expected to significantly increase the Group's revenue, thereby reflecting the good financial situation of the Company and increase the certainty of the financial results of the Company.

The Directors are of the view that the terms of Equity Interest Transfer Agreement and the Transfer Price are fair and reasonable and the Acquisition will be in the interests of the Company and the Shareholders as a whole. The Directors would recommend the shareholders of the Company to vote in favour of the resolutions approving the Equity Interest Transfer Agreement and the transactions contemplated thereunder if a general meeting is to be convened.

RISK ASSESSMENT IN RESPECT OF THE ACQUISITION

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

(1) The business of the Target Group is dependent on the market recognition of reputation, and any damage to our reputation would materially and adversely affect its business.

The reputation and brand recognition of the Target Group are of great importance for it to take in and retain students and cooperating education institutions. Such reputation and brand could be potentially subject to risks and threats that are difficult or impossible to control, and costly or impossible to remediate. Negative publicity about the Target Group can harm its reputation, business, and results of operations, even if they are baseless.

(2) The business of the Target Group could be materially and adversely affected by the outbreak of COVID-19.

In response to the outbreak of COVID-19, the Chinese government took a number of actions. The outbreak of COVID-19 in China have also resulted in the temporary closure of many corporate offices, retail stores, and manufacturing facilities across China. If the spread of COVID-19 cannot be fully controlled or continues for longer, operating results of the Target Group's business may be materially and adversely affected. While many of the restrictions on movement within China had been relaxed as of the Latest Practicable Date, there is great uncertainty as to the future progress of the disease. Relaxation of restrictions on economic and social life may lead to new cases which may lead to the reimposition of restrictions.

IMPLICATIONS UNDER THE LISTING RULES

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.

Under Rule 14.44 of the Listing Rules, Shareholders' approval for the Acquisition 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. As such, no Shareholders would be required to abstain from voting in favour of the resolution approving the Acquisition and the transactions under it.

On 31 December 2020, the Company has obtained from Minsheng Group, the controlling shareholder of the Company, which then held 3,000,000,000 shares of the Company (representing approximately 71.13% of the total number of issued shares of the Company as at the date of this circular), a written shareholder's approval for the Equity Transaction Agreement and the transactions thereunder pursuant to Rule 14.44 of the

Listing Rules in lieu of holding a general meeting for the approval of the same matters. Therefore, no general meeting of the Company for the approval of the Equity Transaction Agreement and the transactions thereunder will be convened and held.

RELEVANT LAWS AND REGULATIONS IN THE PRC

Open Distance Education is primarily engaged in the provision of academic education support services, namely the construction, management and operation of the Distance Education Public Service System, which include providing teaching support service, technology support service, resource construction service and resource transmission services to the distance academic education programs of the partner universities and other education institution. The business of providing such services is not subject to foreign investment restrictions. Open Distance Education's main business has obtained the approval of the relevant department of the Ministry of Education of the PRC.

According to the Reply on Approving the Application for Registration of "Beijing Open Distance Education Centre" (《關於同意申請註冊「北京奧鵬遠程教育中心」的批復》) issued by the Department of Higher Education of the Ministry of Education on 5 March 2003, Open University Online is approved to apply for registration of Beijing Open Distance Education Centre, engaged in distance education, teaching support services, training and other related services and actively explore the management model and operation mechanism for the construction of China's modern distance education public service system. The General Office of the Ministry of Education issued the Reply on Approving the Establishment of the Modern Distance Education Public Service System of China Central Radio & TV University (《關於同意建設「中央廣播電視大學現代遠程教育公共服務體系」的批復》) on 1 March 2005, approving the establishment of the Modern Distance Education Public Service System of China Central Radio and TV University ("中央廣播電視大學現代遠程教育公共服務體系") by China Central Radio & TV University (the predecessor of The Open University of China) on the basis of the system of national radio and television universities system. As advised by Global Law Office (the "PRC Legal Advisor"), the PRC legal advisors to the Company, the principal business of Open University Online is software technology service. These software technology service provides the support system to Open Distance Education's academic education service business. There are no foreign investment restrictions in operating these businesses under the laws of the PRC.

Open Distance Education's Massive Online Open Course ("**MOOC**") business provides free and paid exclusive professional training courses focusing on IT-related majors and online programming tools through IMOOC (慕課網) ("**IMOOC**") through its website (http://www.imooc.com) and its application (IMOOC APP). The revenue contribution of MOOC education business to the Target Group accounted for a small percentage of Open Distance Education's total income, amounted to approximately 6.33%, 7.65% and 8.75% for the years ended 31 December 2018, 2019 and 2020 respectively. Open Distance Education is responsible for the construction, management and operation of IMOOC, including providing teaching support, technical support, resource construction, resource transmission and other services and is not belong to value-added telecommunications business. The value-added telecommunications business involved in IMOOC is carried out by Open Distance Education through cooperation with Open Culture. Open Culture holds and maintain the "People's Republic of China Value-added Telecommunications Business License" (Jing ICP Certificate No. B2-20200822)《中華人民共和國增值電信業務經營許可證》(京B2-20200822號)("**ICP Certificate**") which are required for such services and will valid until May 2025. The sole shareholder and legal representative of Open Culture is Yang Chunyan, an employee of Open Distance Education. Yang Chunyan has become an employee of Open Distance Education since July 2007 and has acted as the assistant to the general manager of Open Distance Education since September 2019. Except for the abovementioned relationship, the Company is not aware of Open Culture and Yang Chunyan have any past or present business relationship with the Company or its connected persons. As advised by the PRC Legal Advisor, there is no foreign investment restriction for such business of Open Distance Education under the laws of the PRC.

The Company can control the cooperative relationship with Open Culture for the following reasons:

1. according to the "ICP and Domain Name Management Agreement" entered by the parent company of Open Distance Education, Open University Online and Beijing Chuangqian Wanbo Technology Development Co., Ltd.* (北京創前萬博科技發展有限公司) ("**Beijing Chuangqian Wanbo**") (the predecessor of Open Culture and later renamed as Open Culture), Beijing Chuangqian Wanbo only has the rights to manage the domain name and ICP license which hold by them, Open University Online are entitled to all the rights of such domain name and ICP license, including but not limited to domain name, the ICP license of Open Distance Education, the intellectual property rights of the website and users' assets and etc, for a consideration of RMB2,800,000. When the policy allows Sino-foreign joint ventures to apply for an ICP license, Beijing Chuangqian Wanbo shall unconditionally transfer the ICP license and the domain name to Open University Online. The "ICP and Domain Name Management Agreement" is valid from 6 February 2009 to the time when Sino-foreign joint venture are allowed to apply for ICP license; if the policy does not allow Sino-foreign joint venture to apply for ICP license, the "ICP and Domain Name Management Agreement" will be valid until 25 September 2023.

2. the original copy of the currently effective business license, official seal, contract seal of Open Culture and the original copy of the "Value-added Telecommunications Business License" (Jing ICP Certificate No. B2-20200822)《增值電信業務經營許可證》(京B2-20200822號)are under the custody and managed by Open Distance Education.

Taking into account the good cooperative relationship between the Company and Open Culture, the Group has not yet set a specific timetable for implementing the plan for a domestic company to be controlled by contract arrangement (that is, VIE structure, not equity) to apply for the Value-Added Telecommunications Business License《增值電信業務經營許可證》.

Open Distance Education's teacher continuing education business accounts for a small percentage of Open Distance Education's total income. Open Distance Education provides teachers' online training programs to education authorities, schools and public institutions through its own online application platform. Such service fees are settled offline between education authorities, schools and public institutions and Open Distance Education, and the online application platform only serves as a teaching service platform and does not involve the collection of fees from training teachers through the online application platform, or charge advertising fees or operate value-added telecommunications business, and therefore, as advised by the PRC Legal Advisor, it is not subject to foreign investment restriction under the laws of the PRC.

Open Distance Education's vocational education business is mainly conducted by Open Distance Education by cooperating with partner educational institutions and accounts for a small percentage of Open Distance Education's total income. Open Distance Education provides services including teaching support, technical support, resource construction and resource transmission, to partner universities, and as advised by the PRC Legal Advisor, there is no foreign investment restriction for this business under the laws of the PRC.

In addition, Open Distance Education currently holds a License for Publication Business (Xin Chu Fa Jing Pi Zi No.190302)《出版物經營許可證》(新出發京批字第190302號), of which the business scope includes wholesale, retail and online sale of books and electronic publications, which business, as advised by the PRC Legal Advisor, is not subject to foreign investment restrictions.

GENERAL

Information on the Group

The Company is a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Main Board of the Stock Exchange. The Group is principally engaged in the provision of providing high-quality ordinary higher education and vocational education in the PRC.

Information on the Transferee

The Transferee is a company established under the laws of the PRC with limited liability, which is principally engaged in technology promotion service and education consulting, and is an indirect wholly-owned subsidiary of TCL Educational Web, which in turn is an indirect wholly-owned subsidiary of the Company.

Information on the Transferor

The Transferor is a company established under the laws of the PRC with limited liability, which is principally engaged in investment and asset management. The Transferor is a wholly-owned subsidiary of The Open University of China.

According to publicly available information, The Open University of China is a new type of university under the direct supervision of the Ministry of Education of the PRC. It provides distance and open education supported by modern information technology, including degree education and non-degree continuing education services to public. The beneficial owner of The Open University of China is the Ministry of Education of the PRC.

To the best of the directors' knowledge, information and belief having made all reasonable enquiry, the Transferor, The Open University of China and their ultimate beneficial owners are third parties independent of the listed issuer and connected persons of the Group, and they do not have any past or present relationships (whether formal or informal, business or otherwise, implied or explicit) with the Company or its connected persons.

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

1. CONSOLIDATED FINANCIAL STATEMENTS

Details of the financial information of the Group for each of the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 are disclosed in the following documents which have been published on both the website of the Stock Exchange (http://www.hkex.com.hk) and the website of the Company (http://www.minshengedu.com):

- annual report of the Group for the year ended 31 December 2020 published on 23 April 2021 (pages 146 to 312) (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042301900.pdf);

- annual report of the Group for the year ended 31 December 2019 published on 27 April 2020 (pages 145 to 316) (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042701016.pdf); and

- annual report of the Group for the year ended 31 December 2018 published on 16 April 2019 (pages 141 to 312) (available on: https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0416/ltn20190416293.pdf).

2. INDEBTEDNESS STATEMENT

The Enlarged Group

As at the close of business on 31 March 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Enlarged Group prior to the printing of this circular, the Enlarged Group had the following indebtedness:

Security and guarantees

As at the close of business of 31 March 2021, the Enlarged Group had security, including land, properties and buildings approximately RMB93.3 million.

Bank and other borrowings

As at the close of business of 31 March 2021, the Enlarged Group had other outstanding borrowings of approximately RMB1,964.6 million.

Commitments

As at the close of business of 31 March 2021, the Enlarged Group's capital commitments to make contracted payment amounted to RMB824.2 million.

Contingent liabilities

As at 31 March 2021, the Enlarged Group did not incur any material contingent liabilities.

Save as aforesaid or as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have at the close of business on 31 March 2021 any other debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

Save as aforesaid, the Directors are not aware of any material changes in the indebtedness, contingent liabilities and commitments of the Enlarged Group since 31 March 2021, the date of which the indebtedness statement is made and up to the Latest Practicable Date.

The Target Group

As at the close of business on 31 March 2021, being the latest practicable date for the purpose of ascertaining the indebtedness of the Target Group prior to the printing of this circular, the Target Group had the following indebtedness:

Security and guarantees

As at 31 March 2021, the Target Group did not incur any security or guarantees.

Bank and other borrowings

As at 31 March 2021, the Target Group had no bank loans and had lease liabilities of approximately RMB17.7 million.

Commitments

As at the close of business of 31 March 2021, the Group's has no capital commitment to make contracted payment.

Contingent liabilities

As at 31 March 2021, the Group did not incur any material contingent liabilities.

Save as aforesaid or as otherwise disclosed above, and apart from intra-group liabilities and normal trade payables, Open University Online did not have at the close of business on 31 March 2021 any other debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities.

3. WORKING CAPITAL

The Directors are satisfied after due and careful consideration and taking into account the present internal financial resources available to the Group, the banking facilities presently available, the effect of the transactions contemplated under the Equity Transaction Agreement and in the absence of unforeseen circumstances, the Enlarged Group will have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

According to the 14th Five-Year Plan for National Economic and Social Development and the Long Range Objectives through the Year 2035 of the People's Republic of China (中華人民共和國國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要), the gross enrollment ratio of higher education nationwide will be improved to 60%, which implies the PRC's higher education is about to enter the stage of universalization from popularization. Higher education and vocational education in PRC have huge potential for development. The Enlarged Group will continue to adopt the strategy of "two-wheel drive of higher education and vocational education, coordinated development of campus education and online education" to achieve the following goals:

(i) Develop a comprehensive academic education service platform

The Group's core strategy is to meet the needs of users' academic qualification improvement, the Enlarged Group provides its students and users with a full chain of academic services from secondary vocational, higher vocational, undergraduate to postgraduate degree, and provides vocational certificate training services through on-campus education and vocational education, establish a service platform from supplying academic products to fit the demand of students and users.

(ii) Establish an integrated cultivation mechanism of "enrollment, training, and employment"

The Enlarged Group has established a nationwide enrollment channel through online platforms, offline campuses and learning centers in 31 provinces, autonomous regions and municipalities, has established a vocational education professional co-construction system with leading companies in the industry, and will establish human resources segment in order to accommodate the standardized and personalized needs of students and users in terms of enrollment, assessment, study, examination, training and practice, and employment.

(iii) Technology empowering education

The Enlarged Group obtained a total of 8 online education-related patents in 2020, and owns about 200 software copyrights. The Enlarged Group, will continue to use technological innovation to improve the digital teaching platform with technological content and support user direct transactions (BC). Supporting offline institutional cooperative transactions (BB) and partner (CC) transactions, and other transaction models, to achieve deep integration between online and offline through big data capabilities, digital navigation for learning ability and career development has been developed.

(iv) Internationalization of the Group's education platform

The Enlarged Group will consolidate its core foundation, facing the "One-Belt-One-Road" countries and regions, and develop internationally. Based on the Silk Road and the "MOOC China Alliance", in-depth cooperation with Chinese and foreign language exchange and cooperation centers, relying on nearly 2,000 international Chinese language learning and testing centers in 149 countries and regions around the world, combining online and offline to empower high-quality curriculum resources to the academic education.

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

TO THE DIRECTORS OF MINSHENG EDUCATION GROUP COMPANY LIMITED

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF OPEN UNIVERSITY ONLINE LONG DISTANCE LEARNING EDUCATION TECHNOLOGY COMPANY LIMITED

INTRODUCTION

We report on the historical financial information of Open University Online Long Distance Learning Education Technology Company Limited (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-4 to II-54, which comprises the consolidated statements of financial position of the Target Group as at 31 December 2018, 2019 and 2020, the statements of financial position of the Target Company as at 31 December 2018, 2019 and 2020 and 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 for each of the years ended 31 December 2018, 2019 and 2020 (the "**Relevant Periods**") and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial Information set out on pages II-4 to II-54 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 26 May 2021 (the "**Circular**") in connection with the Company's proposed acquisition of 50% equity interest in 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 and presentation set out in Note 2.1 to the Historical Financial Information, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the contents of this Circular in which the Historical Financial Information of the Target Group is included, and such information is prepared based on accounting policies materially consistent with those of the Company.

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 Investments 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.

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 Historical Financial Information that give a true and fair view in accordance with the basis of preparation and presentation 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 of the Target Company, 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 Target Group's consolidated financial position as at 31 December 2018, 2019 and 2020, the Target Company's financial position as at 31 December 2018, 2019 and 2020, and of the Target Group's consolidated financial performance and consolidated cash flows for the Relevant Periods 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 OF HONG KONG LIMITED

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to Note 8 to the Historical Financial Information which contains information about the dividends declared and paid by the Target Company and its subsidiaries in respect of the Relevant Periods.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

26 May 2021

Tong Kin Keung
Practising Certificate Number: P07190

I. HISTORICAL FINANCIAL INFORMATION OF THE TARGET GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Grant Thornton Hong Kong Limited 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

		Year ended 31 December		
		2018	**2019**	**2020**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	*4*	776,983	938,932	833,843
Cost of sales		(300,982)	(314,067)	(346,344)
Gross profit		476,001	624,865	487,499
Other income	*4*	29,608	26,512	23,438
Selling expenses		(192,146)	(218,199)	(194,045)
Administrative expenses		(258,651)	(257,333)	(229,678)
Expected credit loss ("**ECL**") allowance of trade and other receivables		(3)	(3,057)	(620)
Other expenses		(1,071)	(1,009)	(191)
Finance costs	*5*	–	(2,097)	(1,480)
Profit before income tax	*6*	53,738	169,682	84,923
Income tax expense	*7*	(804)	(21,482)	(6,167)
Profit and total comprehensive income for the year		52,934	148,200	78,756
Total comprehensive income attributable to:				
Owners of the Target Company		50,621	146,947	73,389
Non-controlling interests		2,313	1,253	5,367
		52,934	148,200	78,756

Consolidated statements of financial position

		As at 31 December		
	Notes	**2018** *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*9*	67,726	54,228	55,650
Right-of-use assets	*10(a)*	–	40,159	22,042
Intangible assets	*11*	7,206	9,169	14,535
Prepayments and other receivables	*15*	1,126	8,447	1,365
Deferred tax assets	*12*	7,048	4,298	6,984
Total non-current assets		83,106	116,301	100,576
CURRENT ASSETS				
Inventories	*13*	4,639	6,033	8,280
Trade receivables	*14*	396,998	268,399	342,867
Prepayments and other receivables	*15*	19,562	18,703	17,640
Tax recoverable		54,192	48,414	38,836
Cash and bank balances	*16*	781,953	947,527	1,033,591
Total current assets		1,257,344	1,289,076	1,441,214
CURRENT LIABILITIES				
Trade payables, other payables and accruals	*17*	1,089,823	1,082,788	1,118,411
Contract liabilities	*18*	309,455	194,014	241,282
Lease liabilities	*10(b)*	–	19,647	19,495
Deferred income	*19*	5,934	6,151	455
Tax payable		5,640	7,399	7,072
Total current liabilities		1,410,852	1,309,999	1,386,715
Net current (liabilities)/assets		(153,508)	(20,923)	54,499
Total assets less current liabilities		(70,402)	95,378	155,075
NON-CURRENT LIABILITIES				
Lease liabilities	*10(b)*	–	22,096	3,560
Deferred income	*19*	4,516	–	–
Total non-current liabilities		4,516	22,096	3,560
Net (liabilities)/assets		(74,918)	73,282	151,515
EQUITY/(DEFICIT)				
Registered capital	*20*	125,000	125,000	125,000
Reserves	*21*	(207,154)	(60,207)	14,758
Equity/(Deficit) attributable to owners of the Target Company		(82,154)	64,793	139,758
Non-controlling interests		7,236	8,489	11,757
Total equity/(deficit)		(74,918)	73,282	151,515

Statements of financial position of the Target Company

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	2,481	2,380	1,713
Interests in subsidiaries	45,560	45,560	45,560
Intangible assets	3,703	1,682	275
Deferred tax assets	4,542	3,492	3,962
Total non-current assets	56,286	53,114	51,510
CURRENT ASSETS			
Inventories	4,636	6,030	8,280
Trade receivables	36,319	6,778	3,346
Prepayments and other receivables	1,256	1,263	1,212
Tax recoverable	210	724	1,767
Amounts due from subsidiaries	178,371	191,203	181,193
Cash and bank balances	18,106	12,828	5,905
Total current assets	238,898	218,826	201,703
CURRENT LIABILITIES			
Trade payables, other payables and accruals	100,275	33,969	15,866
Contract liabilities	409	782	1,234
Deferred income	246	–	–
Tax payable	343	1,549	351
Total current liabilities	101,273	36,300	17,451
Net current assets	137,625	182,526	184,252
Total assets less current liabilities	193,911	235,640	235,762
Net assets	193,911	235,640	235,762
EQUITY			
Registered capital	125,000	125,000	125,000
Reserves *(Note)*	68,911	110,640	110,762
Total equity	193,911	235,640	235,762

Note: Below table sets out the details of the reserves of the Target Company:

	Capital reserves *RMB'000* *(Note 21)*	**Statutory reserves** *RMB'000* *(Note 21)*	**Accumulated losses** *RMB'000*	**Proposed final dividend** *RMB'000* *(Note 8)*	**Total equity/ (deficit)** *RMB'000*
As at 1 January 2018	–	47,165	(6,925)	–	40,240
Profit and total comprehensive income for the year	–	–	134,579	–	134,579
Appropriation to statutory reserve	–	13,353	(13,353)	–	–
Dividends declared by the Company *(Note 8)*	–	–	–	(105,908)	(105,908)
Dividends paid by the Company *(Note 8)*	–	–	(56,954)	56,954	–
As at 31 December 2018 and 1 January 2019	–	60,518	57,347	(48,954)	68,911
Profit and total comprehensive income for the year	–	–	41,729	–	41,729
Appropriation to statutory reserve	–	1,982	(1,982)	–	–
Dividends paid by the Company *(Note 8)*	–	–	(48,954)	48,954	–
As at 31 December 2019 and 1 January 2020	–	62,500	48,140	–	110,640
Profit and total comprehensive income for the year	–	–	(1,454)	–	(1,454)
Capital contribution premium from then holding company *(Note 21)*	1,576	–	–	–	1,576
As at 31 December 2020	1,576	62,500	46,686	–	110,762

Consolidated statements of changes in equity

	Equity/(Deficit) attributable to owners of the Target Company							
	Registered capital *RMB'000* *(Note 20)*	Capital reserves *RMB'000* *(Note 21)*	Statutory reserves *RMB'000* *(Note 21)*	Accumulated losses *RMB'000*	Proposed final dividend *RMB'000* *(Note 8)*	Sub-total *RMB'000*	Non-controlling interests *RMB'000*	Total equity/ (deficit) *RMB'000*
As at 1 January 2018	125,000	5,005	47,165	(204,037)	–	(26,867)	5,547	(21,320)
Profit and total comprehensive income for the year	–	–	–	50,621	–	50,621	2,313	52,934
Appropriation to statutory reserve	–	–	13,353	(13,353)	–	–	–	–
Dividends declared by the Company *(Note 8)*	–	–	–	–	(105,908)	(105,908)	–	(105,908)
Dividends paid by the Company *(Note 8)*	–	–	–	(56,954)	56,954	–	–	–
Dividends paid to non-controlling interests by a subsidiary *(Note 8)*	–	–	–	–	–	–	(624)	(624)
As at 31 December 2018 and 1 January 2019	125,000	5,005	60,518	(223,723)	(48,954)	(82,154)	7,236	(74,918)
Profit and total comprehensive income for the year	–	–	–	146,947	–	146,947	1,253	148,200
Appropriation to statutory reserve	–	–	1,982	(1,982)	–	–	–	–
Dividends paid by the Company *(Note 8)*	–	–	–	(48,954)	48,954	–	–	–
As at 31 December 2019 and 1 January 2020	125,000	5,005	62,500	(127,712)	–	64,793	8,489	73,282
Profit and total comprehensive income for the year	–	–	–	73,389	–	73,389	5,367	78,756
Capital contribution premium from then holding company *(Note 21)*	–	1,576	–	–	–	1,576	–	1,576
Dividends paid to non-controlling interests by subsidiaries *(Note 8)*	–	–	–	–	–	–	(2,099)	(2,099)
As at 31 December 2020	125,000	6,581	62,500	(54,323)	–	139,758	11,757	151,515

Consolidated statements of cash flow

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from operating activities			
Profit before income tax	53,738	169,682	84,923
Adjustments for:			
Depreciation of property, plant and equipment	20,080	21,921	22,149
Amortisation of right-of-use assets	-	18,156	19,448
Amortisation of intangible assets	2,676	3,793	5,374
Written off of property, plant and equipment	926	591	77
Written off of intangible assets	69	46	54
Deferred income released	(12,882)	(6,054)	(5,879)
Gain on disposal of property, plant and equipment	-	(4)	(5)
Interest income	(16,530)	(18,953)	(15,684)
Interest expense on lease liabilities	-	2,097	1,480
Inventories written down	1,035	404	104
ECL allowance/(reversal of ECLs allowance), net			
– Trade receivables	(654)	569	3,070
– Other receivables	657	2,488	(2,450)
Operating profit before working capital changes	49,115	194,736	112,661
Net change in inventories	476	(1,798)	(2,351)
Net change in receivables	28,433	119,081	(64,285)
Net changes in payable balances	(131,390)	41,766	35,343
Net changes in contract liabilities	4,394	(115,289)	44,890
Cash generated from operations	(48,972)	238,496	126,258
Income tax paid	(5,865)	(17,824)	(10,842)
Income tax refund	6,342	6,629	11,240
Net cash generated from operating	(48,495)	227,301	126,656

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash flows from investing activities			
Payment for purchase of property, plant and equipment	(25,069)	(9,065)	(24,192)
Payment for purchase of intangible assets	(2,782)	(5,802)	(10,794)
Proceeds from disposal of property, plant and equipment	36	55	549
Interest received	16,530	18,953	15,684
Net cash (used in)/generated from investing activities	(11,285)	4,141	(18,753)
Cash flows from financing activities			
Capital contribution premium from then owner of the Company under joint venture	–	–	1,576
Interest portion of the lease liabilities	–	(2,097)	(1,480)
Principal portion of the lease liabilities	–	(16,572)	(20,019)
Government grants received	6,052	1,755	183
Dividends paid	(57,578)	(48,954)	(2,099)
Net cash used in financing activities	(51,526)	(65,868)	(21,839)
Net (decrease)/increase in cash and cash equivalents	(111,306)	165,574	86,064
Cash and cash equivalents at the beginning of year	893,259	781,953	947,527
Cash and cash equivalents at the end of year *(Note 16)*	781,953	947,527	1,033,591

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Open University Online Long Distance Learning Education Technology Company Limited (the "**Target Company**") was established in the People's Republic of China ("**PRC**") with limited liability on 2 April 2001. The addresses of the Target Company's registered office is Room 1, Floor 11, Suite 2, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC.

The Target Company is the national operator of the public service system for distance education and, together with its subsidiaries, principally engaged in the software development and production of computer software, hardware and distance education software; technology development of information networks and other businesses in the PRC.

As at 31 December 2020, the Target Company is jointly-owned and jointly-controlled by Guokai Xiangyun (Beijing) Asset Management Company Limited and Beijing Minsheng Times Education Technology Company Limited.

Information about subsidiaries

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

Company name	Place of registration and business	Registered share capital	Percentage of equity interests attributable to the Target Company	Principal activities
Beijing Open Distance Education Centre Company Limited* 北京奧鵬遠程教育中心有限公司	The PRC/Mainland China	RMB 44,450,000	2020: 100% 2019: 100% 2018: 100%	Provision of distance education services
Wuhu Open Digital Education Co., Ltd* 蕪湖奧鵬數字化教育有限公司	The PRC/Mainland China	RMB 500,000	2020: 51% 2019: 51% 2018: 51%	Education Support Services
Harbin Open Education Information Consulting Co. Ltd* 哈爾濱奧鵬教育信息諮詢有限公司	The PRC/Mainland China	RMB 2,000,000	2020: 51% 2019: 51% 2018: 51%	Educational Information Consultation
Changchun Open Education and Training Center* 長春奧鵬教育培訓中心	The PRC/Mainland China	RMB 500,000	2020: 70% 2019: 70% 2018: 70%	Non-Degree Education
Guiyang Open Distance Education Consulting Co. Ltd* 貴陽奧鵬遠程教育諮詢有限公司	The PRC/Mainland China	RMB 500,000	2020: 100% 2019: 100% 2018: 100%	Distance Education Consulting Services
Jilin Open Distance Education Co., Ltd* 吉林省奧鵬遠程教育有限公司	The PRC/Mainland China	RMB 500,000	2020: 100% 2019: 100% 2018: 100%	Education Support Services
Fuzhou Open Education Service Co., Ltd* 福州奧鵬教育服務有限公司	The PRC/Mainland China	RMB 1,000,000	2020: 51% 2019: 51% 2018: 51%	Educational Information Consultation
Xiamen Open Education Service Co., Ltd* 廈門奧鵬教育服務有限公司	The PRC/Mainland China	RMB 500,000	2020: 100% 2019: 100% 2018: 100%	Educational Information Consultation

Company name	Place of registration and business	Registered share capital	Percentage of equity interests attributable to the Target Company	Principal activities
Zhejiang Lanao Education Technology Co., Ltd* 浙江藍奧教育科技有限公司	The PRC/Mainland China	RMB 1,000,000	2020: 51% 2019: 51% 2018: 51%	Education Support Services
Yunnan Caipeng Education Technology Co., Ltd* 雲南彩鵬教育科技有限公司	The PRC/Mainland China	RMB 2,000,000	2020: 100% 2019: 100% 2018: 100%	Development, Application and Technical Service of Computer Software and Hardware
Chongqing Zhishangzhi Education Technology Co., Ltd* 重慶知上知教育科技有限公司	The PRC/Mainland China	RMB 3,000,000	2020: 51% 2019: 51% 2018: 51%	Education Support Services
Jiangsu Aopeng Education Technology Co., Ltd* 江蘇奧鵬教育科技有限公司	The PRC/Mainland China	RMB 10,000,000	2020: 100% 2019: 100% 2018: 100%	Education Support Services
Urumqi Open Online Education Technology Co., Ltd.* 烏魯木齊奧鵬在線教育科技有限公司	The PRC/Mainland China	RMB 2,000,000	2020: 100% 2019: 100% 2018: 100%	Education Industry Investment
Inner Mongolia Open Education Technology Co., Ltd* 內蒙古奧鵬教育科技有限公司	The PRC/Mainland China	RMB 2,000,000	2020: 100% 2019: 100% 2018: 100%	Education Support Services
Gansu Open Education Technology Co., Ltd* 甘肅奧鵬教育科技有限公司	The PRC/Mainland China	RMB 2,000,000	2020: 100% 2019: 100% 2018: 100%	Educational Information Consultation
Shandong Open Education Technology Co., Ltd* 山東奧鵬教育科技有限公司	The PRC/Mainland China	RMB 3,000,000	2020: 100% 2019: 100% 2018: 100%	Educational Consultation
Shanghai Pengxiang Culture Communication Co., Ltd.* 上海朋翔文化傳播有限公司	The PRC/Mainland China	RMB 3,000,000	2020: 100% 2019: 100% 2018: 100%	Other Cultures and Arts
Beijing Zhongdian Open Network Technology Development Co., Ltd* 北京中電奧鵬網絡技術發展有限公司	The PRC/Mainland China	Deregistration in 2018	2018: 70%	Information Technology Service

* The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.

Note: The statutory financial statements of Target Company and its subsidiaries (together, the "**Target Group**") for the year ended 31 December 2018, and 2019 prepared under Accounting Standards for Business Enterprises were audited by Da Hua Certified Public Accountants (Special General Partnership) certified public accountants registered in China. The statutory financial statements of Target Company and its subsidiaries for the year ended 31 December 2020 prepared under Accounting Standards for Business Enterprises were audited by BDO CHINA Shu Lun Pan Certified Public Accountants LLP registered in China.

The above table lists the subsidiaries of the Target Company which, in the opinion of the directors, principally affected the results for the Relevant Periods or formed a substantial portion of the net assets of the Target Group. To provide details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION AND PRESENTATION

For the purpose of preparing the Historical Financial Information for the Relevant Periods, the Target Group has consistently applied International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) beginning on or after 1 January 2020, except that the Target Group adopted IFRS 16 "Leases" on 1 January 2019, and complied with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The accounting policies for lease which conform with IFRS 16 are applicable from 1 January 2019 onwards and with IAS 17 "Leases" are applicable for the year ended 31 December 2018. Further details of other the significant accounting policies adopted are set out in Note 2.2.

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

The Historical Financial Information has been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements include the financial statements of the Target Group for the years ended 31 December 2018, 2019 and 2020. 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).

The financial statements of the subsidiaries of the Target Company are prepared for the same reporting period as the Target Company, using consistent accounting policies. The results of subsidiaries of the Target Company 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 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 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The following note explains the impact of the adoption of IFRS 16 "Leases", which has been applied with effective from 1 January 2019 on the Historical Financial Information. The Target Group has concluded not to restate the comparative figures based on the specific transitional provision in IFRS 16. The nature and the impact of IFRS 16 are described below:

IFRS 16 "Leases"

IFRS 16 "Leases" 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". The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in IAS 17.

The Target Group adopted IFRS 16 using the modified retrospective approach on the date of initial application of 1 January 2019.

New definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Target Group elected to use the transition practical expedient of not reassessing whether a contract is, or contains, a lease for the contracts in place at 1 January 2019 and was not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4 on 1 January 2019. Therefore, the definition of a lease under IFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of IFRS 16

The Target Group has lease contracts for various items of property. As a lessee, the Target Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Target Group. Under IFRS 16, the Target Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for short-term leases. Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 January 2019 in profit or loss, the Target Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statements of financial position immediately before 1 January 2019.

All these assets were assessed for any impairment based on IAS 36 on that date. The Target Group elected to present the right-of-use assets separately in the consolidated statements of financial position.

In addition, the Target Group has used the following elective practical expedient when applying IFRS 16 at 1 January 2019:

- Applying the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application.
- Appling a single discount rate to a portfolio of lease with similar characteristics. The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 4.57%.

Financial impact at 1 January 2019

The impact arising from the adoption of IFRS 16 at 1 January 2019 was as follows:

	Increase
	RMB'000
Assets	
Increase in right-of-use assets	49,844
Increase in total assets	49,844

The lease liabilities as at 1 January 2019 reconciled to the operating lease commitments as at 31 December 2018 (Note 24(b)) are as follows:

	RMB'000
Operating lease commitments as at 31 December 2018	53,823
Less: Recognition exemption – short-term lease	(397)
Less: Discounting based on the weighted average incremental borrowing rate	(3,582)
Lease liabilities as at 1 January 2019	49,844

There is no material impact on the consolidated statements of profit or loss and other comprehensive income and the consolidated statement of cash flows.

The impact of adoption of IFRS 16 on the consolidated statements of profit or loss and other comprehensive income for each of the years ended 31 December 2019 and 2020 is set out below:

	Year ended 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
Profit for the year as extracted from the consolidated statements of profit or loss and other comprehensive income (a)	148,200	78,756
Profit for the year without adopting IFRS 16 for illustrative purpose (b)	149,784	78,185
Difference (a)-(b)	(1,584)	571

The impact of adoption of IFRS 16 using the modified retrospective approach on the consolidated statements of cash flows for each of the years ended 31 December 2019 and 2020 is set out below:

	As extracted from the consolidated statements of cash flows	**Adjustment**	**Without adopting IFRS 16 for illustrative purpose**
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2019			
Operating cash flows before working capital changes	194,736	(18,669)	176,067
Net cash generated from/(used in) financing activities	(65,868)	18,669	(47,199)

	As extracted from the consolidated statements of cash flows	**Adjustment**	**Without adopting IFRS 16 for illustrative purpose**
	RMB'000	*RMB'000*	*RMB'000*
For the year ended 31 December 2020			
Operating cash flows before working capital changes	112,661	(21,499)	91,162
Net cash used in financing activities	(21,839)	21,499	(340)

2.3 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 17	Insurance Contracts and related amendments[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[6]
Amendments to IFRS 9, IFRS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to IFRS 16	COVID-19-Related Rent Concessions[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use[3]
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract[3]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[3]
Amendments to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021[7]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[4]
Amendments to IAS 8	Definition of Accounting Estimates[4]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[4]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective date not yet determined
6 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022
7 Effective for annual periods beginning on or after 1 April 2021

The management of the Target Group anticipates that the application of the new and revised IFRSs will have no material impact on the Target Group's financial position and financial performance in the foreseeable future.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.4.1 Impairment of non-financial assets (other than contract assets)

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets, deferred tax assets and tax recoverable), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset'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.

An assessment is made at the end of each of the Relevant Periods 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.

2.4.2 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 an associate or joint venture of a member of a group of which the other entity is a member).

(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.

(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).

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2.4.3 Property, plant and equipment

Property, plant and equipment 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. 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 (if any) over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	33%
Office equipment	10% to 20%
Motor vehicles	10%
Electronic equipment	20%

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 the end of each of Relevant Periods.

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 represents the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4.4 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each of the Relevant Periods.

Computer software

Purchased computer software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

License rights

License rights acquired are recognised at fair value at the acquisition date. Amortisation is calculated using the straight-line method over the expected life of these intangible assets (ranged from 17 to 20 years).

Research and development cost

All research costs are charged to profit or loss as incurred.

2.4.5 Leases

Applicable from 1 January 2019

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration.

The Target Group as a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases for low-value assets. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, any initial direct costs incurred, and any lease payments made at or before the commencement date. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Office premises	2 to 10 years

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, any variable lease payments that depend on an index or a rate, and any amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Target Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in measurement of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Applicable before 1 January 2019

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 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.

2.4.6 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, 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 of not adjusting the effect of a significant financing component, 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 accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

Financial assets at amortised cost (debt instruments)

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

2.4.7 Derecognition of financial assets

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 risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all 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 the Target Group's 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.

2.4.8 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to derive impairment using the expected credit losses ("**ECLs**") approach. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables.

The Target Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**") and

– financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the first category while 'lifetime ECL' are recognised for the second category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Trade receivables

For trade receivables, the Target Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Target Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due, except for default receivables of sales of books for which the counterparty failed to make the demanded repayment.

Other financial assets measured at amortised cost

The Target Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Target Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Target Group compares the risk of a default occurring on the financial assets at the reporting date with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Target Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Target Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 1 year past due, unless the Target Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Target Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Target Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collateral held by the Target Group).

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 28.1.

2.4.9 Financial liabilities

Initial recognition and measurement

The Target Group's financial liabilities include trade payables, other payables and accruals and lease liabilities.

All financial liabilities (other than lease liabilities) are recognised initially at fair value and net of any directly attributable transaction costs.

Subsequent measurement

After initial recognition, trade payables, other payables and accruals are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate method.

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 effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Accounting policies of lease liabilities are set out in Note 2.4.5.

2.4.10 Derecognition of financial liabilities

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

2.4.11 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

2.4.12 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and at banks, which are not restricted as to use.

2.4.13 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, 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, and 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 a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4.14 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.

2.4.15 Provisions

Provisions are recognised when the Target Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Target Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.4.16 Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient stated in paragraph 63 of IFRS 15.

The Target Group charges fixed rate service fees based on tuition fees received by cooperative universities, where the Target Group generally is acting as an agent and its performance obligation is to provide e-platform for distance education operated by cooperative universities. Revenue from distance education services are recognised on a net basis.

The Target Group also operates education centres and provide educational support services. For these services, the Target Group charges fixed rate service fees based on tuition fees received by cooperative universities. These revenue is recongised as gross basis as the directors of the Target Company considered that the Target Group is acting as principals on the service provided.

Both service fees are recognised proportionately over the Relevant Periods of the applicable program. The portion of payments received from cooperative universities but not earned is recorded as contract liabilities 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 cooperative universities is generally from January to December.

Service income from software maintenance services and examinations and assessments are recognised when services are provided.

Service income from teacher training services is recognised in the accounting period when the services are rendered.

Revenue from sales of books, sales of skill training courses and software development are recognised when the purchaser obtains the possession of the books, courses and software, being when the books, courses and software have been delivered to the customers, and the Target Group has the present right to payment and the collection of the consideration is probable.

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.

Other income

Interest income is recognised on time-aroportion basis using the effective interest method.

2.4.17 Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

2.4.18 Employee benefits

Pension schemes

The employees of the Target Company and its subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The Target Company and its 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.

2.4.19 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

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. 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.

Judgements in determining the timing of satisfaction of performance obligations

The recognition of each of the Target Group's revenue streams requires judgement by the directors of Target Group in determining the timing of satisfaction of performance obligations. In making their judgement, the directors of the Target Company considered the detailed criteria for recognition of revenue set out in IFRS 15 and in particular, whether the Target Group has satisfied all the performance obligations over time or at a point in time with reference to the detailed terms of transaction as stipulated in the contracts entered into with its customers.

For distance education services, the directors of Target Group have determined that the customer simultaneously receives and consumes the benefits provided by Target Group's performance as Target Group performs. Therefore, the directors of Target Group are satisfied that the performance obligation is satisfied over time and recognised the revenue over the academic year. Further details of the revenue are set out in Note 4 to 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 7 and 12 to the Historical Financial Information respectively.

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.

Depreciation of plant and equipment and right-of-use assets and amortisation of intangible assets

Plant and equipment and right-of-use assets are depreciated on a straight-line basis over their estimated useful lives or lease term, and if applicable, taking into account their estimated residual values, while intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The determination of the useful lives, lease term and residual values involve management's estimation. The Target Group assesses the useful lives, lease term and residual values of plant and equipment, right-of-use assets and intangible assets with finite useful lives at the end of each of the Relevant Periods based on the historical experience of the actual economic lives of property, plant and equipment, right-of-use assets and intangible assets of similar nature and functions. If the expectation differs from the original estimates, such a difference may impact the depreciation and amortisation in the year and the estimate will be changed in the future period. Further details of depreciation of plant and equipment and right-of-use assets and amortisation of intangible assets are set out in Note 9, 10 and 11 to the Historical Financial Information respectively.

Impairment of non-financial assets

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 amounts 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. Any change in the estimates would increase or decrease in the provision for impairments loss and affect the Target Group's result in further years. No impairment loss has been recongised on plant and equipment, right-of-use assets and intangible assets during the Relevant Periods. Further details of plant and equipment, right-of-use assets and intangible assets are set out in Note 9, 10 and 11 to the Historical Financial Information respectively.

Determination of discount rate for calculating lease liabilities

In determining the discount rate, the Target Group exercised considerable judgement in relation to determining the discount rate by taking into account the nature of the underlying assets and the terms and conditions of the leases, at both the commencement date and effective date of the modification.

Estimated net realisable value on inventories

The Target Group makes allowance for inventories based on assessment of the net realisable value of inventories. Allowances are applied to inventories where events or changes in circumstances indicate that the net realisable value is lower than the cost of inventories. The identification of obsolete inventories required the use of judgment and estimates on the conditions and reliability of the inventories. Where the expectation is different from the original estimated, such difference will impact the carrying amount of the inventories and allowance for inventories in the year in which such estimate has been changes. As at 31 December 2018, 2019 and 2020, the carrying amounts of inventories amounted to RMB4,639,000 (net of provision of RMB5,360,000), RMB6,033,000 (net of provision of RMB5,763,000) and RMB8,280,000 (net of provision of RMB5,867,000) respectively (Note 13).

Allowance for ECLs on trade receivables

Allowance for ECLs on trade receivables are based on assumptions about risk of default and expected loss rates in accordance with IFRS 9. The Target Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Target Group's past history, existing market conditions as well as forward-looking estimates at the end of each of the Relevant Periods. Details of the key assumptions and inputs used are disclosed in Note 28.1 to the Historical Financial Information.

The collective impairment allowance for trade receivables of the Target Group is based on management judgment of the debtors' ability to pay all amounts due according to the contractual terms of the receivables being evaluated and management assessment of recoverable amount. A considerable amount of judgment is required in assessing the ultimate realisation of these amounts receivable, including the current creditworthiness, the applicability of past collection history and forward-looking estimates.

As at 31 December 2018, 2019 and 2020, the aggregate carrying amounts of trade receivables measured at amortised costs amounted to RMB396,998,000 (net of ECLs allowance of RMB6,831,000), RMB268,399,000 (net of ECLs allowance of RMB7,400,000) and RMB342,867,000 (net of ECLs allowance of RMB10,470,000), respectively.

The provision of ECLs allowance is sensitive to changes in estimates. The information about the ECLs allowance and the target Company's trade receivables are disclosed in Note 14 and 28.1 to the Historical Financial Information respectively (Note 14).

4. REVENUE AND OTHER INCOME

An analysis is as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers			
Revenue recognised over time:			
Distance education services – platform services	385,632	462,504	364,007
Distance education services - educational support services	196,221	270,197	288,305
Teacher training services	40,579	49,691	61,939
Revenue recognised at a point in time:			
Examinations and assessments	12,234	13,999	16,196
Sales of skill training courses	50,621	75,162	76,456
Sales of books	80,021	51,409	18,521
Software development and maintenance services	10,613	14,582	7,536
Others	1,062	1,388	883
	776,983	938,932	833,843
Other income			
Interest income from bank deposits	16,530	18,953	15,684
Gain on disposal of property, plant and equipment	–	4	5
Government grants *(Note 19)*	12,882	6,054	5,879
Government subsidies *(Note)*	–	525	610
Sundry income	196	976	1,260
	29,608	26,512	23,438

Note: The government subsidies were received from the local government to support employers in their operations and to retain employees. There were no unfulfilled conditions or contingencies relating to these government subsidies.

Revenue from contracts with customers

The following table shows the amounts of revenue recognised in the Relevant Periods that were included in the contract liabilities at the beginning of each of the Relevant Periods:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the Relevant Periods:			
Distance education services - platform services	205,724	194,796	94,725
Distance education services - educational support services	95,823	111,145	92,405
Teacher training services	–	–	3,522
Sales of books and others	4,161	3,514	3,362
	305,708	309,455	194,014

No revenue recognised during the Relevant Periods related to performance obligations that were satisfied in prior years.

Transaction price allocated to the remaining performance obligations for contracts with customers

The Target Group has applied the practical expedient in paragraph 121 of IFRS 15 to its revenue such that the Target Group does not disclose information about revenue that the Target Group will be entitled to when it satisfies the remaining performance obligations under the contracts as all contract works have an original expected duration of one year or less.

5. FINANCE COSTS

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Interest on leases liabilities	–	2,097	1,480

6. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging/(crediting):

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Auditor's remuneration	390	453	1,083
Amortisation of intangible assets	2,676	3,793	5,374
Interest income from bank deposits	16,530	18,953	15,684
Depreciation of property, plant and equipment	20,080	21,921	22,149
Depreciation of right-of-use assets	–	18,156	19,448
Minimum lease payments under operating leases	20,576	–	–
Lease payments not included in the measurement of lease liabilities	–	454	18
Gain on disposal of property, plant and equipment	–	4	5
Written off of property, plant and equipment, net	926	591	77
Written off of intangible assets	69	46	54
Research and development costs *(Note a)*	175,714	166,073	142,337
ECLs allowance of financial assets:			
– Provision for ECLs allowance of trade receivables	–	569	3,070
– Reversal of ECLs allowance of trade receivables	(654)	–	–
– Provision for ECLs allowance other receivables	657	2,488	–
– Reversal of ECLs allowance of other receivables	–	–	(2,450)
	3	3,057	620
Cost of inventories recognised as an expense, including:			
– Write-down of inventories to net realisable value	1,035	404	104
Staff costs (including directors' emoluments)			
– Salaries, wages and other benefits	276,566	302,165	281,876
– Contributions to defined contribution retirement plans *(Note b)*	32,634	35,126	22,399
	309,200	337,291	304,275

Notes:

(a) During the years ended 31 December 2018, 2019 and 2020, staff costs incurred in the research and development amounted to RMB85,716,000, RMB96,078,000 and RMB83,340,000, respectively.

(b) Due to the impact of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which resulted in the relief of certain contributions to retirement benefit scheme contributions during the year ended 31 December 2020.

7. INCOME TAX EXPENSE

Pursuant to the PRC Corporate Income Tax Law and the respective regulations, Beijing Open Distance Education Centre Company Limited is subject to preferential tax rate of 15% for the high-tech enterprises, which the high-tech certificate is effective during Relevant Periods. Some of the subsidiaries of the Target Group which meet the requirements of Small and Micro-sized Enterprises (SMEs) enjoy the preferential rate of 20% under the Notice Regarding the Implementation on Tax Reduction or Exemption Policies for SMEs. The Target Company and other companies of the Target Group which operate in Mainland China are subject to Corporate Income Tax ("**CIT**") at a rate of 25% on their respective taxable income.

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current tax – Mainland China			
– Charge for the year	1,704	18,732	8,853
Deferred tax *(Note 12)*	(900)	2,750	(2,686)
	804	21,482	6,167

Reconciliation between income tax expense and accounting profit at applicable tax rate:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	53,738	169,682	84,923
Tax calculated at a tax rate of 15%	8,061	25,452	12,738
Effects of different tax rates applicable to different subsidiaries of the Target Group	670	1,802	(1,060)
Tax effect of non-deductible expenses	986	900	490
Effects of preferential tax benefits on Super-Deduction of research and development expenses of subsidiaries incorporated in Mainland China *(Note)*	(8,848)	(6,630)	(6,000)
Other	(65)	(42)	(1)
Income tax expense	804	21,482	6,167

Note: According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 175% of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("**Super-Deduction**").

8. DIVIDENDS

(a) During the Relevant Periods, dividends declared and paid by the Target Company and its subsidiaries are as follow:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Final dividends declared by the Target Company	105,908	–	–
Final dividends declared to non-controlling interests by subsidiaries	624	–	2,099
	106,532	–	2,099

(b) During the Relevant Periods, dividends paid by the Target Company and its subsidiaries are as follow:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Final dividends paid by the Target Company	56,954	48,954	–
Final dividends paid to non-controlling interests by subsidiaries	624	–	2,099
	57,578	48,954	2,099

Final dividend of RMB105,908,000 for the year ended 31 December 2018 represents the dividend declared and paid by the Target Company.

Final dividend of RMB624,000 for the year ended 31 December 2018 represents the dividend declared and paid by Fuzhou Open Education Service Co., Ltd, a subsidiary of the Target Company, to non-controlling interests.

Final dividend of RMB2,099,000 for the year ended 31 December 2020 represents the dividend declared and paid by Fuzhou Open Education Service Co., Ltd and Chongqing Zhishangzhi Education Technology Co., Ltd, subsidiaries of the Target Company, to non-controlling interests.

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Office equipment	Motor vehicles	Electronic equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018					
At 1 January 2018:					
Cost	12,896	111,923	15,965	16,105	156,889
Accumulated depreciation	(716)	(73,435)	(7,467)	(11,572)	(93,190)
Net carrying amount	12,180	38,488	8,498	4,533	63,699
As at 1 January 2018	12,180	38,488	8,498	4,533	63,699
Additions	2,720	19,732	–	2,617	25,069
Written off	–	(900)	(22)	(4)	(926)
Disposals	–	(36)	–	–	(36)
Depreciation	(4,701)	(12,515)	(1,528)	(1,336)	(20,080)
At 31 December 2018	10,199	44,769	6,948	5,810	67,726
At 31 December 2018:					
Cost	15,616	121,233	15,856	16,967	169,672
Accumulated depreciation	(5,417)	(76,464)	(8,908)	(11,157)	(101,946)
Net carrying amount	10,199	44,769	6,948	5,810	67,726
31 December 2019					
At 1 January 2019:					
Cost	15,616	121,233	15,856	16,967	169,672
Accumulated depreciation	(5,417)	(76,464)	(8,908)	(11,157)	(101,946)
Net carrying amount	10,199	44,769	6,948	5,810	67,726
As at 1 January 2019	10,199	44,769	6,948	5,810	67,726
Additions	1,749	6,115	–	1,201	9,065
Written off	–	(568)	(20)	(3)	(591)
Disposals	–	(51)	–	–	(51)
Depreciation	(5,512)	(13,473)	(1,373)	(1,563)	(21,921)
At 31 December 2019	6,436	36,792	5,555	5,445	54,228
At 31 December 2019:					
Cost	17,365	112,139	15,720	18,054	163,278
Accumulated depreciation	(10,929)	(75,347)	(10,165)	(12,609)	(109,050)
Net carrying amount	6,436	36,792	5,555	5,445	54,228
31 December 2020					
At 1 January 2020:					
Cost	17,365	112,139	15,720	18,054	163,278
Accumulated depreciation	(10,929)	(75,347)	(10,165)	(12,609)	(109,050)
Net carrying amount	6,436	36,792	5,555	5,445	54,228

	Leasehold improvements *RMB'000*	Office equipment *RMB'000*	Motor vehicles *RMB'000*	Electronic equipment *RMB'000*	Total *RMB'000*
As at 1 January 2020	6,436	36,792	5,555	5,445	54,228
Additions	820	21,296	–	2,076	24,192
Written off	–	(77)	–	–	(77)
Disposals	–	(513)	–	(31)	(544)
Depreciation	(5,354)	(13,839)	(1,101)	(1,855)	(22,149)
At 31 December 2020	1,902	43,659	4,454	5,635	55,650
At 31 December 2020:					
Cost	18,185	124,764	15,720	20,013	178,682
Accumulated depreciation	(16,283)	(81,105)	(11,266)	(14,378)	(123,032)
Net carrying amount	1,902	43,659	4,454	5,635	55,650

10. LEASES

The Target Group as a lessee

The Target Group leases offices premises under leases expiring from 2 to 10 years.

The Target Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Details for transitions to IFRS 16 are set out in Note 2.2.

The Target Group also has certain leases with lease term of 12 months or less. The Target Group applies the "short-term leases" recognition exemptions for these leases.

(a) Right-of-use assets

The carrying amounts of the Target Group's right-of-use assets and the movements during the year are as follows:

	Office premises
	RMB'000
Balance as at 31 December 2018	–
Impact on initial application of IFRS 16	49,844
Adjusted balance at 1 January 2019	49,844
Additions	8,471
Depreciation	(18,156)
As at 31 December 2019 and 1 January 2020	40,159
Additions	1,331
Depreciation	(19,448)
As at 31 December 2020	22,042

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the years are as follows:

	2019	**2020**
	RMB'000	*RMB'000*
As at 1 January	–	41,743
Impact on initial application of IFRS 16	49,844	–
As at 1 January (adjusted)	49,844	41,743
New leases	8,471	1,331
Accretion of interest recognised during the year	2,097	1,480
Payments	(18,669)	(21,499)
As at 31 December	41,743	23,055

	2019	2020
	RMB'000	*RMB'000*
Analysed into:		
Current portion	19,647	19,495
Non-current portion	22,096	3,560

The following table shows the remaining contractual maturities of the Target Group's lease liabilities:

	2019	2020
	RMB'000	*RMB'000*
Total minimum lease payments:		
Due within one year	21,090	20,082
Due in the second to fifth years	22,812	3,738
	43,902	23,820
Future finance charges on lease liabilities	(2,159)	(765)
Present value of lease liabilities	41,743	23,055

In 2016 and 2018, the Target Group has entered into leases for two office premises with TCL Technology Group Corporation, an owner of the Target Group under joint venture before 25 March 2020. The lease has lease term of 2 to 5 years and subject to fixed rental payment.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December	
	2019	2020
	RMB'000	*RMB'000*
Interest on lease liabilities	2,097	1,480
Depreciation charge of right-of-use assets	18,156	19,448
Expense relating to short-term leases and other leases with remaining lease terms ended on or before 31 December 2019 (included in administrative expenses)	454	18
Total amount recognised in profit or loss	20,707	20,946

(d) During the years ended 31 December 2019 and 2020, the total cash outflows for the leases (including short-term leases) are RMB19,123,000 and RMB21,517,000 respectively.

(e) Details of the lease activities

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Office premises	Right-of-use assets	2018: 23 2019: 28 2020: 33	2018: 2 to 10 years 2019: 2 to 10 years 2020: 2 to 10 years	Certain contracts contain an option to renew the lease for additional years after the end of the contract by giving notice to landlord before the end of the contract. Leases subject to monthly/quarterly/ biannually/annually rental payment.
Staff quarters	Right-of-use assets	2018: 1 2019: 2 2020: 2	2018: 4 years 2019: 2 to 4 years 2020: 2 to 4 years	Certain contracts contain an option to renew the lease for additional years after the end of the contract by giving notice to landlord before the end of the contract. Leases subject to monthly/quarterly rental payment.

The Target Group considered that no extension option or termination option would be exercised at the lease commencement date.

11. INTANGIBLE ASSETS

	License rights	Computer software	Total
	RMB'000	*RMB'000*	*RMB'000*
31 December 2018			
At 1 January 2018			
Cost	37,661	27,358	65,019
Accumulated depreciation	(31,937)	(25,913)	(57,850)
	5,724	1,445	7,169
At 1 January 2018	5,724	1,445	7,169
Additions	–	2,782	2,782
Written off	–	(69)	(69)
Amortisation provided during the year	(2,021)	(655)	(2,676)
At 31 December 2018	3,703	3,503	7,206
At 31 December 2018:			
Cost	37,661	27,802	65,463
Accumulated amortisation	(33,958)	(24,299)	(58,257)
Net carrying amount	3,703	3,503	7,206
31 December 2019			
At 1 January 2019	3,703	3,503	7,206
Additions	–	5,802	5,802
Written off	–	(46)	(46)
Amortisation provided during the year	(2,021)	(1,772)	(3,793)
At 31 December 2019	1,682	7,487	9,169
At 31 December 2019:			
Cost	37,661	32,024	69,685
Accumulated amortisation	(35,979)	(24,537)	(60,516)
Net carrying amount	1,682	7,487	9,169
31 December 2020			
At 1 January 2020	1,682	7,487	9,169
Additions	–	10,794	10,794
Written off	–	(54)	(54)
Amortisation provided during the year	(1,407)	(3,967)	(5,374)
At 31 December 2020	275	14,260	14,535
At 31 December 2020:			
Cost	37,661	42,757	80,417
Accumulated amortisation	(37,386)	(28,497)	(65,882)
Net carrying amount	275	14,260	14,535

12. DEFERRED TAX ASSETS

	Year ended 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
As at 1 January	6,148	7,048	4,298
Credit/(Charged) to profit or loss *(Note 7)*	900	(2,750)	2,686
As at 31 December	7,048	4,298	6,984

The movement in deferred tax assets during the year is as follows:

	Provisions of ECLs allowance	Inventory valuation allowances	Tax losses	Accrued expenses	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2018	2,368	1,081	2,699	–	–	6,148
Credited to profit or loss	6	259	631	–	4	900
As at 31 December 2018 and 1 January 2019	2,374	1,340	3,330	–	4	7,048
Credit/(Charged) to profit or loss	472	101	(3,330)	–	7	(2,750)
As at 31 December 2019 and 1 January 2020	2,846	1,441	–	–	11	4,298
Charged to profit or loss	198	26	181	2,280	1	2,686
As at 31 December 2020	3,044	1,467	181	2,280	12	6,984

13. INVENTORIES

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Books	4,639	6,033	8,280

14. TRADE RECEIVABLES

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Trade receivables	403,829	275,799	353,337
Less: ECLs allowances	(6,831)	(7,400)	(10,470)
	396,998	268,399	342,867

Included in trade receivables were amounts due from the Target Group's holding company. The outstanding balances were trading in nature and without credit period. See Note 25(b) for details of these transactions.

The outstanding receivables mainly represents amounts related to service fess due from cooperative universities. There is no fixed term for delayed payments. The Target Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. 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 loss allowance, is as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	395,201	267,106	339,325
1 to 2 years	1,734	1,293	3,491
2 to 3 years	37	-	49
Over 3 years	26	-	2
	396,998	268,399	342,867

The movements in the ECLs allowance for trade receivables are as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	7,485	6,831	7,400
Provision of ECLs allowance	-	569	3,070
Reversal of ECLs allowance	(654)	-	-
At end of year	6,831	7,400	10,470

Except for a default receivable of RMB6,590,000 for which the counterparty failed to make the demanded repayment and the Target Group has made a 100% provision ("**default receivables**"), the Target Group applies the simplified approach to provide for the ECLs allowance prescribed by IFRS 9 to the remaining trade receivables, which permits the use of the lifetime expected loss provision for all trade receivables.

The Target Group assessed the expected loss on trade receivables from cooperative universities grouped based on the ageing of the trade receivables, considering the historical default experience and forward-looking information, as appropriate. The Target Group uses debtors' ageing to assess the impairment for cooperative universities in relation to distance education because these customers consist of numbers of cooperative universities with common risk characteristics that are representative of the cooperative universities' abilities to pay all amounts due in accordance with the contractual terms.

Further details of the Target Group's credit policy and credit risk arising from trade receivables are set out in note 28.1.

15. PREPAYMENTS AND OTHER RECEIVABLES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	3,714	13,838	8,117
Advance to staff	5,357	4,727	2,800
Deposits	2,459	1,158	1,173
Amount due from related parties *(Note 25(b))*	6,604	7,098	–
Other receivables	6,150	6,413	10,549
Less: ECLs allowances	(3,596)	(6,084)	(3,634)
	20,688	27,150	19,005
Analysed into:			
Current portion	19,562	18,703	17,640
Non-current portion	1,126	8,447	1,365

As at 31 December 2020, included in other receivables represents receivables amounting to RMB3,675,000 from TCL Technology Group Corporation. and its subsidiaries.

The above receivable balances are expected to be settled within 12 months and has no historical default. The financial assets included in the above balance were categorised in stage 1 and 2 for measurement of ECLs at the end of each of the Relevant Periods. In calculating the ECL rate, the Target Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

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. The movements in the ECL allowance for deposits and other receivables are as follows:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2018				
At beginning of year	1,492	1,447	–	2,939
Provision of ECLs allowances	–	703	–	971
Reversal of ECLs allowances	(46)	–	–	(314)
At end of year	1,446	2,150	–	3,596

	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2019				
At beginning of year	1,446	2,150	–	3,596
Provision of ECLs allowances	–	3,007	–	2,633
Reversal of ECLs allowances	(519)	–	–	(145)
At end of year	927	5,157	–	6,084
31 December 2020				
At beginning of year	927	5,157	–	6,084
Reversal of ECLs allowances	(48)	(2,402)	–	(2,450)
At end of year	879	2,755	–	3,634

Further details of the Target Group's credit policy and credit risk arising from other receivables are set out in Note 28.1.

16. CASH AND BANK BALANCES

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Cash on hand and in bank	781,953	947,527	1,033,591

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 2018, 2019 and 2020, such balances were nil, nil and RMB30,000, respectively.

17. TRADE AND OTHER PAYABLES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables	589,722	736,197	752,209
Other payable *(Note)*	395,599	265,886	300,631
Dividend payables	48,954	-	-
Accrued salaries	44,903	67,758	65,023
Other tax payables	10,645	12,947	548
	1,089,823	1,082,788	1,118,411

Note: The balance mainly represents payment of tuition fee from students received on half of cooperative universities. The balance would be remitted to cooperative universities within one year.

The Target Group was granted by its suppliers credit periods ranging from 30 to 60 days. Based on the invoice dates, the ageing analysis of the trade payables were as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	477,446	578,408	571,953
1 to 2 years	79,802	89,845	91,025
2 to 3 years	23,706	41,715	43,624
Over 3 years	8,768	26,229	45,607
	589,722	736,197	752,209

18. CONTRACT LIABILITIES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Distance education service fees	305,941	187,130	212,732
Teacher training services	-	3,522	22,810
Sales of books and others	3,514	3,362	5,740
	309,455	194,014	241,282

The Target Group receives service fees in advance prior to the beginning of each academic year. Service fees are recognised proportionately over the Relevant Periods of the applicable program. The cooperative universities are entitled to the refund of the payment in relation to the proportionate service not yet provided.

The gross amount due to customers for provision of services that is expected to be settled within one year.

19. DEFERRED INCOME

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Government grants			
At beginning of year	17,280	10,450	6,151
Grants received	6,052	1,755	183
Credited to profit or loss *(Note 4)*	(12,882)	(6,054)	(5,879)
At end of year	10,450	6,151	455
Current	5,934	6,151	455
Non-current	4,516	–	–
	10,450	6,151	455

These government grants are related to the subsidies received from the local government for the purpose of reimbursements of expenditure spent on research and developments projects of the Target Group. 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.

20. REGISTERED CAPITAL

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Registered and paid up capital	125,000	125,000	125,000

21. 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 of this report.

Capital reserves

Capital reserve represents capital contribution premium from the then shareholders of Target Group amounting to RMB1,576,000 during the year ended 31 December 2020.

Statutory reserves

Pursuant to the relevant laws in the PRC, the Target Company and its 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 Target Company and relevant PRC subsidiaries. These reserves include the general reserve of the limited liability companies.

In accordance with the Company Law of the PRC, the Target Company and its subsidiaries 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.

22. NOTE TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Change in liabilities arising from financing activities

	As at 31 December	
	2019	**2020**
	RMB'000	*RMB'000*
Lease liabilities		
At 1 January	–	41,743
Impact on initial application of IFRS 16 *(note 2.2)*	49,844	–
Adjusted balance on 1 January	49,844	41,743
Changes from financing cash flows	(18,669)	(21,499)
Non-cash movements:		
Entering into new leases	8,471	1,331
Interest expense	2,097	1,480
At 31 December	41,743	23,055

		As at 31 December	
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Dividend payables			
At 1 January	–	48,954	–
Dividends paid	(57,578)	(48,954)	(2,099)
Non-cash movements:			
Dividends declared	106,532	–	2,099
At 31 December	48,954	–	–

23. CONTINGENT LIABILITIES

As at 31 December 2018, 2019 and 2020, the Target Group did not have any significant contingent liabilities, guarantees or any litigations or claims of material importance, pending or threat.

24. COMMITMENTS

(a) The Target Group had the following capital commitments at the end of each of the Relevant Periods:

		As at 31 December	
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Contracted, but not provided for:			
Equipment	3,718	19,573	–

(b) The Target Group had the following lease commitments for short-term leases in 2019 and 2020 and total future minimum lease payments payable by the Target Group under non-cancellable operating leases as at 31 December 2018.

The Target Group, as a leasee, leased certain of its office premises and staff quarters under lease commitments for short-term leases in 2019 and 2020 and total future minimum lease payments payable by the Target Group under non-cancellable operating leases in 2018. Leases for office premises were negotiated for initial terms ranging from 2 to 10 years.

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	16,428	19	74
In the second to fifth years, inclusive	37,270	–	–
After five years	125	–	–
	53,823	19	74

25. RELATED PARTY TRANSACTIONS

(a) Names and relationships of related parties

Name	**Relationship**
China Central Radio and TV University 中央廣播電視大學(國家開放大學的前身) ("**China Central Radio**")	Owner of the Target Group under joint venture
TCL Technology Group Corporation. TCL科技集團股份有限公司 ("**TCL Corporation**")	Owner of the Target Group under joint venture before 25 March 2020[1]
Huizhou Zhongkai TCL Zhirong technology microfinance Co., Ltd 惠州市仲愷TCL智融科技小額貸款股份有限公司 ("**Huizhou Zhongkai**")	Entity controlled by TCL Corporation
TCL Technology Industrial Park (Shenzhen) Co., Ltd TCL科技產業園(深圳)有限公司 ("**TCL Technology**")	Entity controlled by TCL Corporation
Shenzhen TCL Industrial Research Institute Co., Ltd 深圳TCL工業研究院有限公司 ("**Shenzhen TCL**")	Entity controlled by TCL Corporation

1 TCL Corporation has disposed of its interest in the Target Group to Minsheng Education Group Company Limited on 25 March 2020. Subsequently, the companies were no longer related companies of the Target Group. The amounts for the years ended 31 December 2018, 2019 and 2020 represented transactions before the disposal.

(b) Trade and other receivables from related parties

As disclosed in the consolidated statements of financial position, the Target Group had outstanding balances due from related parties at 31 December 2018, 2019 and 2020, respectively.

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Amounts due from holding company			
Trade nature:			
– China Central Radio	2,489	5,536	3,088
Non-trade nature:			
– TCL Corporation	3,226	3,001	-
Amounts due from subsidiaries of TCL Corporation			
Non-trade nature:			
– Huizhou Zhongkai	3,192	3,885	-
– TCL Technology	148	174	-
– Shenzhen TCL	38	38	-
	9,093	12,634	3,088

The amounts due from related parties were unsecured, interest-free and repayable on demand.

(c) Lease liability to a related party

The Target Group had lease liability to a related party at 31 December 2018, 2019 and 2020, respectively:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
TCL Corporation			
– Lease liability	–	29,355	15,017

(d) Other related party transactions

In addition to the transactions detailed elsewhere in this report, during the Relevant Periods, the Target Group entered into the following transactions with its related parties:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
China Central Radio			
Revenue from service provided:			
– Software development and maintenance services	5,647	7,809	3,520
– Examination service	1,442	3,069	3,134
	7,089	10,878	6,654
TCL Corporation and its subsidiaries			
– Rental expenses	12,286	–	–
– Repayment of lease liability	–	10,858	14,338
– Interest on lease liability	–	1,542	973

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

26. 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:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets – at amortised costs			
Trade receivables	396,998	268,399	342,867
Other receivables	16,974	13,312	10,888
Cash and bank balances	781,953	947,527	1,033,591
	1,195,925	1,229,238	1,387,346
Financial liabilities – at amortised costs			
Trade and other payables	1,079,178	1,069,841	1,117,863
Lease liabilities	-	41,743	23,055
	1,079,178	1,111,584	1,140,918

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of financial assets included in trade receivables and other receivables, cash and bank balances, financial liabilities included in trade payables, other payables and accruals and lease liabilities approximate to their carrying amounts due to the short term maturities of these instruments.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments comprise trade receivable, trade payables, other payables and accruals, cash and bank balances. 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 other receivables and lease liabilities, which arise directly from its operations.

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

28.1 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 and other receivables.

Cash and bank balances

As disclosed in Note 16 to the Historical Financial Information, most of the bank balances 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 creditworthy cooperative universities. Credit quality of cooperative universities is assessed and outstanding receivables are regularly monitored.

Measurement of ECL on individual basis

A default receivable in relation to sales of books were performed impairment assessment on individual basis.

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Gross carrying amount	7,475	6,590	6,590
Loss allowance	(6,590)	(6,590)	(6,590)
	885	–	–

Measurement of ECL on collective basis

Except for a default receivable in relation to sales of books, an impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure ECLs allowance. The provision rates are based on financial situation and historical payment records for groupings of various cooperative universities 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 end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the Relevant Periods.

The maximum exposure to credit risk at the reporting date is the carrying amounts of each class of financial assets disclosed in Note 26 to the Historical Financial Information. The Target Group does not hold collateral as security.

Trade receivables are written off (i.e. derecognised) when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Target Group, in full (without taking into account any collateral held by the Target Group).

On the above basis, the ECL for trade receivables as at the end of each of the Relevant Periods was determined as follows:

31 December 2018

	Less than 1 year past due *RMB'000*	**1-2 years past due** *RMB'000*	**2-3 years past due** *RMB'000*	**More than 3 years past due** *RMB'000*	**Total** *RMB'000*
ECL rate	0.03%	1.00%	66.67%	66.67%	
Gross carrying amount	395,310	857	110	77	396,354
Lifetime ECL	108	9	73	51	241

31 December 2019

	Less than 1 year past due *RMB'000*	**1-2 years past due** *RMB'000*	**2-3 years past due** *RMB'000*	**More than 3 years past due** *RMB'000*	**Total** *RMB'000*
ECL rate	0.16%	5.96%	100%	100%	
Gross carrying amount	267,532	1,375	116	186	269,209
Lifetime ECL	426	82	116	186	810

31 December 2020

	Less than 1 year past due *RMB'000*	**1-2 years past due** *RMB'000*	**2-3 years past due** *RMB'000*	**More than 3 years past due** *RMB'000*	**Total** *RMB'000*
ECL rate	0.26%	31.48%	95.84%	100%	
Gross carrying amount	340,204	5,096	1,160	287	346,747
Lifetime ECL	879	1,605	1,111	285	3,880

Other receivables

Deposits and other receivables were categorised in stage 1 and 2 for measurement of ECLs allowance at the end of the Relevant Periods. In calculating the expected credit loss rate, the Target Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

As at 31 December 2018, 2019 and 2020, included in other receivables represents receivables amounting to RMB7,203,000, RMB7,898,000 and RMB4,723,000, respectively, from two debtors who has delayed its settlement for over 365 days. Having considered the business relationship of debtors, the Target Group considered that there are significant increase in credit risk of the receivable since initial recognition. During the years ended 31 December 2018, 2019 and 2020, an ECL allowance of RMB2,150,000, RMB5,157,000 and RMB2,755,000, were recognised respectively. The management is of opinion that there is no significant increase in credit risk on the remaining balances of other receivables since initial recognition as the risk of default is low after considering the factors as set out in note 2.4.8 and, thus, ECL recognised is based on 12-month ECL.

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.

28.2 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. 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:

	On demand or within 1 year	Between 1 and 2 years	Over 2 year but within 5 years	Total contractual undiscounted cash flows	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2018					
Trade and other payables	1,079,178	–	–	1,079,178	1,079,178
As at 31 December 2019					
Trade and other payables	1,069,841	–	–	1,069,841	1,069,841
Lease liabilities	21,090	19,567	3,245	43,902	41,743
	1,090,931	19,567	3,245	1,113,743	1,111,584
As at 31 December 2020					
Trade and other payables	1,117,863	–	–	1,117,863	1,117,863
Lease liabilities	20,082	1,981	1,757	23,820	23,055
	1,137,945	1,981	1,757	1,141,683	1,140,918

28.3 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 Group 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 calculated as 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		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Total liabilities	1,415,368	1,332,095	1,390,275
Total assets	1,340,450	1,405,377	1,541,790
Debt-to-asset ratios	106%	95%	90%

29. EVENTS AFTER THE RELEVANT PERIODS

There is no material subsequent event undertaken by the Target Group after 31 December 2020.

30. SUBSEQUENT FINANCIAL INFORMATION

No audited financial statements have been prepared by the Target Company or any of its subsidiaries in respect of any period subsequent to 31 December 2020.

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 2018, 31 December 2019 and 31 December 2020.

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

REVENUE

The Target Group derives revenue primarily from providing online academic education services and vocational training programme through Open Distance Education.

The revenue decreased by approximately 11.2% to approximately RMB833.8 million for the year ended 31 December 2020 from that of approximately RMB938.9 million for the year ended 31 December 2019, which was mainly due to decrease in the amount of tuition fees of online academic education and vocational training programme being recognised during the period.

The revenue increased by approximately 20.8% to approximately RMB938.9 million for the year ended 31 December 2019 from that of approximately RMB777.0 million for the year ended 31 December 2018, which was mainly due to increase in the amount of tuition fees of online academic education and vocational training programme being recognised during the period.

COST OF SALES

Cost of sales of The Target Group consists primarily of the operating costs of providing online academic education services and vocational training programme through Open Education.

The cost of sales increased by approximately 10.3% to approximately RMB346.3 million for the year ended 31 December 2020 from that of approximately RMB314.1 million for the year ended 31 December 2019, which was mainly due to the increase in the operating costs (including the staff salaries, enrollment expenses and etc.) of providing online academic education services and vocational training programme during the period.

The cost of sales increased by approximately 4.4% to approximately RMB314.1 million for the year ended 31 December 2019 from that of approximately RMB301.0 million for the year ended 31 December 2018, which was mainly due to the increase in the operating costs (including the staff salaries, enrollment expenses and etc.) of providing online academic education services and vocational training programme during the period.

GROSS PROFIT

The gross profit decreased by approximately 22.0% to approximately RMB487.5 million for the year ended 31 December 2020 from that of approximately RMB624.9 million for the year ended 31 December 2019, the gross profit margin decreased to approximately 58.5% for the year ended 31 December 2020 from that of approximately 66.6% for the year ended 31 December 2019, which was mainly due to (i) the increase in cost of sales of approximately 10.3% during the reporting period; and (ii) the decrease in revenue of approximately 11.2% which was attributed from the decrease in tuition fees of online education and vocational training programme being recognized during the reporting period.

The gross profit increased by approximately 31.3% to approximately RMB624.9 million for the year ended 31 December 2019 for that of approximately RMB476.0 million for the year ended 31 December 2018, the gross profit margin increased to approximately 66.6% for the year ended 31 December 2019 from that of approximately 61.3% for the year ended 31 December 2018, which was mainly due to the merely increase in cost of sales of approximately 4.4% during the reporting period, which was relatively stable as compared to the increase in revenue of approximately 20.8% which was attributed from the increase in tuition fees of online education and vocational training programme being recognized during the reporting period.

OTHER INCOME

Other income and gains of the Target Group consists primarily of interest income and government grant.

Other income and gains decreased by approximately 11.7% to approximately RMB23.4 million for the year ended 31 December 2020 from that of approximately RMB26.5 million for the year ended 31 December 2019, which was mainly due to the decrease in interest income from bank deposits of the Target Group and receival of government grant.

Other income and gains decreased by approximately 10.5% to approximately RMB26.5 million for the year ended 31 December 2019 from that of approximately RMB29.6 million for the year ended 31 December 2018, which was mainly due to the decrease in interest income from the bank deposits of the Target Group.

SELLING EXPENSES

Selling and distribution expenses of the Target Group consists primarily of the salaries and other benefits for the sales and marketing staff, rental expenses, teaching service expenses and travelling and transportation expenses.

Selling and distribution expenses decreased by approximately 11.1% to approximately RMB194.0 million for the year ended 31 December 2020 from that of approximately RMB218.2 million for the year ended 31 December 2019, which was mainly due to the decrease in (i) staff salaries and other benefits; and (ii) teaching services expenses.

Selling and distribution expenses increased by approximately 13.6% to approximately RMB218.2 million for the year ended 31 December 2019 from that of approximately RMB192.1 million for the year ended 31 December 2018, which was mainly due to the increase in (i) staff salaries and other benefits; and (ii) teaching services expenses.

ADMINISTRATIVE EXPENSES

Administrative expenses for the Target Group consists primarily of salaries and other benefits for general and administrative staff and research and development expenses.

Administrative expenses decreased by approximately 10.7% to approximately RMB229.7 million for the year ended 31 December 2020 from that of approximately RMB257.3 million for the year ended 31 December 2019, which was mainly due to the decrease in research and development expenses during the period.

Administrative expenses slightly decreased by approximately 0.5% to approximately RMB257.3 million for the year ended 31 December 2019 from that of approximately RMB258.7 million for the year ended 31 December 2018.

FINANCE COSTS

Finance costs represent interest on lease liabilities.

Finance costs decreased by approximately 28.6% to approximately RMB1.5 million for the year ended 31 December 2020 from that of approximately RMB2.1 million for the year ended 31 December 2019, which was mainly due to the part of the lease liabilities being repaid during the period.

There were no finance cost incurred in the Target Group for the year ended 31 December 2018.

PROFIT FOR THE PERIOD

As a result of the above factors, profit of the Target Group decreased by approximately 46.8% to approximately RMB78.8 million for the year ended 31 December 2020 from that of approximately RMB148.2 million for the year ended 31 December 2019.

Profit of the Target Group increased by approximately 180.2% to approximately RMB148.2 million for the year ended 31 December 2019 from that of approximately RMB52.9 million for the year ended 31 December 2018.

LIQUIDITY POSITION, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Total Assets and Total Liabilities

As at 31 December 2018, 31 December 2019 and 31 December 2020, the total assets of the Target Group were amounted to approximately RMB1,340.5 million, RMB1,405.4 million and RMB1,541.8 million, respectively.

As at 31 December 2018, 31 December 2019 and 31 December 2020, the total liabilities of the Target Group were amounted to approximately RMB1,415.4 million, RMB1,332.1 million and RMB1,390.3 million, respectively.

Current Assets and Current Liabilities

As at 31 December 2018, the current assets and current liabilities of the Target Group were approximately RMB1,257.3 million and approximately RMB1,410.9 million, respectively. The current assets of the Target Group as at 31 December 2018 consists primarily of (i) trade receivables of approximately RMB397.0 million; and (ii) cash and bank balances of approximately RMB782.0 million. The current liabilities of the Target Group as at 31 December 2018 consists primarily of (i) contract liabilities of approximately RMB309.5 million; and (ii) trade payables, other payables and accruals of RMB1,089.8 million. As at 31 December 2018, the net current liabilities of the Target Group was approximately RMB153.5 million.

As at 31 December 2019, the current assets and current liabilities of the Target Group were approximately RMB1,289.1 million and approximately RMB1,310.0 million, respectively. The current assets of the Target Group as at 31 December 2019 consists primarily of (i) trade receivables of approximately RMB268.4 million; and (ii) cash and bank balances of approximately RMB947.5 million. The current liabilities of the Target Group as at 31 December 2019 consists of primarily of (i) contract liabilities of approximately RMB194.0 million; and (ii) trade payables, other payables and accruals of RMB1,082.8 million. As at 31 December 2019, the net current liabilities of the Target Group was approximately RMB20.9 million.

As at 31 December 2020, the current assets and current liabilities of the Target Group were approximately RMB1,441.2 million and approximately RMB1,386.7 million, respectively. The current assets of the Target Group as at 31 December 2020 consists primarily of (i) trade receivables of approximately RMB342.9 million; and (ii) cash and bank balances of approximately RMB1,033.6 million. The current liabilities of the Target Group as at 31 December 2020 consists of primarily of (i) contract liabilities of approximately RMB241.3 million; and (ii) trade payables, other payables and accruals of 1,118.4 million. As at 31 December 2020, the net current assets of the Target Group was approximately RMB54.5 million.

Lease Liabilities

As at 31 December 2018, 31 December 2019 and 31 December 2020, the lease liabilities were amounted to approximately nil, RMB41.7 million and RMB23.1 million, respectively, while the effective interest rate is 4.57%.

Gearing Ratio

The gearing ratio of the Target Group, which is calculated by dividing the total lease liabilities by total equity, has substantially decreased to approximately 15.2% as at 31 December 2020 from approximately 57.0% as at 31 December 2019, which was due (i) to the decrease of the long term lease liabilities due to the repayment of the lease liabilities during the reporting period; and (ii) the substantial increase in total equity from RMB73.3 million to RMB151.5 million during the reporting period.

There were no lease liabilities incurred for the year ended 31 December 2018. As at 31 December 2018, there were no lease liabilities and the gearing ratio was 0%.

EMPLOYMENT AND RENUMERATION POLICIES

As at 31 December 2018, 31 December 2019 and 31 December 2020, the Target Group had a total of 1,290, 1,280 and 1,161 employees, respectively. For the years ended 31 December 2018, 31 December 2019 and 31 December 2020, the staff costs were approximately RMB309.2 million, RMB337.3 million and RMB304.3 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.

SIGNIFICANT INVESTMENTS

For the years ended 31 December 2018, 31 December 2019 and 31 December 2020, the Target Group does not have any material investments.

MATERIAL ACQUISITIONS AND DISPOSALS

For the years ended 31 December 2018, 31 December 2019 and 31 December 2020, 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 2018, 31 December 2019 and 31 December 2020, the Target Group did not have any treasury policy or hedging arrangement.

CAPITAL COMMITMENTS

As at 31 December 2018, 31 December 2019 and 31 December 2020, the Target Group had capital commitments of approximately RMB3.7 million, RMB19.6 million and nil, respectively.

CONTINGENT LIABILITIES

As at 31 December 2018, 31 December 2019 and 31 December 2020, 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 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**"), Open University Online Long Distance Learning Education Technology Company Limited (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 December 2020, 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 audited consolidated statement of financial position of the Group as at 31 December 2020, which has been extracted from the audited annual report of the Group for the year ended 31 December 2020 dated 23 March 2021 and (ii) the audited consolidated statement of financial position of the Target Group as at 31 December 2020, 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 December 2020.

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 audited annual report of the Company for the year ended 31 December 2020, the financial information of the Target Group as set out in Appendix II to this Circular, the Company's announcements dated 28 December 2020, 6 January 2021 and 13 January 2021, 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 December 2020

	The Group as at 31 December 2020	The Target Group as at 31 December 2020	Pro forma adjustments		Pro forma Enlarged Group as at 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)			
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
NON-CURRENT ASSETS					
Property, plant and equipment	2,471,014	55,650			2,526,664
Right-of-use assets	840,434	22,042			862,476
Goodwill	1,782,894	–	312,760		2,095,654
Intangible assets	33,006	14,535	418,500		466,041
Investment in a joint venture	412,224	–	(412,224)		–
Investment in an associate	1,603	–			1,603
Financial assets at fair value through profit or loss	110,818	–			110,818
Deferred tax assets	–	6,984			6,984
Other non-current assets	731,907	1,365			733,272
Total non-current assets	6,383,900	100,576			6,803,512
CURRENT ASSETS					
Inventories	2,694	8,280			10,974
Trade receivables	20,004	342,867			362,871
Prepayments, other receivables and other assets	79,078	17,640			96,718
Tax recoverable	–	38,836			38,836
Cash and cash equivalents	2,624,670	1,033,591	(410,000)	(4,000)	3,244,261
Total current assets	2,726,446	1,441,214			3,753,660

	The Group as at 31 December 2020	The Target Group as at 31 December 2020	Pro forma adjustments		Pro forma Enlarged Group as at 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(audited)	(audited)			
	(note 1)	*(note 2)*	*(note 3)*	*(note 4)*	
CURRENT LIABILITIES					
Trade payables, other payable and accruals	697,286	1,118,411			1,815,697
Interest-bearing bank and other borrowings	446,324	19,495			465,819
Loans from the ultimate holding company	137,236	–			137,236
Contract liabilities	637,730	241,282			879,012
Dividend payable	62,179	–			62,179
Deferred income	21,698	455			22,153
Tax payable	22,147	7,072			29,219
Total current liabilities	2,024,600	1,386,715			3,411,315
NET CURRENT ASSETS	701,846	54,499			342,345
TOTAL ASSETS LESS CURRENT LIABILITIES	7,085,746	155,075			7,145,857
NON-CURRENT LIABILITIES					
Financial liabilities at fair value through profit or loss	74,652	–			74,652
Interest-bearing bank and other borrowings	1,317,689	3,560			1,321,249
Deferred income	262,484	–			262,484
Other long term liability	285,324	–			285,324
Payables for compensation fees	107,732	–			107,732
Put option liability	859,038	–			859,038
Deferred tax liabilities	16,948	–	62,775		79,723
Total non-current liabilities	2,923,867	3,560			2,990,202
Net assets	4,161,879	151,515			4,155,655

Notes:

1. The audited consolidated statements of financial position of the Group as at 31 December 2020 was extracted from the published annual report of the Company dated 23 March 2021.

2. The audited consolidated statements of financial position of the Target Group as at 31 December 2020 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 for the Acquisition of the Target Equity	a	*(i)*	410,000
Fair value of previously held 50% equity interest in Open University Online	b	*(ii)*	410,000
Total	c= a+b		820,000
Pro forma assumed fair value of the identifiable net assets of the Target Group	d		151,515
Fair value adjustments on:			
Intangible assets	e	*(iii)*	418,500
Deferred tax liabilities arising from the fair value adjustment on intangible asset	f		(62,775)
Pro forma assumed fair value of the identifiable net assets of the Acquisition	g= d+e+f	*(iv)*	507,240
Goodwill arising from the Acquisition (the "**Goodwill**")	h =c-g	*(v)*	312,760

(i) In accordance with the Equity Interest Transfer Agreement (as defined in this Circular), the cash consideration for the Acquisition of 50% of the Target Equity by the Company is RMB410,000,000. The Acquisition of the Target Group is assumed to have been completed on 31 December 2020 and thus the consideration payable by the Company to the Vendors (as defined in this Circular) are included as a pro forma adjustment.

(ii) Upon the completion of the Acquisition of the Target Group, the carrying amount of 50% equity interest in Open Online University held by the Company prior to the Acquisition as at 31 December 2020 of RMB412,224,000 shall be re-measured at its fair value. Based on the value of 100% equity interest in Open Online University of RMB820,000,000, the fair value of 50% equity interest originally held by the Company was RMB410,000,000, with a difference between the fair value and the carrying amount of RMB2,224,000.

The actual financial effects of the Acquisition may be different from the amount described above and would be subject to the fair value of previously held 50% equity interest in Open University Online, the fair value of identifiable net assets of the Target Group and are therefore subject to change upon the actual completion of the Acquisition.

(iii) Fair value adjustments on intangible assets represent the recognition of brand name and customer relationship amounting to RMB418,500,000 acquired from the Acquisition, which was determined by reference to a preliminary valuation report.

Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The Directors considered that there is no impairment in the value of intangible assets as at 31 December 2020. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed annually.

(iv) Upon the completion, the Group directly owns 100% equity interests in the Target Company. Accordingly, the Target Company will become an indirect 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 December 2020.

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

	Allocation of the adjusted consideration	**Previous carrying amount**
	RMB'000	*RMB'000*
Intangible assets	418,500	–
Other assets	1,541,790	1,541,790
Total liablities	(1,453,050)	(1,390,275)
Pro forma assumed fair value of the identifiable net assets of the Acquisition	507,240	151,515

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) As mentioned in note 3(iv) 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 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 RMB312,760,000 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 impaitred 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 December 2020, the carrying amount of goodwill arising from the Acquisition was RMB312,760,000 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 RMB4,000,000 according to respective quotations from the professional parties, which should be charged to profit or loss.

The following is the text of a report received from the reporting accountants of the Company, Ernst & Young, Certificated Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

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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 December 2020, and related notes as set out on pages IV-1 to IV-6 of the circular dated 26 May 2021 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the acquisition as defined in the Circular (the "**Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in pages IV-1 to IV-6.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Acquisition on the Group's financial position as at 31 December 2020 as if the transaction had taken place at 31 December 2020. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's audited financial statements for the year ended 31 December 2020 as set out in the annual report of the Company dated 23 March 2021.

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 Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of Acquisition on unadjusted financial information of the Group as if the 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 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, 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.

Ernst & Young
Certified Public Accountants
Hong Kong
26 May 2021

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 INTEREST BY DIRECTORS

As at the Latest Practicable Date, the Directors and the chief executive of the Company and their respective associates had the following interests or short positions in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Division 7 and 8 of Part XV of the SFO, including interests and short positions which the Directors and the chief executive of the Company are taken and deemed to have under such provisions of the SFO, or which are required to be and are recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code:

Long Positions in the Shares

Name	Capacity	Number of Ordinary Share as at the Latest Practicable Date	Percentage of total issued share capital at the Latest Practicable Date
Mr. Li Xuechun *(Note 1)*	Beneficial owner	3,019,628,000	71.59%
Ms. Zhang Weiping	Beneficial owner	30,000,000	0.71%
Mr. Zuo Yichen	Beneficial owner	8,000,000	0.19%
Mr. Lam Ngai Lung	Beneficial owner	8,000,000	0.19%
Ms. Li Yanping	Beneficial owner	1,000,000	0.02%

Notes:

(1) Mr. Li holds 90% of the issued share capital of Minsheng Group and is its sole director and he is therefore deemed to be interested in the shares held by Minsheng Group. Ms. Li Ning, daughter of Mr. Li, holds the remaining 10% of the issued share capital of Minsheng Group.

(2) Based on the number of issued shares of the Company of 4,217,720,000 as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interests or short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which had been recorded in the register maintained by the Company pursuant to section 352 of the SFO or which had been notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, neither the chief executive nor any of the Directors of the Company had or was deemed to have any interests or 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 or short positions which they were taken or deemed to have under such provisions of the SFO); or (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.

As at the Latest Practicable Date, no Directors had any existing or proposed service contracts with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

As at the Latest Practicable Date, none of the Directors had direct or indirect material interest in any assets which have been, since 31 December 2020 (being the date to which the latest published audited financial statements of the Company were made up), acquired or disposed of by or leased to or by or proposed to be acquired or disposed of by or leased to or by any member of the Enlarged Group.

There is no contract or arrangement subsisting at the date of this circular in which any of the Directors is materially interested and which is significant in relation to the business of the Enlarged Group.

3. SUBSTANTIAL SHAREHOLDERS

So far as it is known to the Directors, as at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) had an interest or short position in the Shares or the underlying shares of the Company 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, 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 any other member of the Group:

Name	Capacity	Number of Ordinary Share as at the Latest Practicable Date	Percentage of total issued share capital as at 30 June 2020
Minsheng Group	Beneficial owner	3,019,628,000	71.59%
City Legend International Limited *(Note 1)*	Beneficial owner	332,000,000	7.87%
Phoenix Ocean Developments Limited *(Note 1)*	Interest of corporation controlled	332,000,000	7.87%
Overseas Chinese Town (Asia) Holdings Limited *(Note 1)*	Interest of corporation controlled	332,000,000	7.87%
Pacific Climax Limited *(Note 1)*	Interest of corporation controlled	332,000,000	7.87%
Overseas Chinese Town (HK) Company Limited *(Note 1)*	Interest of corporation controlled	332,000,000	7.87%

Name	Capacity	Number of Ordinary Share as at the Latest Practicable Date	Percentage of total issued share capital as at 30 June 2020
Shenzhen Chinese Town Co., Limited* (深圳華僑城股份有限公司) *(Note 1)*	Interest of corporation controlled	332,000,000	7.87%
Chinese Town Group Co., Limited* (華僑城集團有限公司) *(Note 1)*	Interest of corporation controlled	332,000,000	7.87%

Notes:

(1) City Legend International Limited is 100% owned by Phoenix Ocean Developments Limited, which is 100% owned by Overseas Chinese Town (Asia) Holdings Limited. Pacific Climax Limited holds 70.94% of Overseas Chinese Town (Asia) Holdings Limited. Pacific Climax Limited is 100% owned by Overseas Chinese Town (HK) Company Limited, which is 100% owned by Shenzhen Chinese Town Co., Limited* (深圳華僑城股份有限公司). Chinese Town Group Co., Limited* (華僑城集團有限公司) holds 46.99% of Shenzhen Chinese Town Co., Limited* (深圳華僑城股份有限公司).

(2) Based on the number of issued shares of the Company of 4,217,720,000 as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company are not aware of any other person or corporation having an interest or short position in the Shares and underlying Shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

4. MATERIAL CONTRACTS

The Enlarged Group has entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years preceding the date of this circular which is or may be material:

(1) the second loan agreement entered into among Chongqing Yuecheng Zhiyuan Education Technology Co. Ltd* (重慶悅誠智遠教育科技有限公司) ("**Chongqing Yuecheng**") (as the lender), Leed National Education Technology (Beijing) Limited* (勵德國教教育科技(北京)有限公司) ("**Leed National**"), Minsheng Vocational Education Company Limited, Leed International Education Group Inc. (勵德國際教育集團公司), National Education Holding Limited and Hyde Education Holding Limited dated 27 June 2019, pursuant to which, Chongqing Yuecheng agreed to lend to Leed National, and Leed National agreed to borrow from Chongqing Yuecheng, a loan in the principal amount of RMB200 million;

(2) the restructuring investment agreement entered into among Chongqing Yuecheng and Chongqing Yujingao Education Technology Co. Ltd.* (重慶渝京澳教育科技有限公司) ("**Chongqing Yujingao**"), Anhui Wonder University of Information Engineering ("**Wonder University**"), Anhui Hefei Information Technology School* (安徽合肥信息工程學校) ("**Secondary Vocational School and the Administrator**") and Anhui Sky-Aviation

International Flight Academy Co., Ltd.*(安徽藍天國際飛行學院有限責任公司) ("**Sky-Aviation Academy**"), Mr. Xie Chungui (謝春貴) ("**Mr. Xie**"), Ms. Zhang Xuming (張旭鳴) ("**Mr. Zhang**") and Anhui Tianhe Law Firm dated 22 November 2019, pursuant to which, (i) Chongqing Yuecheng has conditionally agreed to acquire 51% equity interest of Anhui Wenda Electronics Co., Ltd* (安徽文達電子有限公司) ("**Wenda Electronics**") through a capital investment of RMB500 million in Wenda Electronics;

(3) the entrustment agreement entered into between Chongqing Yuecheng, Mr. Xie, Ms. Zhang, Anhui Wonder Computer Group* (安徽文達電腦集團) ("**Wonder Group**"), Wenda Electronics, Wonder University, Secondary Vocational School and the Administrator on 22 November 2019, under which Mr. Xie, Ms. Zhang and Wonder Group agreed to entrust the rights to manage Wonder University, Secondary Vocational School and Wenda Electronics to Chongqing Yuecheng;

(4) the entrustment agreement entered into between Chongqing Yujingao, Sky-Aviation Academy, Wenda Electronics, Anhui Wending Energy Investment Management Co., Ltd* (安徽文鼎能源投資管理有限公司) ("**Wending Energy**"), Senhai Garden Landscape Construction Group Co., Ltd* (安徽森海園林景觀建設集團有限公司) ("**Senhai Garden**"), Hefei Wenda Kemao Co., Ltd* (安徽文達科貿有限責任公司) and Anhui Tianhe Law Firm on 22 November 2019, under which Wenda Electronics, Wending Energy and Senhai Garden agreed to entrust the rights to manage Sky-Aviation Academy to Chongqing Yujingao;

(5) the TCL Share Purchase Agreement;

(6) the placing and subscription agreement entered into between Minsheng Group, the Company, Mr. Li Xuechun and China International Capital Corporation Hong Kong Securities Limited (the "**Placing Agent**") dated 4 June 2020, pursuant to which the Placing Agent conditionally agreed to place, on a best efforts basis, up to 200,000,000 Shares (the "**Placing Shares**") held by Minsheng Group to independent placees at HK$1.22 per Share, and Minsheng Group conditionally agreed to subscribe, and the Company conditionally agreed to allot and issue to Minsheng Group at HK$1.22 per Share, the subscription shares which shall be the same as the number of Placing Shares actually placed;

(7) the equity transfer agreement entered into among Beijing Minsheng Zhicai Education Technology Company Limited* (北京民晟智才教育科技有限公司) ("**Minsheng Zhicai**"), Ruichang Anrui Enterprise Management Center (Limited Partnership)* (瑞昌安瑞企業管理中心(有限合夥)) ("**Ruichang Anrui**"), Shouguang Ganghua Information Consulting Service Center (Limited Partnership)* (壽光港華信息諮詢服務中心(有限合夥)), Zhang Shihua, Zhang Pusheng and Doxue Network Technology (Beijing) Company Limited* (都學網絡科技(北京)有限公司) ("**Doxue Network**") dated 14 October 2020, pursuant to which Minsheng Zhicai conditionally agreed to acquire, and Ruichang Anurui conditionally agreed to sell 60% of the equity interest of Doxue Network at the consideration of RMB248,400,000 (subject to adjustment); and

(8) the Equity Transaction Agreement.

5. LITIGATION AND CLAIMS

At as the latest practicable date, the enlarged group was not engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors to be pending or threatened by or against the enlarged group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective associates had any personal interests in companies engaged in businesses, which compete or may compete with the Group.

7. GENERAL

The English text of this circular shall prevail over the Chinese text in case of inconsistency.

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 Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom.

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. and its principal place of business in Hong Kong is at Room 3202A, 32/F., Tower 1, Lippo Centre, 89 Queensway Road, Admiralty, Hong Kong. The transfer office of the Company is Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

8. EXPERT AND CONSENT

The following are the qualifications of the expert whose name, opinions and/or reports are contained

in this circular:

Name	Qualifications
Grant Thornton Hong Kong Limited	Certified Public Accountants
Global Law Office	PRC Attorney at-law
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor

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 2020 (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. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours at the place of business of the Company in Hong Kong unless (i) a tropic cyclone warning signal number 8 or above is hoisted, or (ii) a black rainstorm warning signal is issued, except public holidays, for a period of 14 days from the date of this circular:

(i) the memorandum and articles of association of the Company;

(ii) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in the circular;

(iii) the accountant's report on the Target Group set out in Appendix II to this circular;

(iv) the report relating to the unaudited pro forma financial information on the Enlarged Group set out in Appendix IV to this circular;

(v) the annual reports of the Company for the three years ended 31 December 2018, 31 December 2019 and 31 December 2020;

(vi) a copy of each of the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(vii) the written consent of the expert as referred to in the section headed "Expert and Consent" of this appendix; and

(viii) this circular.