中國華南職業教育集團有限公司

SOUTH CHINA VOCATIONAL EDUCATION GROUP COMPANY LIMITED

GLOBAL OFFERING

Stock Code : 6913

(Incorporated in the Cayman Islands with limited liability)

Sole Sponsor and Sole Global Coordinator

BNP PARIBAS

Joint Bookrunners and Joint Lead Managers

BNP PARIBAS | 海通國際 HAITONG | 建银国际 CCB International | 招銀国际 CMB INTERNATIONAL | 富途證券 | 中國銀河國際 CHINA GALAXY INTERNATIONAL

IMPORTANT

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

SOUTH CHINA VOCATIONAL EDUCATION GROUP COMPANY LIMITED
中國華南職業教育集團有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Total Number of Offer Shares under the Global Offering	**:**	**334,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	**:**	**33,400,000 Shares (subject to adjustment)**
Number of International Placing Shares	**:**	**300,600,000 Shares (subject to the Over-allotment Option and adjustment)**
Offer Price	**:**	**Not more than HK$2.01 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and a Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)**
Nominal Value	**:**	**HK$0.01 per Share**
Stock Code	**:**	**6913**

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Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus. A copy of this prospectus, having attached thereto the documents specified in "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator, on behalf of the Underwriters, and our Company on or before Tuesday, July 6, 2021 or such later time as may be agreed between the parties, but in any event, no later than 5:00 p.m. on Wednesday, July 7, 2021. If, for any reason, the Sole Global Coordinator, on behalf of the Underwriters, and our Company are unable to reach an agreement on the Offer Price by 5:00 p.m. on Wednesday, July 7, 2021, the Global Offering will not proceed and will lapse immediately. The Offer Price will be not more than HK$2.01 per Share and is expected to be not less than HK$1.59 per Share, unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK$2.01 for each Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% subject to refund if the Offer Price is lower than HK$2.01. The Sole Global Coordinator, on behalf of the Underwriters, may, with the consent of our Company, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of such reduction will be published on the website of the Stock Exchange at **www.hkexnews.hk** and the Company's website at **www.lnedugroup.com** as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering.

Prior to making an investment decision, prospective investors should carefully consider all of the information set out in this prospectus, in particular, the risk factors set out in the section headed "Risk Factors".

Pursuant to the termination provisions contained in the Hong Kong Underwriting Agreement in respect of the Hong Kong Offer Shares, the Sole Global Coordinator, on behalf of the Hong Kong Underwriters, have the right in certain circumstances, in its absolute discretion, to terminate the obligations of the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement at any time prior to 8:00 a.m. on the Listing Date. Further details of the terms of the termination provisions are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities law of the United States and may not be offered, sold, pledged or transferred within the United States, or to, or for the account or benefit of U.S. persons, except that the Offer Shares may be offered, sold or delivered outside the United States in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the U.S. Securities Act.

June 30, 2021

*If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published on the websites of the Stock Exchange at **www.hkexnews.hk**, and the Company at **www.lnedugroup.com**, respectively.*

Latest time to complete electronic applications under the **HK eIPO White Form** service through one of the below ways[2]:

(1) the **IPO App**, which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

(2) the designated website **www.hkeipo.hk** . . . . .11:30 a.m. on Tuesday, July 6, 2021

Application lists of the Hong Kong Public Offering open[3] . . . . .11:45 a.m. on Tuesday, July 6, 2021

Latest time to lodge **WHITE** and **YELLOW** Application Forms . . . . .12:00 noon on Tuesday, July 6, 2021

Latest time to give **electronic application instructions** to HKSCC[4] . . . . .12:00 noon on Tuesday, July 6, 2021

Latest time to complete payment of **HK eIPO White Form** applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . .12:00 noon on Tuesday, July 6, 2021

Application lists of the Hong Kong Public Offering close . . . . .12:00 noon on Tuesday, July 6, 2021

Expected Price Determination Date[5] . . . . .Tuesday, July 6, 2021

Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Placing;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares,

to be published on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.lnedugroup.com** on or before[6][9]. . . . . Monday, July 12, 2021

Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the website of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.lnedugroup.com** (see the section headed "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results") from[9]	Monday, July 12, 2021
Results of allocations in the Hong Kong Public Offering will be available at the "IPO Results" function in the **IPO App** or at **www.tricor.com.hk/ipo/result** (alternatively **www.hkeipo.hk/IPOResult**) with a "search by ID Number/Business Registration Number" function from[9]	Monday, July 12, 2021
Dispatch of or deposit into CCASS Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[7][9]	Monday, July 12, 2021
Dispatch of **HK eIPO White Form** e-Auto refund payment instructions and/or refund cheques (if applicable) in respect of wholly or partially unsuccessful applications on or before[8][9]	Monday, July 12, 2021
Dealings in Shares on the Stock Exchange expected to commence at 9:00 a.m. on[9]	Tuesday, July 13, 2021

Notes:

(1) All times and dates refer to Hong Kong local time and date, except as otherwise stated.

(2) You will not be permitted to submit your application through the **IPO App** or the designated website at **www.hkeipo.hk** after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the **IPO App** or the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(3) If there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning and/or Extreme Conditions in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, July 6, 2021, the application lists will not open and close on that day. See the section headed "How to Apply for the Hong Kong Offer Shares — 10. Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists".

(4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for the Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS".

(5) The Price Determination Date is expected to be on or around Tuesday, July 6, 2021, and, in any event, not later than Wednesday, July 7, 2021. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and our Company by 5:00 p.m. on Wednesday, July 7, 2021, the Global Offering will not proceed and will lapse immediately.

(6) None of the websites or any of the information contained on the website forms part of this prospectus.

(7) Share certificates are expected to be issued on Monday, July 12, 2021 but will only become valid provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at around 8:00 a.m. on Tuesday, July 13, 2021. Investors who trade Shares on the basis of publicly available allocation details before the receipt of Share certificates and before they become valid do so entirely of their own risk.

(8) e-Auto Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

(9) In case a typhoon warning signal no. 8 or above, a black rainstorm warning signal and/or Extreme Conditions is/are in force in any days between Wednesday, June 30, 2021 to Tuesday, July 13, 2021, then the day of (i) announcement of results of allocations in the Hong Kong Public Offering; (ii) dispatch of Share certificates and refund cheques/**HK eIPO White Form** e-Auto Refund payment instructions; and (iii) dealings in the Shares on the Stock Exchange may be postponed and an announcement may be made in such event.

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for the Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and/or Extreme Conditions and the dispatch of refund cheques and Share certificates.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-manager, any of the Underwriters, any of their respective directors, officers, representatives or advisors or any other person involved in the Global Offering.

Our Company is incorporated in the Cayman Islands with limited liability and was registered with the Companies Registry in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance. While our Company was previously known as "Lingnan Education International Holdings Limited (嶺南教育國際控股有限公司)" and one of our subsidiaries was previously known as Lingnan Education Group (Hong Kong) Limited (嶺南教育集團(香港)有限公司), we are not in any way connected with Lingnan Education Organization Limited (嶺南教育機構有限公司), a company incorporated in Hong Kong, Lingnan University (嶺南大學), a university in Hong Kong, or any of their respective associates.

CONTENTS

This Summary aims to give you an overview of the information contained in this prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the prospectus in its entirety before you decide whether to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

We are the largest private formal vocational education service provider in the Greater Bay Area and the fifth largest private formal vocational education services provider in China in terms of full-time student enrollment in the 2019/2020 school year, accounting for approximately 5.8% and 0.5% of the market share in the Greater Bay Area and China in terms of student enrollment in the year, respectively, according to the Frost & Sullivan Report. As of the Latest Practicable Date, we operated two schools in the Greater Bay Area, namely, Lingnan Institute of Technology and Lingnan Modern Technician College, which we refer to as "our schools" in this prospectus. We primarily provide vocational education to 27,033 full-time students enrolled in our schools in the 2020/2021 school year, of which 68.4% were enrolled in the TMT Industry- and Healthcare Industry-related majors. Our schools achieved Initial Employment Rate ranging from 92.3% to 99.2% during the Track Record Period.

We primarily focus on the following key areas:

Our Geographical Focus: Our schools are strategically located in the Greater Bay Area, and for our students who graduated in 2019, approximately 84.5%[(1)] of the graduates of our Lingnan Institute of Technology and approximately 88.7%[(1)] of the graduates of our Lingnan Modern Technician College had obtained employment in the area, which reflected our focus to provide high-quality vocational talents to support the businesses and enterprises in the Greater Bay Area. According to the Frost & Sullivan Report, the Greater Bay Area contributed approximately 11.7% of nominal GDP of the PRC in 2019 and has become an important growth engine of China's economy. We believe that we are in a strong position to further benefit from the emerging high growth in the region and are able to take advantages of the favorable government policies to support the regional economic development of the Greater Bay Area. According to the Frost & Sullivan Report, the private formal vocational education market in the Greater Bay Area accounted for approximately 8.7% of the private formal vocational education market in China in terms of revenue in 2019.

Our Industry Focus: Our schools are committed to supporting the growth of China's rising industries, especially the TMT Industry and Healthcare Industry. In 2019, these two industries together contributed approximately 63.8% of the total GDP of the Greater Bay Area while they still had a 3.3 million talent gap in this region, according to the Frost & Sullivan Report. The emerging growth of the regional economy and the shortage of talents are primarily driven by the transformation of the PRC's economy, the aging population, the acceleration of the prevalence of

(1) This percentage is determined based on the number of graduates of our schools as of the month in which they received their diplomas for the 2018/2019 school year.

chronic diseases and favorable government policies. We have a strong track record in supplying professional and technical talents to support the growth of the rising industries in the Greater Bay Area. We plan to continue to provide high-quality vocational education in the TMT Industry and Healthcare Industry to help our students achieve success after graduation.

The rapid industry growth and wide talent gaps of the TMT Industry and Healthcare Industry in the Greater Bay Area drives the demand for graduates enrolled in the TMT Industry- and Healthcare Industry-related majors. In the 2019/2020 school year, the percentage of our student enrollment in the TMT Industry- and Healthcare Industry-related majors was 64.4%, which was the highest among all private vocational education groups in the Greater Bay Area in the same school year. Our focus on vocational education in these two rising industries has made our graduates competitive in the job market and helped our schools to achieve high initial employment rates.

Our Curriculums: We primarily focus on offering practical and job-oriented education. We offer a wide range of curriculums to our students and equip them with ready-to-work practical skills through our school-enterprise collaboration programs. Through the 12 secondary colleges of Lingnan Institute of Technology and seven departments of Lingnan Modern Technician College, we offered a total of over 70 majors in the 2020/2021 school year. As of the Latest Practicable Date, we had entered into school-enterprise cooperation agreements with over 1,000 enterprises in the PRC, among which, we continued to collaborate with over 100 of these enterprises as of the Latest Practicable Date. We designed and developed curriculums based on employers' specific needs and introduced real-life corporate projects to our students to help them gain practical and readily-applicable skills and improve their competitiveness. We were able to achieve high graduate Initial Employment Rates during the Track Record Period. For the 2017/2018, 2018/2019 and 2019/2020 school years, the Initial Employment Rate of our Lingnan Institute of Technology was 92.5%, 92.3% and 84.5%, respectively. For the same school years, the Initial Employment Rate of Lingnan Modern Technician College was 99.5%, 99.4% and 99.2%, respectively. In contrast, the overall average Initial Employment Rate of junior college education in China was 78.2%, 78.4% and 78.6%, and the overall average Initial Employment Rate of private formal secondary vocational education in China was 81.7%, 81.9% and 82.6% in 2017, 2018 and 2019, respectively, according to the Frost & Sullivan Report.

Our Financial Performance: We experienced steady growth in our student enrollment, revenue and profit during the Track Record Period. The following table sets forth the information of our full-time student enrollment, revenue, net profit and adjusted net profit for the years indicated:

	Year ended December 31,		
	2018	2019	2020
Total student enrollment at our schools(1)	25,612	26,851	27,033
Revenue (RMB in millions)(2)	411.8	444.4	449.4
Net profit (RMB in millions)(3)	135.6	154.8	170.5
Non-HKFRS Measure:			
Adjusted Net Profit (RMB in millions)(4)	137.1	154.8	182.3

Notes:

(1) Student enrollment data disclosed herein is determined as of September 30 for each of the years ended December 31, 2018 and 2019 and as of October 31, 2020 for the year ended December 31, 2020 as a result of the COVID-19 pandemic as most of the first-year full-time students of our Lingnan Institute of Technology had completed their new student registration for the 2020/2021 school year on that day.
(2) Revenue represents revenue from continuing operations.
(3) Net profit represents profit and total comprehensive income for the year. For potential tax impact on the profit and total comprehensive income for the year brought by the execution of the Contractual Arrangements and election of Lingnan Institute of Technology and Lingnan Modern Technician College as for-profit private schools, see "Business — The 2021 Implementation Rules — The Impact of the 2016 Decision and the 2021 Implementation Rules on Our Group" in this prospectus for details.
(4) Please refer to the section headed "Financial Information — Non-HKFRS Measure" in this prospectus for details of the assumptions used for, and the calculation of, Adjusted Net Profit.

OUR BUSINESS MODEL

We primarily provide comprehensive and diverse formal vocational education programs to students. During the Track Record Period, we operated Lingnan Institute of Technology and Lingnan Modern Technician College. We refer to the provision of these educational services as our "Key Operating Business" in this prospectus.

- ***Lingnan Institute of Technology***: A private vocational education institution that has two campuses, one of which is located in Guangzhou, Guangdong Province (the "Guangzhou Campus"), and the other is located in Qingyuan, Guangdong Province (the "Qingyuan Campus"). It primarily offers junior college program. The junior college program is generally a three-year program. A majority of the graduates typically seek employment after graduation, with a small number of graduates continuing to pursue bachelor's degree education. As of the Latest Practicable Date, Lingnan Institute of Technology had 12 secondary colleges and offered over 45 majors in a wide range of disciplines, including, but not limited to, electronic engineering technology, e-commerce, computer network technology, cloud computing technology and application, health management and pharmaceutical production technology; and

- ***Lingnan Modern Technician College***: A private vocational education institution that is located in Guangzhou and that provides vocational education and training in various industries for students. It primarily offers secondary vocational program and post-secondary vocational program. The secondary vocational program is generally a three-year program. A majority of the graduates of secondary vocational program usually seek employment after graduation, with a small number of graduates continuing to pursue a two-year expedited junior college program. The post-secondary vocational program is generally a three-year program. A majority of the graduates usually seek employment after graduation, with a small number of graduates continuing to pursue a two-year expedited junior college program. The jobs taken by the graduates of secondary vocational program and post-secondary vocational program focusing on the same major are generally of the same nature with similar responsibilities, except that the graduates of the post-secondary vocational program are usually more advanced in technical expertise and training. As of the Latest Practicable Date, Lingnan Modern Technician College had seven departments and offered over 25 majors, including, advertising design, computer network application, computer program design, digital media application and cross-border e-commerce.

In addition to our Key Operating Business, we also generate revenue from certain ancillary education services, which primarily comprise of continuing education programs and other education services. We run continuing education programs through Lingnan Institute of Technology that mainly include two junior college-undergraduate programs, namely two-year junior college-undergraduate program (自考專升本項目) and 3+2 junior college-undergraduate program (自考專插本項目), and adult education program (成人教育項目). Other education services primarily consist of test preparation and training services we provide to the students of our schools for occupational skills appraisal and professional qualification and certificates. We refer to these educational services as our "Ancillary Education Services" throughout this prospectus. For further details of our ancillary education services, please refer to the section headed "Business — Our Business Model — Our Ancillary Education Services" in this prospectus.

OUR COMPETITIVE STRENGTHS

We seek to leverage our competitive strengths to solidify our market leading position and expand our business operations. We believe the following strengths contribute to our past success and differentiate us from our competitors: (i) largest private formal vocational education service provider in the Greater Bay Area; (ii) renowned vocational education service provider focusing on China's rising industries; (iii) high Initial Employment Rate of our graduates based on practice-oriented curriculums and school-enterprise collaborations; (iv) recognition by the PRC government; and (v) seasoned management team. See "Business — Our Competitive Strengths" in this prospectus for details.

OUR BUSINESS STRATEGIES

Our objective is to solidify our market position, enhance our reputation and expand our business operations. To achieve our goals, we plan to execute the following business strategies: (i) increase the campus capacity and utilization rate and optimize our pricing strategies; (ii) expand our school network through acquisition and/or asset-light model to achieve economy of scale; (iii) continue to develop and offer courses relating the rising industries based on industry and job market trends, and expand our Ancillary Education Services; (iv) enhance the Initial Employment Rate of our graduates through school-enterprise network expansion and curriculum structure upgrade; and (v) continue to attract and retain high-quality teachers and enhance their training and career support. See "Business — Our Business Strategies" in this prospectus for details.

SUMMARY BUSINESS OPERATING DATA

Our Lingnan Institute of Technology primarily offers junior college program and our Lingnan Modern Technician College mainly offers secondary vocational program and post-secondary vocational program. The aggregate number of full-time students enrolled at our schools increased from 24,460 in the 2017/2018 school year to 27,033 in the 2020/2021 school year. As of December 31, 2020, we employed an aggregate of 1,159 teachers.

Our Key Operating Business

The following table sets forth the detailed student enrollment information of our Key Operating Business for the school years indicated.

	Student Enrollment[1]			
	School Year			
School	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
Lingnan Institute of Technology				
Guangzhou Campus				
Junior college program[2]	8,481	9,660	10,852	9,900[3]
Qingyuan Campus				
Junior college program[2]	9,315	10,139	9,540[4]	10,759
Subtotal	17,796	19,799	20,392	20,659
Lingnan Modern Technician College				
Secondary vocational program	1,554	1,713	3,001	3,758
Post-secondary vocational program[5]	5,110	4,100	3,458	2,616
Subtotal[6]	6,664	5,813	6,459	6,374
Total	24,460	25,612	26,851	27,033

Notes:

* The student enrollment information during the Track Record Period was based on the internal records of our schools. Student enrollment data in this table are students enrolled at our schools on a full-time basis.

(1) Despite the fact that our financial year ends on December 31, our school year generally starts on September 1 and ends on August 31. Although our school year starts at the beginning of September, the administrative works that facilitate the registration of the students' academic files, the collection of tuition and boarding fees and other operating activities are generally completed by the end of September. Accordingly, we use September 30 as a benchmark point in time to determine and present our business operating data in this prospectus, unless otherwise indicated. The student enrollment data for the 2020/2021 school year is determined as of October 31, 2020, which is the date most of the full-time first-year students of Lingnan Institute of Technology completed their new student registration for the 2020/2021 school year due to the COVID-19 pandemic.

(2) Since a number of the full-time junior college students at Lingnan Institute of Technology also enrolled in our continuing education programs, such as two-year junior college-undergraduate program and 3+2 junior college-undergraduate program, during their study at the school, we do not separately account for the number of student enrollments under these continuing education programs when determining the overall full-time student enrollment of our schools under our Key Operating Business.

(3) Student enrollment at the Guangzhou Campus for the 2020/2021 school year decreased compared to that for the 2019/2020 school year mainly because Lingnan Institute of Technology allocated more students to the Qingyuan Campus based on the particular requirements of different majors and the availability of educational resources in these school campuses.

(4) Full-time student enrollment for the junior college program at the Qingyuan Campus of Lingnan Institute of Technology decreased from 10,139 for the 2018/2019 school year to 9,540 for the 2019/2020 school year mainly because we allocated more students to our Guangzhou Campus in the 2019/2020 school year as compared to the Qingyuan Campus based on the particular requirements of different majors and the availability of educational resources in our two campuses.

(5) Full-time student enrollment in the post-secondary vocational program decreased during the Track Record Period from 5,110 for the 2017/2018 school year to 4,100 for the 2018/2019 school year mainly because we reduced student enrollment in post-secondary vocational program in connection with the upgrade of Lingnan Modern Senior Technical School to Lingnan Modern Technician College in early 2019, which required the school to comply with certain ratio requirements, such as teacher-to-student ratio. It further decreased to 2,616 students in the 2020/2021 school year, mainly because we made a strategic decision to focus on expanding full-time student enrollment and recruitment for the secondary vocational program, which increased from 1,713 for the 2018/2019 school year to 3,758 for the 2020/2021 school year, to counter the adverse effect that the lowered admission threshold for the junior college program in Guangdong Province had on our recruitment of high school graduates for the post-secondary vocational

program. Beginning in the 2019/2020 school year, Guangdong Province lowered the admission threshold of junior college program offered by the vocational education institutions in the province, as a result of which, more high school graduates became eligible to apply for such program. This reduced the number of student applicants for our post-secondary vocational program.

(6) Since a number of the full-time students enrolled in our Lingnan Modern Technician College also enrolled in the adult education program at Lingnan Institute of Technology during their study, we do not separately account for the student enrollments under this adult education program when determining the overall full-time student enrollment of our schools under our Key Operating Business.

In preparation of the upgrade of our Lingnan Institute of Technology from an associate college to a vocational university that offers undergraduate programs in the 2023/2024 school year, in order to meet the requirements of site area per student and teaching and administrative building area per student ratios, we plan to reduce student enrollment of Lingnan Institute of Technology to approximately 15,600 starting from the 2022/2023 school year and maintain a steady student enrollment of approximately 15,600 after the upgrade (in order to continue to meet the required ratios until Lingnan Institute of Technology is able to acquire additional land and construct new buildings and facilities in the future). The reduction in student enrollment of Lingnan Institute of Technology will result in temporary loss of tuition fees and boarding fees from such school. However, such reduction in student enrollment of our Lingnan Institute of Technology will likely make available a number of beds in the student dormitories in our Guangzhou Campus, and we believe our Lingnan Modern Technician College may be able to utilize such available space in the event it expands its secondary and post-secondary vocational programs beginning in the 2022/2023 school year. Although the tuition fee rates of Lingnan Modern Technician College were generally lower than that of Lingnan Institute of Technology due to the nature of the educational programs offered (i.e., secondary and post-secondary vocational education compared to junior college education), this will still allow us to generate more tuition fees and boarding fees from Lingnan Modern Technician College to offset the temporary loss of tuition fees and boarding fees from Lingnan Institute of Technology.

In addition, in order to meet the requirements relating to the qualification of teachers in connection with the upgrade, we will need to add approximately 120 full-time teachers with senior professional technology title to our teaching staff. Therefore, we may incur additional expenses as the annual salaries of teachers with senior professional technology title are generally more than those of the regular teachers without such qualification. Furthermore, in order to offset the temporary loss of revenue from Lingnan Institute of Technology resulting from the reduction of its student enrollment in connection with the upgrade to a vocational university, Lingnan Modern Technician College may utilize available number of beds in the student dormitories in Guangzhou Campus to expand its secondary and post-secondary vocational programs. As a result of the increase in student enrollment in these programs, Lingnan Modern Technician College is expected to engage an aggregate of approximately 231 teachers by September 30, 2021, 531 teachers by September 30, 2022 and 831 teachers by December 31, 2023, which will result in additional staff costs. These additional teacher hiring expenses to be incurred could have a negative impact on our net profit in the short term. Please refer to the section headed “Business — Our Expansion Plans — Details of Expansion” in this prospectus for more details. Notwithstanding the foregoing, our Directors are of view that the negative impact of the reduction in student enrollment and the increase in the number of teachers of our Lingnan Institute of Technology would on an overall basis be immaterial to our Group in the long term. In the long run, we believe that the upgrade would give our Group greater flexibility to increase tuition fee rates of our Lingnan Institute of Technology and thereby, improve overall financial condition of our Group. Please refer to “Risks Relating to Our Business and Our Industry — We may experience a temporary reduction in student enrollment, an increase in the number of teachers with senior professional technology title of Lingnan Institute of Technology in connection with its application to upgrade from an associate college to a vocational university and an increase in the number of teachers to be hired by Lingnan Modern Technician College when it expands its secondary vocational and post secondary vocational education programs in the event Lingnan Institute of Technology successfully upgrades to a vocational university, which may adversely affect our results of operations and financial condition in the short term "in this prospectus for details of the relevant risks.

The following table sets forth the information relating to the student capacity and school utilization rate for each of our schools for the school years indicated:

	Student Capacity[1][2]				**School Utilization Rate[3]**			
	School Year				**School Year**			
	2017/2018	**2018/2019**	**2019/2020**	**2020/2021**	**2017/2018**	**2018/2019[2]**	**2019/2020**	**2020/2021**
Lingnan Institute of Technology								
Guangzhou Campus	10,857	11,640	11,532	11,205	78.1	83.0	94.1	88.4
Qingyuan Campus	9,371	11,240[4]	12,396[4]	13,324	99.4	90.2	77.0[5]	80.7
Subtotal	20,228	22,880	23,928	24,529	88.0	86.5	85.2	84.2
Lingnan Modern Technician College								
Guangzhou Campus	7,242	7,070	6,938	6,683	92.0[6]	82.2[6]	93.1	95.4
Total	27,470	29,950	30,866	31,212	**89.0**	85.5	87.0	86.6

Notes:

(1) We generally require our full-time students at Lingnan Institute of Technology and Lingnan Modern Technician College to reside in our school dormitories during their study, except for the last school year when we give such students certain latitude in choosing whether to live on campus or seek off-campus accommodation. For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, 213, 612, 799 and 259 of the graduating full-time students at Lingnan Institute of Technology chose to live off-campus, respectively. During the same school years, all of the graduating full-time students at Lingnan Modern Technician College chose to live off-campus. Accordingly, school capacity is calculated by us internally as the number of beds in student dormitories in each school year, plus the number of graduating full-time students who chose to live off-campus in each corresponding school year.

(2) The student capacity for Lingnan Institute of Technology and Lingnan Modern Technician College fluctuated during the Track Record Period mainly because each school adjusted the availability of student dormitories based on the number of full-time students it admitted for a particular school year in order to efficiently manage and utilize the available school facilities and space.

(3) School utilization rate of a particular school year is calculated by dividing the number of full-time student enrollment of a school by the student capacity of such school in the same school year. The number of full-time student enrollment of each of our schools for the 2020/2021 school year was determined as of October 31, 2020, which was the day most of the first-year full-time students of our Lingnan Institute of Technology completed their new student registration for the 2020/2021 school year as a result of the COVID-19 pandemic.

(4) The student capacity of Qingyuan Campus increased in the 2018/2019 and 2019/2020 school years primarily because additional student dormitories we constructed on Qingyuan Campus were put into use.

(5) The utilization rate of Qingyuan Campus decreased in the 2019/2020 school year primarily due to an increase in the student capacity described in footnote 4 above and a decrease in full-time student enrollment in Qingyuan Campus as we allocated more students to Guangzhou Campus in the 2019/2020 school year compared to Qingyuan Campus based on the particular requirements of different majors and the availability of our educational resources in these two campuses.

(6) The utilization rate of Lingnan Modern Technician College decreased for the 2017/2018 and 2018/2019 school years primarily because we reduced full-time student enrollment in the post-secondary vocational program in connection with the upgrade of Lingnan Modern Senior Technical School to Lingnan Modern Technician College, which was completed in January 2019.

The following table sets forth the number and percentage of the full-time students who concentrated in the majors relating to the TMT Industry and Healthcare Industry in our schools for the school years indicated:

	Student Enrollment							
	School Year							
	2017/2018	%	2018/2019	%	2019/2020	%	2020/2021	%
TMT Industry-related majors	8,486	34.7	9,588	37.4	10,227	38.1	10,029	37.1
Healthcare Industry-related majors	4,837	19.8	5,308	20.7	7,051	26.3	8,454	31.3
Other majors	11,137	45.5	10,716	41.9	9,573	35.6	8,550	31.6
Total	24,460	100.0	25,612	100.0	26,851	100.0	27,033	100.0

The following table sets forth the average tuition fee and average boarding fee of our Key Operating Business for the years indicated:

	Average Tuition Fee(1)			Average Boarding Fee(1)		
	Year ended December 31,			Year ended December 31,		
School	2018	2019	2020	2018	2019	2020
	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Lingnan Institute of Technology						
Junior college program	14,574	15,013	15,569	1,682	1,665	1,671
Lingnan Modern Technician College						
Secondary vocational program	10,335	10,561	11,369	1,468	1,454	1,562
Post-secondary vocational program	10,988	11,894	11,703	1,641	1,696	1,725

Note:

(1) For illustration purposes, the average tuition fee and average boarding fee for the years ended December 31, 2018 and 2019 is calculated by dividing the revenue generated from tuition fees (excluding the tuition fees Lingnan Institute of Technology received in connection with the continuing education programs) and boarding fees, respectively, for a given financial year by the weighted average number of full-time students enrolled for such year (not the number of students enrolled in a specific school year), excluding the number of third-year students who chose not to live on campus. For the 2017/2018, 2018/2019 and 2019/2020 school years, 213, 612 and 799 graduating full-time students at Lingnan Institute of Technology, and 2,276, 2,104 and 1,720 graduating full-time students at Lingnan Modern Technician College chose to live off-campus.

The following table sets forth the breakdown of our revenue for the years indicated:

	Year ended December 31,		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Key Operating Business			
Tuition fees			
Lingnan Institute of Technology			
– Junior college program tuition fees	272,327	301,196	318,327
Lingnan Modern Technician College			
– Secondary vocational program tuition fees	15,618	23,561	36,984
– Post-secondary vocational program tuition fees	51,217	45,372	35,202
Total tuition fees from Key Operating Business(1)	339,162	370,129	390,513
Boarding fees			
Lingnan Institute of Technology			
– Junior college program boarding fees	30,780	32,239	17,649
Lingnan Modern Technician College			
– Secondary vocational program boarding fees	1,748	2,753	2,867
– Post-secondary vocational program boarding fees	4,565	3,762	1,505
Total boarding fees from Key Operating Business	37,093	38,754	22,021

	Year ended December 31,		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Ancillary Education Services			
Continuing education program tuition fees(1)(3)	31,444	31,101	32,447
Other education service fees(2)	4,052	4,403	4,369
Subtotal	35,496	35,504	36,816
Total revenue	411,751	444,387	449,350

Notes:

(1) Total tuition fees as disclosed in the Accountants' Report set out in Appendix I to this prospectus refers to the sum of the tuition fees from our Key Operating Business and tuition fees from the continuing education program.

(2) Mainly include fees received by our schools in connection with the training and test preparation services provided to the students of our schools for occupational skills appraisal and professional qualification and certificates.

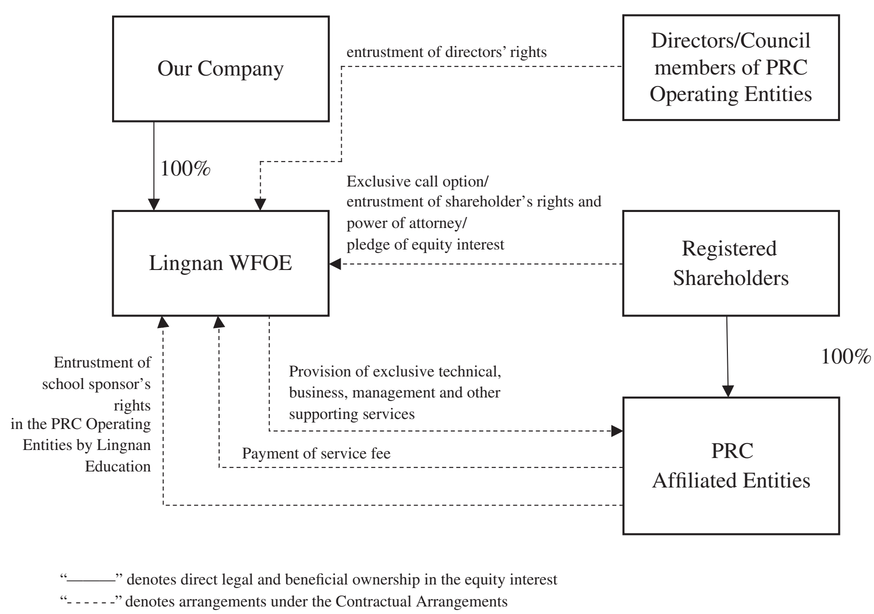
(3) Primarily include the tuition fees received by Lingnan Institute of Technology and Lingnan Modern Technician College in connection with the adult education program and junior college-undergraduate programs.

CUSTOMERS AND SUPPLIERS

The goods and services (as the case may be) provided by us to our five largest customers and purchases of goods and services (as the case may be) from our five largest suppliers accounted for less than 30% of our revenue and cost of sales, respectively, for each of the years ended December 31, 2018, 2019 and 2020. Our customers primarily consist of students. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended December 31, 2018, 2019 and 2020. Our suppliers primarily consist of publishing, furniture production/sales, planting and technology development service suppliers. All of our largest suppliers during the Track Record Period were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date. Please refer to the section headed "Business — Customers and Suppliers" in this prospectus.

CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from our PRC Affiliated Entities to our Group stipulated under the Contractual Arrangements. See "Contractual Arrangements — Operation of the Contractual Arrangements" in this prospectus for further details.



CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, the Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised). See "Relationship with Controlling Shareholders" in this prospectus.

FOREIGN INVESTMENT LAW

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and took effect on January 1, 2020. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020. The Foreign Investment Law does not explicitly stipulate the structured contracts as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. As advised by our PRC Legal Advisors, since structured contracts are not specified as foreign investment under the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate or recognize structured contracts as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

For the details of risks relating to the Foreign Investment Law, please see "Risk Factors — Risks relating to Our Contractual Arrangements — Significant uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability or sustainability of our current corporate structure, corporate governance and business operations" and "Contractual Arrangements — Development in the PRC Legislation on Foreign Investment" in this prospectus.

POTENTIAL IMPLICATIONS OF THE 2016 DECISION AND RELATED IMPLEMENTATION RULES

On November 7, 2016, the 2016 Decision was approved by the Standing Committee of the NPC, which became effective on September 1, 2017. It has made certain amendments to the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》). Pursuant to the 2016 Decision, private schools will no longer be classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that the schools providing nine-year compulsory education must be non-profit. The school sponsors of for-profit private schools are allowed to receive income from the operation of the schools and the balance of running such schools. By contrast, the school sponsors of non-profit private schools are prohibited from receiving income from the operation of the schools and the balance of running such schools shall only be used for their operation. In addition, for-profit private schools are entitled to have the discretion in determining the fees collected from the students in accordance with the market conditions while the fee collection of non-profit private schools shall be subject to provincial government regulation. For details of the 2016 Decision, including the key differences between a for-profit private school and a non-profit private school under the 2016 Decision, please refer to the sections headed "Regulatory Overview — Regulations on Private Education in the PRC — The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" and "Business — Potential Implications of the 2016 Decision and Related Implementation Rules" of this prospectus.

Based on the current legal framework in the PRC, including the 2016 Decision, Guangdong Opinion, Guangdong Measures and the 2021 Implementation Rules, our PRC Legal Advisors are of the view that there is no legal impediment for our schools to register as for-profit private schools in the future on the condition that the requirements under the then applicable PRC laws and regulations are satisfied. Furthermore, based on our management's judgment on the current legal framework in the PRC, our Directors are of the view that there is no practical impediment that might preclude our schools from registering to be for-profit private schools. We currently expect to register our schools as for-profit private schools, subject to a number of factors, including the development of private education industry in China, and the development of the applicable laws and regulations in the PRC and the discretion of the competent authorities. We will closely monitor and make the relevant decision regarding the status of our school in response to the development of the 2016 Decision and the 2021 Implementation Rules after consulting our PRC Legal Advisors.

According to the aforementioned implementation rules, the implications of the election to register as a non-profit or for-profit private school with the competent government authorities are as follows:

- if we elect to register our school as a for-profit private school, we will be required to (i) undertake financial settlement, which is a process to clarify the ownership and equity of the school's assets; (ii) have the property rights of the relevant assets, such as land, school buildings and net balance be authenticated by the relevant governmental authorities; (iii) pay the relevant taxes and fees; and (iv) re-register with the relevant government authorities to continue the school operations. In the absence of any detailed implementation rules or further guidelines, we may not be able to predict or estimate the potential costs and expenses to be involved, which may materially and adversely affect our business, financial condition and results of operations; or

- if we elect to register our school as a non-profit private school, (i) our school will not be permitted to distribute the operating proceeds to its sponsors and the surplus from the school operations can only be applied to their continued operations; (ii) the provincial government authorities may impose restrictions on our school fees, including the range and type of fees chargeable and approval or filing requirements; and (iii) the sponsor of our school shall amend the constitutional documents and re-register with the relevant government authorities to continue its operations. We may incur significant administration and other expenses and costs during the re-registration process, which may materially and adversely affect our business, financial condition and results of operations.

As of the Latest Practicable Date, we intend to elect to register our schools as for-profit private schools under the 2016 Decision after the detailed implementation rules on the classification registration of the existing private schools under the 2016 Decision have been promulgated by the relevant local government authorities and become effective.

Given neither Lingnan Institute of Technology nor Lingnan Modern Technician College provides compulsory education, even if Lingnan Institute of Technology and Lingnan Modern Technician College remain as non-profit private schools, they are not subject to the prohibition on transaction with interested parties. Rather, they are required to enter into transactions with interested party on an open, fair and impartial basis without damaging the State's interests, the interests of the school or the rights and interests of the teachers and students, in accordance with the current applicable laws and regulations. The School Sponsor for Lingnan Institute of Technology and Lingnan Modern Technician College is Lingnan Education. The Contractual

Arrangements were entered into between Lingnan WFOE, Lingnan Education and the PRC Operating Entities (i.e. Lingnan Institute of Technology and Lingnan Modern Technician College). Provided that the Contractual Arrangements were entered into on the above bases, even if Lingnan Education is not entitled to receive dividends from the operation of Lingnan Institute of Technology or Lingnan Modern Technician College, it will not impact the performance of the Contractual Arrangements by Lingnan WFOE, Lingnan Institute of Technology, Lingnan Modern Technician College and Lingnan Education, including the performance of payment obligations by Lingnan Institute of Technology, Lingnan Modern Technician College and Lingnan Education to Lingnan WFOE, thereunder. However, in the unlikely event that Lingnan Institute of Technology and Lingnan Modern Technician College register as non-profit private schools, and the Contractual Arrangements are not deemed to have been entered into on an open, fair and impartial basis in accordance with the current applicable laws and regulations by the relevant PRC government authorities, Lingnan WFOE may need to reduce the amount of service fees it could charge Lingnan Institute of Technology and Lingnan Modern Technician College or make other changes to the terms of the Contractual Arrangements to comply with the open, fair and impartial requirements. Only in the extreme scenario where we fail to make such changes to the terms of our Contractual Arrangements necessary to comply with the open, fair and impartial requirements and the relevant authorities demand that our Contractual Arrangements be terminated, or the relevant authorities are of the view that no service fees could be charged by Lingnan WFOE in order for the Contractual Arrangements to be open, fair and impartial, we will cease to be able to consolidate our PRC Affiliated Entities, which, in turn, will have a material adverse impact on our business, results of operations and financial condition.

Since there was uncertainty brought by the 2016 Decision and other related implementation rules, we proactively conducted self-tax assessment of our PRC Operating Entities and had aggregate EIT of approximately RMB12.4 million for the year ended December 31, 2018 based on our interpretations of the existing tax laws and regulations at that time. Lingnan Institute of Technology and Lingnan Modern Technician College had applied EIT at a rate of 25% on the taxable income during the Track Record Period (including academic education income as taxable income in year ended December 31, 2018) but treated the academic education income as non-taxable income in the years ended December 31, 2019 and 2020 based on our interpretation of the Law for Promoting Private Education of the PRC amended on December 29, 2018 and the Implementing Regulations for the Law for Promoting Private Education of the PRC (Revised Draft) (Draft for Review) (《中華人民共和國民辦教育促進法實施條例(修訂草案) (送審稿)》) by the Ministry of Justice of the PRC (the "MOJ") on August 10, 2018 (the "MOJ Draft for Review"), which stipulated that non-profit private schools shall be entitled to the same treatment as public schools in terms of tax benefits, preferential tax treatments and preferential treatments in terms of land use (for example, preferential treatment on charges for the assignment or rental of land). Specifically, we interpreted that the above-mentioned laws and regulations to mean that the academic education income from Lingnan Institute of Technology and Lingnan Modern Technician College, being non-profit private schools at the relevant time, shall be non-taxable.

With a view to confirming the tax treatment applicable to Lingnan Institute of Technology and Lingnan Modern Technician College, on November 10, 2020, we consulted the Guangzhou Taxation Bureau of the SAT, being the competent authority as advised by our PRC Legal Advisors to confirm matters relating to taxation issues relevant to the two schools. The consultation confirmed our interpretation that as long as neither Lingnan Institute of Technology and Lingnan Modern Technician College has elected to register as for-profit private schools, we were in compliance with the applicable laws and regulations to treat academic education income generated by Lingnan Institute of Technology and Lingnan Modern Technician College as non-taxable income for the years ended December 31, 2019 and 2020. Academic education income is the income generated from the provision of formal education services provided by our Group, including junior college education, secondary vocational education, post-secondary vocational education, continuing education programs (which include two-year junior college-undergraduate program (自考專升本項目), 3+2 junior college-undergraduate program (自考專插本項目) and adult education program (成人教育項目)). Please refer to the section headed "Financial Information — Key Components of Our Results of Operations — Continuing Operations — Income Tax Expense" in this prospectus for details.

For illustrative purposes only, assuming that (i) our Lingnan Institute of Technology and Lingnan Modern Technician College had registered as for-profit private schools; and (ii) the Contractual Arrangements were effective during the entire Track Record Period under which all of the respective amount of surplus from operations (after deducting all costs, reasonable expenses and taxes in accordance with applicable PRC laws) of our PRC Affiliated Entities was paid to Lingnan WFOE in accordance with the Contractual Arrangements, and Lingnan WFOE is subject to EIT of 25% of the profit before tax and VAT of 6% in respect of the service fees it received from our PRC Affiliated Entities, our Directors estimate that our tax exposure, which comprises EIT and VAT, would have increased by approximately RMB34.4 million, RMB41.9 million and RMB45.5 million for the years ended December 31, 2018, 2019 and 2020, respectively, in the worst case scenario. In addition, assuming that we distributed 30% of our profits available for distribution generated in each financial year during the Track Record Period pursuant to our dividend policy, all of which would have been financed by the distribution of Lingnan WFOE, we would be subject to a withholding tax at a rate of 10% on the distribution of Lingnan WFOE. Our Directors estimate that our tax exposure would have further increased by approximately RMB3.4 million, RMB3.8 million and RMB4.2 million for the years ended December 31, 2018, 2019 and 2020, respectively. In aggregate, the maximum tax exposure under the aforementioned assumptions and tax impact of our Group would be approximately RMB37.8 million, RMB45.7 million and RMB49.7 million for the years ended December 31, 2018, 2019 and 2020, respectively, accounting for approximately 27.6%, 29.5% and 29.1%, respectively, of our net profit for the same years.

THE 2016 DECISION AND 2021 IMPLEMENTATION RULES AND THEIR IMPACT ON OUR GROUP

The 2016 Decision is the Decision of the Standing Committee of the NPC on Amending the Private Schools Promotion Law (《全國人民代表大會常務委員會關於修改<中華人民共和國民辦教育促進法>的決定》), which was promulgated on November 7, 2016, and came into force on September 1, 2017. It has made certain amendments to the Law for Promoting Private Education of the PRC. On May 14, 2021, the State Council released the 2021 Implementation Rules with an effective date of September 1, 2021. The 2021 Implementation Rules, promulgated by State Council, as the legislation of the lower authorities in the PRC, shall not contravene the Law for Promoting Private Education of the PRC, which was promulgated by the Standing Committee of the NPC, which was the legislation of higher authorities. Specifically, the 2021 Implementation Rules are the detailed implementation rules of the Law for Promoting Private Education of the PRC. The 2021 Implementation Rules stipulates additional provisions relating to the operation and management of private schools. Our PRC Legal Advisors advised us that there is no legal impediment for our schools to register as for-profit private schools in the future on the condition that the requirements under the then applicable PRC laws are satisfied, and our Directors concur with such view. The overall impact of the 2016 Decision and 2021 Implementation Rules on our business is as follows:

- *Contractual Arrangements*: Contractual Arrangements may be regarded as connected transactions of our schools with interested parties and we may incur substantial compliance costs in relation to establishing disclosure mechanisms and undergoing review and audit by the relevant government authorities where it may find that one or more agreements underlying our Contractual Arrangements do not comply with applicable PRC laws and regulations and may subject us to severe penalties, resulting in material adverse impact on our business operations and financial condition. With respect to the Contractual Arrangements, as of the Latest Practicable Date, except for the provisions with respect to the transactions with interested parties on a open, fair and impartial basis without damaging the State's interests, the interests of the schools or the rights and interests of the teachers and students, no specific requirement has been promulgated regarding the existing Contractual Arrangements in accordance with the 2021 Implementation Rules. Nevertheless, assuming (i) our schools are able to successfully register as for-profit private schools under the 2016 Decision and the 2021 Implementation Rules; and (ii) the Contractual Arrangements are entered into on an open, fair and impartial basis, our PRC Legal Advisors advised us that the 2021 Implementation Rules do not stipulate additional requirements with respect to the Contractual Arrangements as compared to the 2016 Decision. Further, in light of the following, our Directors are of the view that nothing has come to their attention that the current terms of our Contractual Arrangements would damage the State's interest, the interests of our schools or the rights or interests of students and teachers or would otherwise render our Contractual Arrangements not open, fair or impartial.

  We believe that our Contractual Arrangements would be deemed to have been entered into on an open, fair and impartial basis mainly due to the following:

  - *Internal controls and implementation of our Contractual Arrangements.* Our Directors are of the view that our Contractual Arrangements and our Group has in place the mechanisms and measures to allow us to react timely and effectively to comply with any new implementation rules or interpretations by government authorities on the principles of openness, fairness and impartialness. In particular, our senior management has been tasked with closely monitoring the issuance of the detailed implementation rules in Guangdong Province to ensure that we have the latest information and understanding of the process and impact of registering our schools as for-profit private schools. Our senior management also maintains frequent communications with the relevant government authorities in order to be familiar with the specific regulatory requirements so as to be able to provide input to and be informed by the relevant government authorities as early as practicable with respect to any developments. It should be noted that our senior management are responsible for assessing the level of services fees or consideration to be charged under our Contractual Agreements, where applicable. Our Contractual Arrangements, which provide for the provision of commercial services in return for services fees or otherwise involve a payment of consideration, include the

Business Cooperation Agreement and the Exclusive Technical Service and Management Consultancy Agreement. The amount of the service fees to be paid by Lingnan Institute of Technology and Lingnan Modern Technician College for services provided by Lingnan WFOE are not fixed in each of these agreements, and will be considered and determined from time to time having regard to various factors, including the scope of the services provided, the complexity and difficulty of technologies involved in the services provided by Lingnan WFOE, resources invested and time spent by the employees of Lingnan WFOE for the provision of the relevant services, content and commercial value of the services provided, market price of services provided and business operation of our PRC Affiliated Entities as the service recipients. Further, notwithstanding that the amount of service fees to be charged under the Exclusive Technical Service and Management Consultancy Agreement are equivalent to the total amount of surplus from operations of our PRC Affiliated Entities, such service fees are only paid to Lingnan WFOE after deductions for costs, taxes, and other fees to be reserved or deducted as required by Lingnan Institute of Technology and Lingnan Modern Technician College under the relevant PRC laws and regulations, ensuring due and sustainable operation of the schools. Given that our senior management will be responsible for determining the service fees to be charged and the amount of cost to be deducted or reserved by each of Lingnan Institute of Technology and Lingnan Modern Technician College, and coupled with the internal control measures above, our Directors believe that it will be in a position to properly assess an appropriate amount of service fees to be charged and the costs to be deducted or reserved that would allow the Business Cooperation Agreement and the Exclusive Technical Service and Management Consultancy Agreement to comply with the principle of openness, fairness and impartialness due to its close attention to the developments of the relevant policies and regulations and proactive consultation with the authorities in charge;

◦ *Other terms of our Contractual Arrangements aim to protect our schools and prevent leakage*. Many of the terms of our Contractual Arrangements are designed to prevent leakage of assets and values of our PRC Affiliated Entities or prevent damage to our PRC Affiliated Entities, for example, undertakings not to compete from the Registered Shareholders, or undertakings not to conduct any activity or transaction which may have any actual impact on the assets, business, staff, obligations, rights or operations of our PRC Affiliated Entities, among other provisions. For details, please see the section headed "Contractual Arrangements" in this prospectus. Accordingly, provided that the transactions with interested parties under the Contractual Arrangements are deemed to have been entered into on an open, fair and impartial basis in accordance with the current applicable laws and regulations by the relevant PRC government authorities, our Contractual Arrangements were not entered into with a view to damage the interest of the State, our schools or our students or teachers;

- *Taking steps to comply with the "openness" requirement under the 2021 Implementation Rules.* Our Company will take steps to make the Contractual Arrangements public to comply with the principle of "openness", including making available our Contractual Arrangements on our websites and at our principal offices; and

- *Current terms of our Contractual Arrangements do not materially deviate from other similar arrangements adopted by PRC companies whose businesses are similar to ours*. In particular, companies which have indicated that they will elect to register as for-profit private schools have entered into similar business cooperation agreements, exclusive technical service and management consultancy agreements and exclusive call option agreements, whose economic terms, such as service scope and fee arrangements, largely follow the same principles underlying our Contractual Arrangements. Further, the objectives, structure and underlying principles of the other agreements in such companies' contractual arrangements are also largely in line with those underlying our Contractual Arrangements.

Accordingly, our Directors are of the view that the 2016 Decision and 2021 Implementation Rules currently do not adversely impact the execution and performance of the Contractual Arrangements by the parties thereto. In view of the above, as of the Latest Practicable Date, nothing has come to the Sole Sponsor's attention that causes the Sole Sponsor to cast doubt on the view of our Directors. However, since the 2021 Implementation Rules have not yet become effective, we cannot assure you that the implementation of the 2021 Implementation Rules by the competent authorities in September 2021 will not deviate from our current understanding or interpretation of these rules. Please refer to the sections headed "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the 2016 Decision and the 2021 Implementation Rule" and "Business — The 2021 Implementation Rules" in this prospectus for further details;

- *Regulatory filing and financial reporting*: As of the Latest Practicable Date, no specific requirement has been promulgated under the 2016 Decision and the 2021 Implementation Rules regarding the information disclosure mechanism, including, but not limited to, the requirements on financial reporting. Our Directors are of the view that the the 2016 Decision and 2021 Implementation Rules currently do not impose any regulatory filing and financial reporting obligations on our Group in connection with transactions with interested parties. However, compliance costs may be incurred due to the specific implementation rules of disclosure mechanisms promulgated in the future;

- *Financial settlement*: In accordance with applicable laws and regulations, if we elect our schools to register as for-profit private schools, we are required to conduct financial settlement involving our schools, which is a process to clarify the ownership their lands, buildings and accumulations, which will be subject to the consent of the relevant departments of the people's governments at or below the provincial level. Subsequently, we may be required to pay relevant taxes and fees, obtain new school operating licenses, apply for re-registration and thereafter, continue the school operations under the new private school operating licenses. Our PRC Legal Advisors advised us that with respect to financial settlement, there are no existing PRC laws or regulations which would prohibit or restrict our Group from taking the steps of financial settlement. Our PRC Legal Advisors further advised us that on the condition that the requirements under the then applicable PRC laws and regulations are satisfied, there is no legal impediment for us to carry out financial settlement in accordance with applicable PRC laws and regulations. Moreover, with respect to other higher education institutions in the PRC which were in the process of registering to become for-profit private schools and whose information was publicly available as of the Latest Practicable Date, our Directors have not observed any material additional costs incurred in respect of financial settlement by such higher education institutions. In light of the foregoing, as of the Latest Practicable Date, our Directors were not aware of any material additional costs that our schools may incur as a result of the financial settlement and that the operation of our schools during the financial settlement process is not expected to be affected;

- *Current licenses for school operations*: Upon completing the financial settlement, both Lingnan Institute of Technology and Lingnan Modern Technician College are obliged to reapply for new licenses or apply to change their registration in accordance with the relevant PRC laws, as the case maybe. As advised by our PRC Legal Advisors, if our schools successfully register as for-profit private schools and carry out the financial settlement in accordance with applicable laws and regulations, given that the other licenses necessary to conduct their operations will be materially similar to the existing licenses held by our schools as of the Latest Practicable Date, and having regard to our prior successful track record in obtaining such licenses, we are not aware of any legal prohibition that would prevent our schools from reapplying for such licenses. In addition, given the licenses necessary for for-profit private schools to conduct their operations are materially similar to the existing licenses held by our schools as of the Latest Practicable Date, assuming the application costs for such licenses remain the same, our Directors are not aware of any material application costs that our schools may incur as a result of the reapplication of such licenses. Accordingly, our Directors are of the view that the requirements for our schools to reapply for new licenses or apply to change their registration under the 2016 Decision and the 2021 Implementation Rules will not adversely affect our business and operations;

- *Financing arrangements*: As of the Latest Practicable Date, no specific requirement has been stipulated under the 2016 Decision and the 2021 Implementation Rules to assess the risk tolerance of the private schools in accordance with current applicable laws and regulations. Accordingly, our Directors are of the view that the 2016 Decision and the 2021 Implementation Rules currently do not have any provisions that will directly accelerate our repayment obligations under the existing bank facilities, nor are there any provision prohibiting us from obtaining new bank facilities; and

- *Tax and other impact*: As of the Latest Practicable Date, there was an absence of other detailed implementation rules which remain to be promulgated by the relevant local governments under the 2016 Decision and the 2021 Implementation Rules for clarification on the substantial uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operation of a private school, in particular, regulations on the fees charged by non-profit schools and respective preferential tax treatments that may be enjoyed by a for-profit private school and a non-profit private school, and to provide an implementation timetable. Please see "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the 2016 Decision and the 2021 Implementation Rules" in this prospectus for details. We will pay close attention to the 2021 Implementation Rules and consult with our PRC Legal Advisors for the developments of the 2021 Implementation Rules and other related publications and promulgations.

  For illustrative purposes only, assuming that (i) our Lingnan Institute of Technology and Lingnan Modern Technician College had registered as for-profit private schools; and (ii) the Contractual Arrangements were effective during the entire Track Record Period under which all of the respective amount of surplus from operations (after deducting all costs, reasonable expenses and taxes in accordance with applicable PRC laws) of our PRC Affiliated Entities was paid to Lingnan WFOE in accordance with the Contractual Arrangements, and Lingnan WFOE is subject to EIT of 25% of the profit before tax and VAT of 6% in respect of the service fees it received from our PRC Affiliated Entities, our Directors estimate that our tax exposure, which comprises EIT and VAT, would have increased by approximately RMB34.4 million, RMB41.9 million and RMB45.5 million for the years ended December 31, 2018, 2019 and 2020, respectively, in the worst case scenario. In addition, assuming that we distributed 30% of our profits available for distribution generated in each financial year during the Track Record Period pursuant to our dividend policy, all of which would have been financed by the distribution of Lingnan WFOE, we would be subject to a withholding tax at a rate of 10% on the distribution of Lingnan WFOE. Our Directors estimate that our tax exposure would have further increased by approximately RMB3.4 million, RMB3.8 million and RMB4.2 million for the years ended December 31, 2018, 2019 and 2020, respectively. In aggregate, the maximum tax exposure under the aforementioned assumptions and tax impact of our Group would be approximately RMB37.8 million, RMB45.7 million and RMB49.7 million for the years ended December 31, 2018, 2019 and 2020, respectively, accounting for approximately 27.6%, 29.5% and 29.1%, respectively, of our net profit for the same years.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION OF OUR GROUP

The following table sets forth our summary consolidated financial information as of and for the years ended December 31, 2018, 2019, and 2020. You should read this summary together with the consolidated financial information set forth in the Accountants' Report of the Group in Appendix I to this prospectus, including the related notes, as well as the information set forth in the "Financial Information" section in this prospectus.

Selected Consolidated Profit or Loss Data

	Year ended December 31,		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Revenue	411,751	444,387	449,350
Gross profit	193,673	197,154	209,017
Profit before tax from continuing operations	149,445	160,654	175,490
Profit for the year from continuing operations	137,030	154,825	170,501
Profit and total comprehensive income for the year	135,565	154,825	170,501
Attributable to:			
Owners of the parent	129,794	149,959	170,501
Non-controlling interests	5,771	4,866	–

Non-HKFRS Measure

The following table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is profit for the year from continuing operations:

	Year ended December 31,		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Profit for the year from continuing operations	137,030	154,825	170,501
Add:			
Listing expenses	6,681	–	14,299
Subtract:			
Gain on disposal of subsidiaries	428	–	2,463
Gain on disposal of associates	6,219	–	–
Non-HKFRS Measure:			
Adjusted Net Profit	137,064	154,825	182,337

In order to supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also use Adjusted Net Profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of certain items that we do not consider indicative of the performance of our business. We also believe that this non-HKFRS measure provides additional information to investors and others in their understanding and evaluating our results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

The Adjusted Net Profit eliminates the effect of certain one-off items, or items that are unrelated to our operations, namely, (i) gain on disposal of subsidiaries; (ii) gain on disposal of associates; and (iii) listing expenses. The term Adjusted Net Profit is not defined under HKFRS. As a non-HKFRS measure, Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the effect of these one-off and non-cash items on our net profit. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our net profit for the relevant years, and it did not take into consideration any tax impact associated with these adjustments. Gain on disposal of subsidiaries primarily consists of the gains we recognized from disposing certain subsidiaries in 2018 and 2020. Gain on disposal of associates mainly represent the gains we recognized from disposing certain of our associated companies in 2018, which mainly engaged in the businesses outside our Group. We disposed certain subsidiaries and associates in connection with the Corporate Reorganization to streamline the corporate structure of our Group, which we consider to be non-recurring in nature and unrelated to the core business of our Group involving the provision of higher vocational education programs. The effects of gain on disposal of subsidiaries, gain on disposal of associates and listing expenses that are eliminated from Adjusted Net Profit are significant components in understanding and assessing our operating and financial performance. In light of the foregoing limitations, when assessing our operating and financial performance, you should not view the Adjusted Net Profit in isolation or as a substitute for our profit for the year or any other operating performance measure that is calculated in accordance with HKFRS. In addition, because this non-HKFRS measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

Our revenue increased steadily from 2018 to 2019 mainly due to the increase in student enrollment of our schools and the increase in tuition and boarding fees. Our revenue increased from RMB444.4 million for the year ended December 31, 2019 to RMB449.4 million for the year ended December 31, 2020 mainly due to an increase in tuition fees from RMB401.2 million for the year ended December 31, 2019 to RMB423.0 million for the year ended December 31, 2020, mainly due to the increase in total full-time student enrollment of our schools from 26,851 for the 2019/2020 school year to 27,033 for the 2020/2021 school year. This increase was partially offset by a decrease of RMB16.7 million in boarding fees as we refunded approximately RMB18.1 million of the boarding fees collected for the spring semester of the 2019/2020 school year as required by the relevant education authority due to the COVID-19 pandemic, as a result of which, our students were not allowed to live on campus during the semester.

The following table sets forth the revenue, gross profit and gross profit margin by school for the years indicated.

	Year ended December 31,								
	2018			2019			2020		
	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin	Revenue	Gross profit	Gross profit margin
	(RMB'000)		%	(RMB'000)		%	(RMB'000)		%
Lingnan Institute of Technology	335,902	153,372	45.7	365,000	155,123	42.5	368,268	166,176	45.1
Lingnan Modern Technician College	75,849	40,301	53.1	79,387	42,031	52.9	81,082	42,841	52.8
Total	411,751	193,673	47.0	444,387	197,154	44.4	449,350	209,017	46.5

Revenue from Lingnan Institute of Technology increased from 2018 to 2019, in line with the increase in tuition and boarding fees and the increase in student enrollment during the years. Revenue further increased in the year ended December 31, 2020 as compared to the year ended December 31, 2019 mainly due to an increase in tuition fees mainly as a result of the increase in total full-time student enrollment of Lingnan Institute of Technology in the 2020/2021 school year, partially offset by a decrease in boarding fees as we refunded the boarding fees collected for the spring semester of the 2019/2020 school year as required by the relevant education authority due to the COVID-19 pandemic, as a result of which, our students were not allowed to live on campus during the semester. Gross profit margin of Lingnan Institute of Technology decreased from 45.7% in 2018 to 42.5% in 2019 primarily due to the increases in student study and practice fees, teaching expenditure and office expenses, as well as the increases in staff costs and depreciation and amortization in line with the expansion of our school operating scale, all of which were larger than the increase in revenue. Gross profit margin increased from 42.5% for the year ended December 31, 2019 to 45.1% for the year ended December 31, 2020 mainly due to the decrease in the cost of sales in 2020 as we temporarily closed our campus due to the COVID-19 pandemic in the first half of 2020.

Revenue from Lingnan Modern Technician College increased from 2018 to 2019 as a result of increase in student enrollment in 2019. Revenue increased in the year ended December 31, 2020 as compared to the year ended December 31, 2019 mainly due to an increase in tuition fees and boarding fees as a result of the increase in student enrollment of the secondary vocational program, partially offset by a decrease in tuition fees and boarding fees received from post-secondary vocational program primarily due to a decrease in student enrollment for such program. Gross profit margin of Lingnan Modern Technician College remained relatively stable at 53.1%, 52.9% and 52.8% for the year ended December 31, 2018, 2019 and 2020, respectively.

Selected Consolidated Statements of Financial Position Data

	As of December 31,		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Current assets	289,912	346,695	356,640
– Prepayments, other receivables and other assets	55,166	46,447	14,670
– Amounts due from related parties	27,316	46,447	20,464
– Financial assets at fair value through profit or loss	60,181	45,260	20,190
– Cash and cash equivalents	131,048	186,836	288,446
Current liabilities	457,065	473,231	537,934
– Contract liabilities	171,509	174,366	167,856
– Other payables and accruals	169,260	163,048	165,056
– Interest-bearing bank and other borrowings	62,309	89,209	97,209
Net current liabilities	(167,153)	(126,536)	(181,294)
Total non-current assets	1,361,209	1,513,733	1,562,515
– Property, plant and equipment	781,551	958,023	1,019,129
– Investment properties	71,707	77,636	72,148
– Right-of-use assets	500,907	468,402	437,586
– Other intangible assets	4,242	3,418	7,881
– Investments in associates	–	–	–
– Prepayments for non-current assets	98	95	21,493
– Contract costs	2,704	6,159	4,278
Total non-current liabilities	537,681	597,379	498,294
– Interest-bearing bank and other borrowings	294,989	369,978	282,588
– Lease liabilities	148,415	132,713	116,925
– Deferred income	94,277	94,688	98,781
Net assets	656,375	789,818	882,927
Non-controlling interests	32,676	37,542	–
Total equity	656,375	789,818	882,927

As of December 31, 2018, 2019 and 2020, we had net current liabilities of RMB167.2 million, RMB126.5 million and RMB181.3 million, respectively. We had net current liabilities as of each of these dates primarily because (i) we used a large amount of cash to finance the expansion of our school facilities at Qingyuan Campus. The capital expenditures and prepayments, which are recorded as non-current assets were partially financed by non-current liabilities, such as long-term interest bearing bank and other borrowings, and by current liabilities, such as contract liabilities, short-term interest-bearing bank and other borrowings; and (ii) we had large amounts of current liabilities, such as other payables and accruals as we incurred large amounts of payables for the purchases of property, plant and equipment as a result of the continued improvement of our school facilities and teaching equipment. Our net current liabilities increased from RMB126.5 million as of December 31, 2019 to RMB181.3 million as of December 31, 2020 mainly due to an increase of RMB62.3 million in amount due to a Director, which was primarily payables to Ms. He Huifen for the acquisition of 30% non-controlling interests of Lingnan Modern Technician College pursuant to the Corporate Reorganization. Our net assets increased from RMB789.8 million as of December 31, 2019 to RMB882.9 million as of December 31, 2020 mainly due to the combined effects of the increase in our net profit for the year ended December 31, 2020 and the decrease in reserves due to the acquisition of 30% non-controlling interest of Lingnan Modern Technician College pursuant to the Corporate Reorganization. We expect to improve our net current liabilities position with (i) the net proceeds from the Global Offering; (ii) funds generated from our business operations; and (iii) debt restructuring to reduce the percentage of short-term loans in our total borrowings.

Selected Consolidated Statements of Cash Flows Data

	Year ended December 31,		
	2018	**2019**	**2020**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**
Profit before tax from continuing operations	149,445	160,654	175,490
Operating cash flows before movement in working capital	227,101	239,660	253,798
Changes in working capital	13,923	(975)	42,073
Bank interest received and PRC corporate income tax paid	(4,366)	(10,665)	(585)
Net cash flows from operating activities	236,658	228,020	295,286
Net cash flows used in investing activities	(214,119)	(192,261)	(51,306)
Net cash flow from/(used in) financing activities	(72,235)	20,029	(142,370)
Net increase/(decrease) in cash and cash equivalents	(49,696)	55,788	101,610
Cash and cash equivalents at beginning of year	180,744	131,048	186,836
Cash and cash equivalent at end of year	131,048	186,836	288,446

Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates and for the years indicated:

	As of and for the year ended December 31,		
	2018	2019	2020
Liquidity ratios			
Current ratio[(1)]	63.4%	73.3%	66.3%
Profitability ratios			
Net profit margin[(2)]	33.3%	34.8%	37.9%
Return on assets[(3)]	8.6%	8.8%	9.0%
Return on equity[(4)]	23.3%	21.4%	20.4%
Capital adequacy ratios			
Gearing ratio[(5)]	54.4%	58.1%	43.0%
Net debt to equity ratio[(6)]	34.5%	34.5%	10.3%
Interest coverage ratio[(7)]	4.1	4.1	4.5

Notes:

(1) Current ratio equals our current assets as of the end of the year divided by current liabilities as of the end of the year.

(2) Net profit margin equals our net profit for the year from continuing operations divided by revenue for the year from continuing operations. Results of the Discontinued Operations are not included in the calculation of this ratio. For potential tax impact on the net profit brought by the execution of the Contractual Arrangements and election of Lingnan Institute of Technology and Lingnan Modern Technician College as for-profit private schools, see "Business — The 2021 Implementation Rules — The Impact of the 2016 Decision and the 2021 Implementation Rules on Our Group" in this prospectus for details.

(3) Return on assets equals our net profit for the year from continuing operations divided by average total assets as of the beginning and end of the year. Results of the Discontinued Operations are not included in the calculation of this ratio.

(4) Return on equity equals net profit for the year from continuing operations divided by average total equity amounts as of the beginning and end of the year. Results of the Discontinued Operations are not included in the calculation of this ratio.

(5) Gearing ratio equals total interest-bearing bank and other borrowings divided by total equity as of the end of the year.

(6) Net debt to equity ratio equals total interest-bearing bank and other borrowings net of cash and cash equivalents at the end of the year divided by total equity at the end of the year.

(7) Interest coverage ratio equals profit before interest and tax of the year (excluding the results of our discontinued operation) divided by finance cost (assuming not capitalized) of the same year.

Our current ratio increased from 63.4% as of December 31, 2018 to 73.3% as of December 31, 2019 primarily due to an increase in current assets as a result of the increase in cash and cash equivalents which was in line with the increase of tuition fees and boarding fees we received. Our current ratio decreased to 66.3% as of December 31, 2020 mainly as a result of an increase in current liabilities.

Our return on assets ratio increased from approximately 8.6% as of December 31, 2018 to 8.8% as of December 31, 2019 mainly due to the increases of our net profit during the Track Record Period. Our return on assets ratio remained relatively stable at 8.9% as of December 31, 2019 and 9.0% as of December 31, 2020.

Our return on equity ratio decreased from approximately 23.3% as of December 31, 2018 to 21.4% as of December 31, 2019 primarily due to the payment of dividend by one of our subsidiaries during the year ended December 31, 2019. Our return on equity ratio was 20.4% as of December 31, 2020, which was less than our return on equity ratio of 21.4% as of December 31, 2019, primarily due to the listing expenses we incurred in the period.

Our gearing ratio increased from approximately 54.4% as of December 31, 2018 to 58.1% as of December 31, 2019 mainly as a result of an increase in our total interest-bearing bank and other borrowings, which increased at a faster pace than our total equity. Our gearing ratio decreased to 43.0% as of December 31, 2020 mainly due to decrease in long-term interest-bearing bank and other borrowings.

Please refer to section headed "Financial Information – Analysis of Key Financial Ratios" in this prospectus for further details of the key financial ratios of our Group.

LISTING EXPENSES

We expect to incur a total of RMB61.5 million of listing expenses (assuming an Offer Price of HK$1.80, being the mid-point of the indicative Offer Price range between HK$1.59 and HK$2.01, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, representing approximately 12.3% of the estimated gross proceeds from the Global Offering, of which RMB21.0 million has been charged to our consolidated statements of profit or loss and other comprehensive income up to December 31, 2020 and RMB1.7 million, RMB0 and RMB5.2 million has been capitalized in the years ended December 31, 2018, 2019 and 2020, respectively. For the remaining listing expense, RMB16.8 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the years ending December 31, 2021, and RMB16.8 million is to be capitalized and therefore, would likely impact our net profit for the year ended December 31, 2021. Listing expenses of RMB61.5 million represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonuses. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. It is expected that the discretionary bonuses will be paid to certain professional parties based on their performance during the Listing process, the maximum aggregate amount will be approximately RMB6.9 million. The discretionary bonuses to be paid to the Sole Sponsor are expected to be in an amount not exceeding 1% of the total proceeds from the Global Offering (assuming an Offer Price being the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), which is HKD6.0 million (equivalent to approximately RMB5.0 million). The discretionary bonuses to be paid to other professional parties are expected to be no more than US$300,000 (equivalent to approximately RMB1.9 million) in aggregate.

GLOBAL OFFERING STATISTICS

	Based on an Offer Price of HK$1.59 per Share	Based on an Offer Price of HK$2.01 per Share
Market capitalization of our Shares	HK$2,121 million	HK$2,681 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share	HK$1.15	HK$1.26

Notes:

(1) All statistics in the table are based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalization of our Shares is based on the 1,334,000,000 Shares expected to be in issue immediately upon completion of the Global Offering assuming the Over-allotment Option is not exercised.

(3) The unaudited pro forma adjusted consolidated net tangible asset value per Share is calculated after making the adjustments set forth in Appendix II to this prospectus.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$527.2 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$1.80 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK$89.2 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$1.80 per Share.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below: (i) approximately 70.0%, or HK$369.0 million, is expected to be used primarily to upgrade our Lingnan Institute of Technology from an associate college to a vocational university (本科層次職業大學), including expansion of the Qingyuan Campus by acquiring additional land, constructing additional teaching and administrative facilities in the Qingyuan Campus, purchasing teaching equipment and constructing an industry and education integrated industrial park (產教融合產業園) in the Qingyuan Campus. The education programs of such vocational university will primarily focus on offering practical and job-oriented education and experience in a number of key industries, such as the TMT Industry and Healthcare Industry; (ii) approximately 20.0%, or HK$105.4 million, is expected to be used primarily to acquire other private formal vocational education institutions in the Greater Bay Area to expand our school network; and (iii) approximately 10.0%, or HK$52.7 million, is expected to be used to fund our working capital and general corporate purposes. For details, see "Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus. For details of our expansion plan, please see "Business – Our Expansion Plans" in this prospectus.

Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We may experience a temporary reduction in student enrollment, an increase in the number of teachers with senior professional technology title of Lingnan Institute of Technology in connection with its application to upgrade from an associate college to a vocational university and an increase in the number of teachers to be hired by Lingnan Modern Technician College when it expands its secondary vocational and post secondary vocational education programs in the event Lingnan Institute of Technology successfully upgrades to a vocational university, which may adversely affect our results of operations and financial condition in the short term" in this prospectus for details of the risks associated with such upgrade.

DIVIDEND POLICY

No dividend has been paid or declared by our Company during the Track Record Period. Dividends of RMB21.4 million in the aggregate have been declared and paid by one of our subsidiaries now comprising our Group during the year ended December 31, 2019.

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our PRC Operating Entities, which are primarily incorporated in the PRC. Our PRC Operating Entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. The School Sponsor of Lingnan Institute of Technology had elected not to require reasonable return while it is not explicitly stated whether the School Sponsor of Lingnan Modern Technician College requires reasonable returns.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. After the Listing, our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year, which is expected to be financed by the offshore funding sources available to our Company and offshore subsidiaries, including bank and other borrowings. In particular, for the year ending December 31, 2021, our Board intends to recommend a dividend of approximately 30% of our profits that are distributable in the period from the date of the Listing to December 31, 2021. In this situation, there will be no tax impact with respect to the declaration of dividends. Assuming that the declaration of dividends is financed by the distribution of Lingnan WFOE, whose revenue and profit are expected to mainly derive from the service fees charged to the PRC Affiliated Entities, we will be subject to a VAT at a tax rate of 6% on the service income, a current income tax at a rate of 25% on the taxable income of Lingnan WFOE and a withholding tax at a rate of 10% on the distribution of Lingnan WFOE, respectively. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we currently have or that we may enter into in the future. Please refer to the section headed "Financial Information — Dividend Policy" in this prospectus for further details.

RISK FACTORS

We believe that there are certain risks and uncertainties involved in our operations, some of which are beyond our control. Major risks we face include the following: (i) we are subject to uncertainties brought by the 2016 Decision and the 2021 Implementation Rules; (ii) our business is heavily dependent on the market recognition of the brand and reputation of each of our schools; (iii) our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fees; (iv) our business and results of operations depend on the number of students we may admit, which in turn is subject to the admission quotas approved by relevant education authorities and limited by the capacity of our school facilities; (v) our continuing success depends on our ability to attract and retain our senior management and other key personnel; and (vi) we may not be able to execute our expansion strategies. See "Risk Factors" in this prospectus for details.

PROPERTY VALUATION

According to the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer we engaged, as set forth in Appendix III to this prospectus, the total market value of the property interests included in such property valuation report was approximately RMB1,064.9 million as of March 31, 2021. Please refer to the section headed "Business — Properties" and Appendix III in this prospectus for further details on our properties. For risks associated with the assumptions made in the valuation of our properties, please refer to section headed "Risk Factors — Risk relating to Our Business and Our Industry — The appraisal value of our properties may be different from their actual realizable value and are subject to uncertainty or change" in this prospectus.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

From time to time, we may be subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been, and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors, which, in the opinion of our management, could have a material adverse effect on our business operations or financial condition. Our Directors also confirmed that none of our schools are currently engaged in any material litigation, arbitration or administrative proceeding.

During the Track Record Period and up to the Latest Practicable Date, we did not commit any non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner. According to our PRC Legal Advisors, other than disclosed in the "Risk Factor" and "Business" sections, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

During the Track Record Period and up to the Latest Practicable Date, we had certain historical immaterial non-systemic non-compliance incidents involving our business operations, including (i) property-related non-compliance incidents; (ii) failure to meet the prescribed requirements of teacher-to-student ratio, teaching and administrative/school building area and site area ratios; and (iii) failure to pay social insurance and housing provident fund in full for certain employees. See "Business — Legal Proceedings and Non-compliance — Historical Immaterial and Non-systemic Non-compliance Incidents" in this prospectus for details.

Property-related Non-compliance Incidents

As of the Latest Practicable Date, our property-related non-compliance incidents included (i) lack of building ownership certificates and failure to pass the construction project completion acceptance check (竣工驗收) for our owned buildings; (ii) failure to complete the fire control design inspection and/or fire control inspection for certain of our leased buildings; and (iii) lack of building ownership certificates for certain of our leased buildings. The aggregate gross floor area of owned and leased buildings which are important to our business operations experiencing the above-mentioned non-compliance incidents was approximately 250,933.14 sq.m.

(i) Owned Buildings: ***Lack of building ownership certificates and failure to pass the construction project completion acceptance check (竣工驗收)***

The following table sets forth a summary of our owned buildings which are considered important individually and in aggregate to our business operations that were not in compliance with the applicable PRC laws and regulations as of the Latest Practicable Date. As of the Latest Practicable Date, the aggregate gross floor area of our owned buildings which are important to our business operations with the following non-compliance incidents was approximately 30,898.89 sq.m.

No.	GFA (sq.m.)	Entity in Use	Usage	Materiality to Our Group[(1)]	Current status of Achieving Compliance	Rectification Plans
1.	6,810.04	Lingnan Institute of Technology	Teaching buildings, libraries, canteens, ancillary buildings and basements	Important	We are in the process of preparing the relevant documents required to complete the construction project completion acceptance checks and plan to apply for the construction project completion acceptance checks for the three owned buildings in July 2021, which we expect to complete in October 2021. Upon completion of the construction project completion acceptance check, we will be able to apply for the building ownership certificates, which we expect to obtain in or around June 2022.	Based on the consultation we conducted with a chief of Qingyuan City Housing and Urban Development Bureau (清遠市住房和城鄉建設局) who is responsible for the supervision of building design and construction (including construction approval, engineering quality supervision) in Qingyuan, on October 22, 2020, it was confirmed that the bureau would not take any action against Lingnan Institute of Technology and that the school can continue to use these properties as is. Based on the foregoing, our PRC Legal Advisors are of the view that the relevant official consulted had appropriate authority to give the relevant confirmation during the consultation, and the risk that Lingnan Institute of Technology may be subject to any administrative penalty by such bureau for the abovementioned non-compliance is remote.
2.	14,899.78	Lingnan Institute of Technology	Student dormitory	Important		
3.	9,189.07	Lingnan Institute of Technology	Student dormitory	Important		

No.	GFA (sq.m.)	Entity in Use	Usage	Materiality to Our Group[(1)]	Current status of Achieving Compliance	Rectification Plans
						We have adopted the following internal control measures in September 2020 to mitigate any future recurrence of such non-compliance: (i) standardizing the process of construction projects, requiring approval of each construction project, ongoing compliance during construction and the completion of all necessary inspection and check procedures before putting the properties into use; (ii) enhancing our internal supervision of construction projects by appointing our finance department, projects department, internal control department and logistics department to supervise and monitor our administrative staff with respect to such matters; and (iii) motivating employees by establishing an reward and punishment system. After adopting these internal control measures, our Directors are of the view that we have adequate internal control systems in place for our property-related compliance in the future, and therefore, are able to comply with the internal control requirements under the Listing Rules.
Sub-total: .	30,898.89					

Note:

(1) Buildings that are used for the purposes of teaching, student accommodation, libraries and/or canteens are generally considered by management to be important to our business operations. On the contrary, idle buildings and/or ancillary facilities are usually considered not to be important to our business operations.

(ii) Leased Buildings:

The following tables set forth a summary of our leased buildings which are considered important individually and in aggregate to our business operations that were not in compliance with the applicable PRC laws and regulations as of the Latest Practicable. As of the Latest Practicable Date, the aggregate gross floor area of our leased buildings which are important to our business operations with the following non-compliance incidents was approximately 77,034.25 sq.m.

(1) Failure to complete the fire control design inspection and/or fire control inspection

No.	GFA (sq.m.)	Entity in Use	Usage	Materiality to Our Group[(1)]	Current status of Achieving Compliance	Rectification Plans
1.	2,667.48	Lingnan Institute of Technology	Student dormitory	Important	Our Directors confirm that we are currently in discussions with the relevant authorities with a view to re-complying with fire control design inspection and fire control inspection procedure as soon as practicable. Based on our Directors' current understanding of the process involved, (i) barring any unforeseen circumstance, we endeavor to complete the relevant fire control design inspection and fire control inspection and re-comply with the relevant fire control requirements for these leased buildings, where practicable, in the next two to three years; and (ii) we expect that such re-compliance will be primarily administrative and procedural in nature and do not expect to incur any substantial cost. We expect that any costs in relation to such re-compliance will be funded from our operating cash flow. Our Directors are of the view that there is no practicable impediment that might prevent us from re-complying with the relevant fire control requirements.	According to the confirmations obtained from the competent fire control authorities of Huangpu District, Guangzhou Municipal on December 5, 2018, September 29, 2020 and February 3, 2021, Lingnan Institute of Technology and Lingnan Modern Technician College had complied with the Fire Protection Law of the People's Republic of China, and there was neither any record of fire accidents involving these properties nor any record of any administrative punishment imposed on the school by the relevant government authority in Huangpu District. According to our consultation with Fire and Rescue Brigade of Guangzhou Huangpu District Branch (廣州市黃埔區消防救援大隊), which is currently responsible for reviewing and approving the fire control assessment of construction projects and supervising the fire control in Huangpu District, on June 8, 2021, the relevant government authority confirmed that we are able to continue to use these properties without fire control inspection before completing the process of re-applying for the fire control inspection procedures.
2.	13,288.53	Lingnan Institute of Technology	Student dormitory	Important		
3.	3,166	Lingnan Institute of Technology	Student dormitory	Important		
4.	3,166	Lingnan Institute of Technology	Student dormitory	Important		
5.	3,166	Lingnan Institute of Technology	Student dormitory	Important		
6.	5,335.86	Lingnan Modern Technician College	Student dormitory	Important		
7.	7,177.58	Lingnan Modern Technician College	Student dormitory	Important		
8.	2,367	Lingnan Modern Technician College	Student dormitory	Important		
9.	7,542	Lingnan Modern Technician College	Teaching facilities	Important		
10.	2,158	Lingnan Modern Technician College	Student dormitory	Important		
11.	11,234.64	Lingnan Modern Technician College	Teaching facilities	Important		
12.	5.0	Lingnan WFOE	Registered office of Lingnan WFOE	Important		

No.	GFA (sq.m.)	Entity in Use	Usage	Materiality to Our Group[(1)]	Current status of Achieving Compliance	Rectification Plans
					We will proactively follow up with the relevant landlords in relation to the compliance status and make our best efforts to urge them to rectify these non-compliance incidents as soon as practicable.	To ensure the fire safety of such buildings, in September 2020, we engaged a qualified independent fire safety inspection company in Guangdong Province to conduct safety appraisals in terms of fire safety features of the relevant buildings leased by our schools. Such independent fire safety inspection company issued an inspection report on November 12, 2020, which confirmed, among other things, that the fire safety features of these buildings meet the PRC national fire protection technical codes and standards. In addition, we have adopted the following internal control measures in September 2020 to mitigate any future recurrence of such non-compliance: we have appointed our finance department, projects department, internal control department and logistics department to supervise and monitor our administrative staff with respect to property-related activities. After adopting these internal control measures, our Directors are of the view that we have adequate internal control systems in place for our property-related compliance in the future, and therefore, are able to comply with the internal control requirements under the Listing Rules.
Sub-total: .	61,274.09					

Note:

(1) Buildings that are used for the purposes of teaching, student accommodation, libraries and/or canteens are generally considered by management to be important to our business operations. On the contrary, idle buildings and/or ancillary facilities are usually considered not to be important to our business operations.

Our Directors confirm that as of the Latest Practicable Date, all our owned and leased properties with non-compliance issues relating to fire control inspection have met the applicable fire protection standards, no accidents had occurred on our premises, and there was no material impediment for our Group to complete the fire safety filings and/or fire control inspection procedures.

(2) Lack of building ownership certificates

No.	GFA (sq.m.)	Entity in Use	Usage	Materiality to Our Group[1]	Current status of Achieving Compliance	Rectification Plans
1.	25,210	Lingnan Institute of Technology	Teaching facilities	Important	The relevant landlords of the leased buildings did not have the relevant building ownership certificates for these buildings due to historical defects, including the failure to obtain the relevant construction land planning permits and/or construction permit. We will proactively follow up with the relevant landlords in relation to the compliance status and make our best efforts to urge them to rectify these non-compliance incidents as soon as practicable.	Based on the consultation we conducted with a deputy chief (副處長) of the Guangzhou Municipal Planning and Natural Resources Bureau, Huangpu District Bureau who is responsible for urban-rural planning and land use in Huangpu District, Guangzhou on September 29, 2020, it was confirmed that the bureau has no plan to recover or demolish the aforementioned properties, and our schools can continue to lease and use such properties. Furthermore, neither Lingnan Institute of Technology nor Lingnan Modern Technician College has been or may be subject to any investigation or penalty by the bureau for violating the relevant laws, regulations, rules or normative document, and there has not been any previous, ongoing or potential dispute between the bureau and our schools in relation to their use of the land.
2.	18,099.39	Lingnan Institute of Technology	Library	Important		
3	8,295.96	Lingnan Institute of Technology	Student dormitory	Important		
4.	7,714.38	Lingnan Institute of Technology	Student dormitory	Important		
5.	4,459	Lingnan Institute of Technology	Student dormitory	Important		
6.	2,368	Lingnan Institute of Technology	Canteen	Important		
7.	15,000	Lingnan Institute of Technology	Student dormitory	Important		
8.	32,443	Lingnan Institute of Technology	Teaching facilities	Important		
9.	10,011.66	Lingnan Institute of Technology	Student dormitory	Important		
10.	11,896.2	Lingnan Institute of Technology	Student dormitory	Important		
11.	7,728	Lingnan Institute of Technology	Student dormitory	Important		
12.	3,188.8	Lingnan Modern Technician College	Student dormitory	Important		
13.	12,345.77	Lingnan Modern Technician College	Student dormitory	Important		

No.	GFA (sq.m.)	Entity in Use	Usage	Materiality to Our Group[1]	Current status of Achieving Compliance	Rectification Plans
						We have adopted the following internal control measures in September 2020 to mitigate any future recurrence of such non-compliance: (i) standardizing the process of property lease, making sure every leased property has obtained all necessary certificates and/or approvals; (ii) enhancing our internal supervision of property-related activities by appointing our finance department, projects department, internal control department and logistics department to supervise and monitor our administrative staff with respect to such matters; and (iii) motivating employees by establishing an reward and punishment system. After adopting these internal control measures, our Directors are of the view that we have adequate internal control systems in place for our property-related compliance in the future, and therefore, are able to comply with the internal control requirements under the Listing Rules.
Sub-total: .	15,760.16					

Note:

(1) Buildings that are used for the purposes of teaching, student accommodation, libraries and/or canteens are generally considered by management to be important to our business operations. On the contrary, idle buildings and/or ancillary facilities are usually considered not to be important to our business operations.

Other Non-compliance Incidents

Ratio Requirements

During the Track Record Period and up to the Latest Practicable Date, (i) our Lingnan Institute of Technology and Lingnan Modern Technician College did not meet the required teacher-to-student ratio; (ii) Lingnan Institute of Technology had complied with the regulatory requirements in terms of the teaching and administrative building area per student but did not fully meet the regulatory requirements in terms of the site area per student; and (iii) the total school building area and total site area of Lingnan Modern Technician College did not fully comply with the regulatory requirements. Please refer to the section headed "Business — Legal Proceedings and Non-compliance — Historical Immaterial and Non-systemic Non-compliance Incidents" in this prospectus for further details of these non-compliance incidents.

Social Insurance and Housing Provident Fund

During the Track Record Period and up to the Latest Practicable Date, Lingnan Education, Lingnan Institute of Technology and Lingnan Modern Technician College did not pay social insurance and housing provident fund in full for certain employees based on their actual wages in accordance with the applicable PRC laws and regulations. We estimate that the amount of social insurance payments and housing provident fund contributions that we did not pay for the years ended December 31, 2018, 2019 and 2020 was approximately RMB11.3 million, RMB12.2 million and RMB11.1 million, respectively. Please refer to the section headed "Business — Legal Proceedings and Non-compliance — Historical Immaterial and Non-systemic Non-compliance Incidents" in this prospectus for further details.

For the above non-compliance incidents, as of the Latest Practicable Date, we have adopted remedies and rectification measures to prevent future breach and ensure on-going compliance. Our Directors are of the view that we have an adequate internal control system in place for our property-related compliance, and therefore, we will be able to comply with the requirements under the Listing Rules. In addition, we strive to maintain the integrity of our business and reputation by strictly adhering to the requirements of our internal control system. We have therefore established an internal control department consisting of staff who have experience and knowledge of compliance to monitor and ensure our on-going compliance, and implemented enhanced internal control measures with a view to improving our Group's compliance culture. See the sections headed "Business — Legal Proceedings and Non-compliance — Historical Immaterial and Non-systemic Non-compliance Incidents" and "Business — Internal Control and Risk Management — Internal Control" in this prospectus for details. All of our Directors are responsible for the rectification of our non-compliance incidents and the prevention of future breach of laws and regulations. We will address all compliance issues (including fire control inspection and building ownership certificates) in relation to the acquisition of the land and construction of the properties to be funded by the net proceeds from the Global Offering in accordance with our expansion plans.

RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGE

Subsequent to the Track Record Period and up to the date of this prospectus, our business and operation has remained stable which was in line with our past trends and expectations. We expect to incur listing expenses in connection with the Listing and the Global Offering, which will likely impact our net profit for the year ending December 31, 2021. After the Contractual Arrangements were entered into, Lingnan WFOE is initially subject to an EIT rate of 25%, which could adversely and materially affect our net profit for the year ending December 31, 2021.

COVID-19 Pandemic

There has been an outbreak of COVID-19 in 2020 that had endangered the health of many people residing in China and significantly disrupted travel and the local economy across the country. The development of such epidemic in China and elsewhere is beyond our control. Please see "Risk Factors — Risks Relating to Our Business and Our Industry — Our business has been and is likely to continue to be severely interrupted by the outbreak of COVID-19" in this prospectus for more details. As a result of the COVID-19 outbreak, Lingnan Institute of Technology and Lingnan Modern Technician College closed their respective campuses, including student dormitories, for approximately 180 days beginning in early March 2020 and re-opened them on August 31, 2020. During this period, we delivered online courses to students for the 2019/2020 spring semester. Please refer to the section headed "Business — Our Business Model — Lingnan Institute of Technology — Curriculum and Courses" and "— Lingnan Modern Technician College — Curriculum and Courses" for further details. Our Directors confirm that the COVID-19 outbreak did not have any significant impact on our revenue from tuition fees for the school year ended December 31, 2020 as we have collected tuition fees in advance for the 2019/2020 school year in August 2019. The tuition fees and boarding fees are recognized proportionately over the relevant period of the school program (typically nine months for the school year from September of the current year to August of the following year, excluding winter holiday in January and summer holiday in July and August). However, the COVID-19 outbreak affected our revenue from boarding fees, other income and gains and net profit for the year ended December 31, 2020 as we refunded approximately RMB18.1 million of the boarding fees collected for the spring semester of the 2019/2020 school year as required by the relevant education authority, and the rental income and training income from Lingnan Institute of Technology and Lingnan Modern Technician College decreased mainly due to our campus closure during the outbreak of COVID-19.

On April 12, 2020, an international student of our Lingnan Institute of Technology was diagnosed with COVID-19 off-campus. Our Group took proactive measures, including appointing staff to ensure this student receives timely medical treatment and care and closely monitoring his medical condition. On May 2, 2020, this student recovered and was discharged from the hospital. Our Directors confirm that such confirmed case did not have any material disruption to our business as our campuses were closed during the period.

To further improve our competitiveness in attracting new students despite the COVID-19 pandemic, we implemented a set of marketing strategies, including: (i) marketing through social media, including official media and "we media" (自媒體), to increase our brand exposure; (ii) providing sufficient communication channels, such as providing hotline service and setting up group chats on WeChat and QQ; (iii) providing electronic student recruitment information to the public; and (iv) marketing our schools on local newspapers and student recruitment catalogs.

In light of the COVID-19 pandemic, the State Taxation Administration of the PRC (國家稅務總局) issued the Implementing Opinions on the Phased Reduction and Exemption of Enterprise Social Insurance Premiums (《關於階段性減免企業社會保險費的實施意見》) on March 2, 2020, which stipulates that small, medium and micro enterprises and certain individual industrial and commercial business units that meet the exemption policy will be exempted from making social insurance premium payments from February to June 2020, while large enterprises and other business units are entitled to the benefit of 50% reduction in social insurance premiums they are required to contribute for their employees from February to April 2020. In addition, on March 7, 2020, Guangdong Provincial Tax Service, State Taxation Administration (國家稅務總局廣東省稅務局)issued the Notice on Issues Relating to Extending the Implementation Period of the Phased Reduction and Exemption of Enterprise Social Insurance Premiums Policy (《關於延長階段性減免企業社會保險費政策實施期限有關問題的通知》), which extended the implementation period of the above-mentioned opinions from the State Taxation Administration to December 2020 for small, medium and micro enterprises and individual industrial and commercial households in Guangdong Province and June 2020 for large enterprises and other units in the province. Based on the foregoing, our Lingnan Institute of Technology and Lingnan Modern Technician College are entitled to the benefit of 50% reduction in social insurance premium payments from February to June 2020, while Lingnan Education is exempt from making social insurance premium payments from February to December 2020. Accordingly, we have experienced a reduction in social insurance contributions for our staff for the year ended December 31, 2020. For details of the financial impact the COVID-19 pandemic had on of our operations, please refer to the section headed "Financial Information — Results of Operations" in this prospectus.

As a result of the COVID-19 pandemic, we closed the campuses, including student dormitories, of Lingnan Institute of Technology and Lingnan Modern Technician College for approximately 180 days in the spring semester of the 2019/2020 school year and re-opened it on August 31, 2020. We had arranged the commencement of the fall semester of the 2020/2021 school year as follows: (i) the end of August 2020 for the second- and third-year students of Lingnan Institute of Technology and the first-year students of Lingnan Modern Technician College; (ii) September 2020 for the second-year students of Lingnan Modern Technician College; and (iii) October for the first-year students of Lingnan Institute of Technology.

Due to the impact from the COVID-19 pandemic, revenue generated from boarding fees and rental income from third parties decreased and we received an exemption of social insurance premium payments. The below table sets forth a comparison of the above-mentioned data during the year ended December 31, 2019 and 2020.

	Year ended December 31,	
	2019	2020
Boarding fee revenue	RMB38.8 million	RMB22.0 million
Rental income from third parties	RMB21.5 million	RMB19.4 million
Exemption of social insurance premium payments	–	RMB4.9 million

Other than the foregoing, there had been no material impact to our business operations and financial performance as a result of the COVID-19 pandemic, including the recent outbreak of new cases in certain districts of Guangzhou in May and June 2021. Our Guangzhou Campus is located in the Tianhe District (天河區), whereas most of the new cases were discovered in Liwan District (荔灣區). The Education Department of Guangdong Province (廣東省教育廳) did not order the closure of our Guangzhou Campus and consequently, we did not suspend our business operations. As a precautionary measure, we strengthened our pandemic prevention measures, including (i) administering COVID-19 testing for all students and staff in our Guangzhou Campus; (ii) restricting social gathering and certain other activities of our students and staff; and (iii) encouraging all students and staff in our Guangzhou Campus to receive vaccination. As of the Latest Practicable, none of our students or staff were diagnosed with COVID-19 in connection with this recent outbreak.

According to the Frost & Sullivan Report, the COVID-19 outbreak did not have any significant impact on higher vocational education institutions in the PRC with regard to student enrollment and revenue from tuition fees considering the availability of online courses and the return of students to face-to-face teaching once the COVID-19 outbreak is effectively under control in the PRC. However, the delay of the opening of the school campuses in the spring semester of 2020 might have affected the revenue from boarding fees of formal higher education and vocational education to a certain extent. In addition, we may face more challenges if the COVID-19 outbreak prolongs, the operation of our schools, including our student recruitment progress, may be adversely affected, which, in turn, will impact our financial performance in the 2020/2021 school year. We have made thorough plans to prepare for the return of our students. Please refer to "Business — Health and Safety Matters" for further details.

Our Directors are of the view that if the COVID-19 pandemic were to worsen in China, assuming that (i) we will not generate any revenue from our Key Operating Business; (ii) the cost of sales of our Group will be similar to that for the year ended December 31, 2020; (iii) we will not generate any revenue from other education services under Ancillary Education Services; (iv) we will not generate any training income, third-party rental income, fair value gain from financial assets at fair value through profit or loss, or receive any government grant, and bank interest rate is as low as zero; (v) we will not purchase any financial assets at fair value through profit or loss; (vi) we will not incur any tax expenses as we will be operating at a loss; (vii) there will be no other sources of funding except for cash on hand, our cash from operations and the receipt of the net proceeds of the Global Offering at the low end of the Offer Price range, including a portion of the net proceeds of the Global Offering designated for our working capital and general corporate purposes (i.e., 10.0%); (viii) we will only make committed payments for capital expenditure; and (ix) we will not apply the net proceeds of the Global Offering in accordance with the anticipated uses as set forth in the section headed "Future Plans and Use of Proceeds" this prospectus since we will not generate any revenue from our operations, we expect to remain financially viable for approximately 32 months.

Xintang Lease

Among the properties we leased as of the Latest Practicable Date, 30 properties with a total gross floor area of approximately 154,475.49 sq.m. were leased by Lingnan Education for the establishment and operation of Lingnan Institute of Technology from Guangzhou State-owned Xintang Agriculture and Commerce Union Co., Ltd. Yuan Yi Chang (廣州市國營新塘工商聯合公司園藝場) ("Yuan Yi Chang"), an Independent Third Party. The leases with respect to these properties were entered into on or after May 18, 1999 with an initial lease term of 50 years, which were subsequently amended and supplemented numerous times (collectively, the "Xintang Lease"), including a supplemental lease agreement in December 2015, pursuant to which Yuan Yi Chang transferred its rights and obligations under the Xintang Lease to Guangzhou State-owned Xintang Agriculture and Commerce Union Co., Ltd. (廣州市國營新塘農工商聯合公司) ("Guangzhou Xintang"). As advised by our PRC Legal Advisors, since the Xintang Lease was originally entered into prior to the promulgation of the PRC Contract Law in October 1999, the 20-year lease term shall begin to run on the day the PRC Contract Law became effective, and that the remaining 30 years of the Xintang Lease may be deemed invalid. Accordingly, the rights of the parties to the leases of a number of properties under the Xintang Lease were no longer protected by the then applicable PRC Contract Law and now the Civil Code of the PRC on or after October 1, 2019. If Guangzhou Xintang claims in court that the part of the Xintang Lease exceeding 20 years is invalid after the original lease term expires, the court may support such claim. However, if no objection is raised, the Xintang Lease will continue to be valid, but the lease term would be irregular, and Guangzhou Xintang can terminate the lease at any time, provided that it shall notify the lessees for a reasonable period of time before terminating the lease. We conducted an interview with Guangzhou Xintang on November 21, 2020, which confirmed that it will permit us to continue to lease the premises under the Xintang Lease, and will work with us to enter into a new lease agreement. The term of the new lease and the amount of rental payments, among other terms and conditions, will be negotiated by the parties and reflected in the new lease agreement. As of Latest Practicable Dates, we made prepayments for rent to Guangzhou Xintang under the original terms of the Xintang Lease that will enable us to continue to use those properties until December 2021, for which the rights of the parties to the relevant leases were no longer protected by the Civil Code of the PRC as of the Latest Practicable Date. Guangzhou Xintang has accepted such prepayments for rent from us.

On March 29, 2021, Guangzhou Xintang and our Group entered into a legally binding framework agreement, pursuant to which, it is agreed that both parties will negotiate and execute a new lease agreement governing all leased properties under the Xintang Lease with a term of not less than 10 years from the date of the new lease agreement, subject to internal approval by Guangzhou Xintang. From the date of the framework agreement until the new lease agreement is entered into by the parties, we are entitled to continue to use all leased properties and pay the same rent under the Xintang Lease. The parties also agreed that if the rent stipulated by the new lease agreement is higher than the rent we are obligated to pay under the Xintang Lease, the new rent will be applicable retroactive to the date of this framework agreement. As advised by our PRC Legal Advisors, this framework agreement is legally binding on Guangzhou Xintang and our Group. As of the Latest Practicable Date, Guangzhou Xintang and we have largely finalized the commercial terms of the new lease agreement, including the new rent to be charged, which is expected to increase at an estimated rate of approximately 1.5% per annum based on the rental appraisal conducted by an independent property valuer. We believe that the annual rent increment is insignificant and will not materially and adversely affect our business or result of our operations.

The signing of the new lease agreement is pending Guangzhou Xintang completing its internal procedures and obtaining the approval from its shareholder and the relevant local government authorities which supervise Guangzhou Xintang, the timing of which is beyond our control. In light of the foregoing, the Directors are of the view that there are no material impediments for us to operate our schools on the underlying properties of the Xintang Lease until the new lease is entered into and for a period of not less than 10 years thereafter. While the Directors believe the risk that we would not be able to continue our operations using the underlying properties under the Xintang Lease is relatively low, in the unlikely event that the Xintang Lease cannot be renewed and we are asked to relocate our business operations, we have measures in place should we require to relocate our operations from the Guangzhou Campus, and we believe that the impact to our business operation and financial performance would be relatively limited. For more details, please refer to the section headed “Business — Properties — Leased Properties” in this prospectus.

After performing sufficient due diligence work that our Directors consider appropriate and after due and careful consideration, our Directors confirm that, save for the above, there has been no material and adverse change in our financial, operational or trading positions or prospects since December 31, 2020, being the date of our consolidated financial statements as set out in the Accountants’ Report of Appendix I to this prospectus, and up to the date of this prospectus.

Change of Company Name

On January 5, 2021, we received a demand letter from legal counsels to Lingnan Education Organization Limited (嶺南教育機構有限公司) (“Lingnan Education Organization”), a company established in Hong Kong, on behalf of Lingnan Education Organization, alleging that since the prominent and distinctive parts of both the English and Chinese names of our Company and SCV Education HK were identical to that of Lingnan Education Organization, Lingnan Education Organization would be entitled to commence legal proceedings against our Company for passing off, unless the demands in the letter were complied with, in which case Lingnan Education Organization would be prepared to withhold commencement of proceedings (the “Potential Claim”). Pursuant to the said demand letter, Lingnan Education Organization demanded that we cease doing business or operating in Hong Kong by reference to the name “Lingnan Education International Holdings Limited (嶺南教育國際控股有限公司)” or any other company name which incorporates “Lingnan Education”, or any words visually or phonetically similar thereto, and procure SCV Education HK to cease doing business or operating by reference to the name “Lingnan Education Group (Hong Kong) Limited (嶺南教育集團(香港)有限公司)” or any words visually or phonetically similar thereto. For the avoidance of doubt, such request does not apply to our operations in the PRC and will not prevent us from using “Lingnan Education” or “Lingnan” in the PRC.

Without admission of any liability whatsoever, we changed the name of our Company to “South China Vocational Education Group Company Limited (中國華南職業教育集團有限公司)”, effective on February 5, 2021, and changed the name of SVC Education HK to “South China Vocational Education Group (Hong Kong) Limited (中國華南職業教育集團(香港)有限公司)”, effective on February 17, 2021. We also updated the registration of our Company as a non-Hong Kong company under Part 16 of the Companies Ordinance in Hong Kong under the changed name on March 3, 2021. Such new names of our Company and SCV Education HK did not include any of the terms of “嶺南教育”/“嶺南” and/or “Lingnan Education”/“Lingnan”. We also agreed we will not in future do business or operation in Hong Kong by reference to the previous names of our

Company or SCV Education HK or any other company/business names which include "嶺南教育"/"嶺南" and/or "Lingnan Education"/"Lingnan" or any words visually or phonetically similar to them such as to cause a likelihood or confusion on the part of the public that the goods/services of our Company and SCV Education HK are those of associated with or endorsed by Lingnan Education Organization. As the names of the relevant companies in our Group have been changed and the Group did not, and will not, conduct its business in Hong Kong under the previous names of our Company and SVC Education HK (other than for the purpose of preparing for the Listing and the Global Offering prior to the name changes), and based on our communication with the legal counsels to Lingnan Education Organization, we believe the matters relating to the Potential Claim have been fully settled. No legal proceedings have been commenced by Lingnan Education Organization or any party against our Group in relation to the matters in the Potential Claim. Our legal counsels, Wilkinson & Grist, are of the opinion that, there is no risk of legal proceedings against our Group in relation to matters in the Potential Claims, as our Company and SCV Education HK have already fully complied with the terms of the settlement agreement between the parties, and will not in future do business or operation in Hong Kong by reference to the previous names of our Company or SCV Education HK or any other company/business names which include "嶺南教育"/"嶺南" and/or "Lingnan Education"/"Lingnan". As a result, we carry out business in Hong Kong under names that are different from our brand names in the PRC, and we may not be able to benefit from our well-known brand name in the private formal vocational education service industry in the PRC. Other than this, our Directors are of the view that there is no other impact on our Group by refraining from doing business or operation in Hong Kong by reference to the previous names of our Company or SCV Education HK or any other company/business names which include "嶺南教育"/"嶺南" and/or "Lingnan Education"/"Lingnan" in future.

For further details, please refer to the section headed "Risk Factors – We carry on business in Hong Kong under names that are different from our brand names in the PRC and we may not be able to benefit from our well-known brand name in the PRC" in this prospectus.

In this prospectus, unless the context otherwise requires, the following expressions have the following meanings.

"2016 Decision"	the Decision of the Standing Committee of the NPC on Amending the Private Schools Promotion Law (全國人民代表大會常務委員會關於修改<中華人民共和國民辦教育促進法>的決定), which was promulgated on November 7, 2016, and came into force on September 1, 2017
"2021 Implementation Rules"	the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》), which was promulgated by the State Council on May 14, 2021 and will take effect from September 1, 2021
"affiliate(s)"	with respect to any specific person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Application Form(s)"	**WHITE** application form(s), **YELLOW** application form(s) and **GREEN** application form(s), or where the context so requires, any one of them, in relation to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the amended and restated articles of association of our Company conditionally adopted on June 23, 2021 and effective upon the Listing Date and as amended from time to time, a summary of which is set out in Appendix IV to this prospectus
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"Board" or "Board of Directors"	the board of Directors
"BPPE"	California Bureau for Private Postsecondary Education, a unit of the California Department of Consumer Affairs in charge of regulation of private postsecondary educational institutions operating in the State of California, the United States
"Business Cooperation Agreement"	the business cooperation agreement entered into by and among Lingnan WFOE, the PRC Affiliated Entities and the Registered Shareholders dated November 21, 2020

"Business Day" or "business day"	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"BVI"	the British Virgin Islands
"Capitalization Issue"	the issue of Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company as set out in "A. Further Information about Our Company — 4. Written Resolutions of the Then Shareholders Passed on June 23, 2021" in Appendix V to this prospectus
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, or a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC"	the People's Republic of China excluding for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region and Taiwan
"China Foreign Education"	China Foreign Education Limited, a limited liability company incorporated under the laws of the BVI on August 9, 2018 and is wholly owned by Ms. He Huifen, and is one of our Controlling Shareholders
"Co-manager"	the co-manager as named in the section headed "Directors and Parties Involved in the Global Offering"
"Companies Act" or "Cayman Companies Act"	the Companies Act, Cap. 22 (Act 3 of 1961, as combined and revised) of the Cayman Islands

"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Companies (WUMP) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) as the same may be amended, supplemented or otherwise modified from time to time
"Company" or "our Company"	South China Vocational Education Group Company Limited (中國華南職業教育集團有限公司), previously known as Lingnan Education International Holdings Limited (嶺南教育國際控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on August 15, 2018
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Contractual Arrangements"	the contractual arrangements entered into by and among Lingnan WFOE, the PRC Affiliated Entities and the Registered Shareholders through the execution of the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Rights Entrustment Agreement, the Shareholders' Powers of Attorney, the Spouse Undertakings and the Equity Pledge Agreement, further details of which are set out in the section headed "Contractual Arrangements" in this prospectus
"Controlling Shareholder(s)"	has the meaning ascribed to it in the Listing Rules and unless the context requires otherwise, refers to the controlling shareholders of our Company, namely Mr. He Huishan, Ms. Zhou Lanqing, Ms. He Huifen, Ms. He Huifang, and the corporate Shareholders controlled by them, namely, Zhihui Guang, China Foreign Education, Fangyuan Education and Good Booming
"core connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Corporate Reorganization"	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in "History and Corporate Structure — Corporate Reorganization" in this prospectus

"COVID-19"	coronavirus disease 2019, an infectious disease caused by severe acute respiratory syndrome coronavirus (SARS-CoV-2) and first identified in late 2019
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the PRC national securities markets
"Deed of Indemnity"	a deed of indemnity dated June 23, 2021 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for our subsidiaries) in respect of, among other things, certain indemnities, further details of which are set out in "G. Other Information — 1. Deed of Indemnity" in Appendix V to this prospectus
"Deed of Non-competition"	a deed of non-competition dated June 23, 2021 entered into by our Controlling Shareholders in favor of our Company (for ourselves and as trustee for each of our subsidiaries from time to time) regarding their non-competition undertaking
"Director(s)"	the directors of our Company
"Directors' Powers of Attorney"	collectively, the school directors' powers of attorney executed by certain directors of the PRC Operating Entities dated November 21, 2020
"EIT"	enterprise income tax
"EIT Law"	the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) adopted by the National People's Congress on March 16, 2007 and become effective on January 1, 2008
"Equity Pledge Agreement"	the equity pledge agreement entered into by and among the Lingnan WFOE, Lingnan Education and the Registered Shareholders dated November 21, 2020
"Exclusive Call Option Agreement"	the exclusive call option agreement entered into by and among Lingnan WFOE, the PRC Affiliated Entities and the Registered Shareholders dated November 21, 2020
"Exclusive Technical Service and Management Consultancy Agreement"	the exclusive technical service and management consultancy agreement entered into by and among Lingnan WFOE and the PRC Affiliated Entities dated November 21, 2020

"Extreme Conditions"	extreme conditions caused by a super typhoon as announced by the government of Hong Kong
"Fangyuan Education"	Fangyuan International Education Investment Limited, a limited liability company incorporated under the laws of the BVI on August 10, 2018 and is wholly owned by Ms. He Huifang, and is one of our Controlling Shareholders
"Foreign Investment Law"	the Foreign Investment Law of the PRC (《中華人民共和國外商投資法》), as enacted by the 13th National People's Congress on March 15, 2019, which came into effect on January 1, 2020
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co, a market research and consulting company, which is an Independent Third Party
"Frost & Sullivan Report"	an independent market research report commissioned by our Company on the PRC private education market and prepared by Frost & Sullivan, as referred to in "Industry Overview"
"Global Offering"	the Hong Kong Public Offering and the International Placing
"Good Booming"	Good Booming Limited, a limited liability company incorporated under the laws of the BVI on August 20, 2018 and is wholly-owned by Mr. He Huishan, and is one of our Controlling Shareholders
"**GREEN** Application Form(s)"	the application form(s) to be completed by **HK eIPO White Form** Service Provider designated by our Company
"Greater Bay Area" or "GBA"	The Guangdong-Hong Kong-Macau Greater Bay Area (粵港澳大灣區), which is the region in Southern China that links two special administrative regions of Hong Kong and Macau with the nine cities in Guangdong Province, namely, Guangzhou, Shenzhen, Zhuhai, Foshan, Zhongshan, Dongguan, Huizhou, Jiangmen and Zhaoqing
"Group", "our Group", "we" or "us"	our Company, its subsidiaries, our PRC Affiliated Entities and our consolidated affiliated entities from time to time, or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the entities which carried on the business of the present Group at the relevant time

"Guidance Catalogue"	the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄(2017)》), which was promulgated jointly by the MOFCOM and the NDRC on June 28, 2017 and became effective on July 28, 2017, which is amended from time to time
"**HK eIPO White Form**"	the application for Hong Kong Offer Shares to be issued in the applicant's own name, submitted online through the **IPO App** or the designated website at **www.hkeipo.hk**
"**HK eIPO White Form** Service Provider"	the **HK eIPO White Form** service provider designated by our Company as specified in the **IPO App** or on the designated website at **www.hkeipo.hk**
"HK$", "Hong Kong dollar(s)", "HKD" or "cents"	Hong Kong dollars and cents respectively, the lawful currency for the time being of Hong Kong
"HKFRS"	the Hong Kong Financial Reporting Standard(s)
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" and "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Share(s)"	the 33,400,000 Shares being made available by our Company for subscription pursuant to the Hong Kong Public Offering, subject to adjustment as described in "Structure of the Global Offering" in this prospectus
"Hong Kong Public Offering"	the offer for subscription of the Hong Kong Offer Shares in Hong Kong at the Offer Price and on, and subject to, the terms and conditions of this prospectus and the Application Forms, as further described in "Structure of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Tricor Investor Services Limited
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering

"Hong Kong Underwriting Agreement"	the Hong Kong underwriting agreement dated June 29, 2021, relating to the Hong Kong Public Offering of our Company, entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-manager and the Hong Kong Underwriters, as further described in "Underwriting" in this prospectus
"Independent Third Party(ies)"	an individual(s) or a company(ies) not connected with us within the meaning of the Listing Rules
"International Placing"	the conditional placing by the International Underwriters of the International Placing Shares for cash at the Offer Price plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% of the Offer Price, details of which are described in "Structure of the Global Offering" in this prospectus, on and subject to the terms and conditions stated herein and in the International Underwriting Agreement
"International Placing Share(s)"	the 300,600,000 new Shares initially offered by our Company for subscription at the Offer Price under the International Placing (subject to adjustment as described in "Structure of the Global Offering" in this prospectus) together with (unless the context otherwise requires) any Shares issued pursuant to any exercise of the Over-allotment Option
"International Underwriting Agreement"	the conditional placing and underwriting agreement relating to the International Placing and to be entered into by our Company, our Controlling Shareholders, our executive Directors, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-manager and the International Underwriters, on or about the Price Determination Date
"International Underwriters"	the underwriters of the International Placing
"**IPO App**"	the mobile application for the **HK eIPO White Form** service which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**

"Joint Bookrunners"	the joint bookrunners as named in the section headed "Directors and Parties Involved in the Global Offering"
"Joint Lead Managers"	the joint lead managers as named in the section headed "Directors and Parties Involved in the Global Offering"
"Latest Practicable Date"	June 21, 2021, being the latest practicable date for the purpose of ascertaining certain information in this prospectus prior to its publication
"Lingnan Education" or "School Sponsor"	Guangzhou Lingnan Education Group Co., Ltd.* (廣州嶺南教育集團有限公司), a limited liability company established under the laws of the PRC on September 6, 1993 which is owned as to 60% by Mr. He Huishan, 20% by Ms. He Huifang and 20% by Ms. He Huifen as disclosed in the section headed "History and Corporate Structure — Corporate Reorganization"
"Lingnan Education BVI"	Lingnan Education Investment Limited, a limited liability company incorporated under the laws of the BVI on August 22, 2018 and a wholly-owned subsidiary of our Company
"Lingnan Education USA"	Lingnan Education Group, a corporation registered under the laws of the State of California, the United States, on October 9, 2018 and a wholly-owned subsidiary of our Company
"Lingnan Institute of Technology"	Guangdong Lingnan Institute of Technology* (廣東嶺南職業技術學院), a private education institution registered under the laws of the PRC on May 24, 2002, the school sponsor's interest of which is wholly-owned by Lingnan Education
"Lingnan International Kindergarten"	Guangzhou Tianhe Lingnan International Kindergarten (廣州市天河區嶺南中英文幼兒園), a private kindergarten registered under the laws of the PRC on July 11, 2001
"Lingnan International School"	Guangzhou Tianhe Lingnan International School* (廣州市天河區嶺南中英文學校), a private school registered under the laws of the PRC on December 17, 2001

"Lingnan Modern Technician College"	Guangdong Lingnan Modern Technician College* (廣東嶺南現代技師學院), previously also known as Guangdong Lingnan Modern Manufacturing Technical School* (廣東嶺南現代製造技工學校), Guangdong Lingnan Modern Technical School* (廣東嶺南現代技工學校) and Guangdong Lingnan Modern Senior Technical School* (廣東嶺南現代高級技工學校), a private education institution registered under the laws of the PRC on July 22, 2005 and upgraded from a senior technical school to a technician college in January 2019 as approved by the People's Government of Guangdong Province and the Human Resources and Social Security Department of Guangdong Province, the school sponsor's interest of which is wholly-owned by Lingnan Education
"Lingnan WFOE"	Guangdong Heguang Education Technology Co., Ltd.* (廣東和光教育科技有限公司), a limited liability company established under the laws of the PRC on December 27, 2018, which is wholly owned by SCV Education HK and is a wholly-owned subsidiary of our Company
"Lingzhong Investment"	Guangzhou Lingzhong Incubation Management Co., Ltd.* (廣州嶺眾孵化園管理有限公司), a limited liability company established under the laws of the PRC on February 6, 2016, which is owned as to 51% by Ms. Xie Jiehua (謝潔花) and 49% by Mr. He Jinkai (何金開), both being Independent Third Parties
"Listing"	the listing of our Shares on the Main Board of the Stock Exchange
"Listing Committee"	the Listing Committee of the Stock Exchange
"Listing Date"	the date, expected to be on or about Tuesday, July 13, 2021, on which our Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange

"Memorandum of Association" or "Memorandum"	the amended and restated memorandum of association of our Company adopted on June 23, 2021 and as amended from time to time
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"Ms. He Huifang"	Ms. He Huifang (賀惠芳), one of our Controlling Shareholders, an executive Director and sister of Mr. He Huishan and Ms. He Huifen
"Ms. He Huifen"	Ms. He Huifen (賀惠芬), one of our Controlling Shareholders, the chief executive officer, an executive Director and sister of Mr. He Huishan and Ms. He Huifang
"Ms. Zhou Lanqing"	Ms. Zhou Lanqing (周蘭慶), one of our Controlling Shareholders and the spouse of Mr. He Huishan
"Mr. He Huishan"	Mr. He Huishan (賀惠山), one of our Controlling Shareholders, the chairman of the Board, an executive Director, brother of Ms. He Huifen and Ms. He Huifang, and spouse of Ms. Zhou Lanqing
"National People's Congress" or "NPC"	the National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NDRC"	The National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Offer Price"	the final Hong Kong dollar price per Hong Kong Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee) at which the Hong Kong Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering, to be determined as further described in "Structure of the Global Offering" in this prospectus
"Offer Share(s)"	the Hong Kong Offer Shares and the International Placing Shares, where relevant including any additional Shares issued pursuant to the exercise of the Over-allotment Option

"our schools"	as of the Latest Practicable Date, include Lingnan Institute of Technology and Lingnan Modern Technician College
"Over-allotment Option"	the option to be granted by our Company to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters to require our Company to allot and issue up to an aggregate of 50,100,000 additional Shares at the Offer Price, representing 15% of the initial size of the Global Offering, to cover over allocations in the International Placing as described in "Structure of the Global Offering" in this prospectus
"PRC Affiliated Entities"	namely, our School Sponsor and our PRC Operating Entities, the financial results of which are consolidated into our Group
"PRC Company Law"	the Company Law of the PRC (《中華人民共和國公司法》), as enacted by the Standing Committee of the Eighth National People's Congress on December 29, 1993 and effective on July 1, 1994, and subsequently amended on December 25, 1999, August 28, 2004, October 27, 2005, December 28, 2013 and October 26, 2018, as amended, supplemented or otherwise modified from time to time
"PRC government" or "State"	the central government of the PRC, including all governmental subdivisions (such as provincial, municipal and other regional or local government entities)
"PRC Legal Advisors"	Commerce & Finance Law Offices, our legal advisors as to PRC Laws
"PRC Operating Entities"	namely, Lingnan Institute of Technology and Lingnan Modern Technician College
"PRC Tax Consultant"	Guangzhou Da Gong Certified Public Accountants Co., Ltd.* (廣州市大公會計師事務所有限公司)
"Price Determination Date"	the date, expected to be on or around Tuesday, July 6, 2021 and, in any event, not later than Wednesday, July 7, 2021, on which the Offer Price is to be fixed by agreement between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters)
"Registered Shareholders"	the shareholders of Lingnan Education, namely Mr. He Huishan, Ms. He Huifen and Ms. He Huifang

"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency for the time being of the PRC
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration, including local branches, when applicable
"SAIC" or "State Administration for Industry and Commerce"	the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局), which was merged into SAMR in 2018
"SAMR"	the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"School Sponsor's and Directors' Rights Entrustment Agreement"	the school sponsor's and directors' rights entrustment agreement entered into by and among Lingnan Education, Lingnan WOFE, the PRC Operating Entities and certain directors of the PRC Operating Entities dated November 21, 2020
"School Sponsor's Powers of Attorney"	collectively, the school sponsor's powers of attorney executed by the School Sponsor in favor of Lingnan WFOE dated November 21, 2020
"SCV Education HK"	South China Vocational Education Group (Hong Kong) Limited (中國華南職業教育集團(香港)有限公司), previously known as Lingnan Education Group (Hong Kong) Limited (嶺南教育集團(香港)有限公司), a limited liability company incorporated in Hong Kong on September 4, 2018 and a wholly-owned subsidiary of our Company
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended and supplemented from time to time
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of our Company

"Share Option Scheme"	the share option scheme conditionally adopted by our Company on June 23, 2021, the principal terms of which are summarized in "F. Share Option Scheme" in Appendix V to this prospectus
"Shareholder(s)"	holder(s) of the Share(s)
"Shareholders' Powers of Attorney"	the shareholders' powers of attorney executed by each of the Registered Shareholders in favour of Lingnan WFOE dated November 21, 2020
"Shareholders' Rights Entrustment Agreement"	the shareholders' rights entrustment agreement entered into by and among the Registered Shareholders, Lingnan Education and Lingnan WFOE dated November 21, 2020
"Sino-Foreign Regulation"	the Regulation on Sino-Foreign Cooperation in Operating Schools in the PRC (《中華人民共和國中外合作辦學條例》), promulgated by the State Council in 2003 and amended on July 18, 2013
"Sole Sponsor" or "Sole Global Coordinator"	BNP Paribas Securities (Asia) Limited
"Southern China"	a geographical and cultural region that covers the southernmost part of China, including Guangdong Province, Guangxi Zhuang Autonomous Region and Hainan Province
"Spouse Undertakings"	collectively, the spouse undertakings executed by the spouses of the relevant Registered Shareholders dated November 21, 2020
"Stabilizing Manager"	BNP Paribas Securities (Asia) Limited
"State Council"	the State Council of the PRC (中華人民共和國國務院)
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered into between Zhihui Guang and the Stabilizing Manager (or its agents) on or around the Price Determination Date
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it under the Listing Rules. For the avoidance of doubt, the subsidiaries include the PRC Operating Entities and the School Sponsor, in this prospectus

"Substantial Shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Tongwen Education"	Guangzhou Tongwen Education Investment Group Co., Ltd.* (廣州同文教育投資集團有限公司), a limited liability company established under the laws of the PRC on July 7, 2015 which is owned as to 44.5% by Ms. He Huifen, 12.75% by Mr. Han Liqing, 24% by Ms. Zhou Lanqing and 18.75% by Ms. He Huifang
"Tongwen Investment"	Guangzhou Lingnan Tongwen Education Investment Management Co., Ltd.* (廣州嶺南同文教育投資管理有限公司), a limited liability company established under the laws of the PRC on January 21, 2014 which is owned as to 80.0% by Tongwen Education and 20.0% by Zhuhai Yixing Equity Investment Partnership (Limited Partnership)* (珠海易興股權投資合夥企業(有限合夥))
"Track Record Period"	the three years ended December 31, 2018, 2019, and 2020
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. dollar(s)" or "US$" or "USD"	United States dollars, the lawful currency for the time being of the United States
"U.S. Securities Act"	the U.S. Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"VAT"	value-added tax
"**WHITE** Application Form(s)"	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicants' own names
"**YELLOW** Application Form(s)"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS

"Zhihui Guang"	Zhihui Guang Limited, a limited liability company incorporated under the laws of the BVI on August 9, 2018 and is owned by Mr. He Huishan as to 51% and by Ms. Zhou Lanqing as to 49%, and is one of our Controlling Shareholders
"%"	per cent

Certain amounts and percentage figures included in this prospectus have been subject lo rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

In this prospectus, unless otherwise stated, certain amounts denominated in Renminbi have been translated into Hong Kong dollars or U.S. dollars at an exchange rate of RMB0.8315 = HK$1.00 or RMB6.4546 = US$1.00, respectively, for illustration purpose only. Such conversions shall not be construed as representations that amounts in Renminbi were or could have been or could be converted into Hong Kong dollars or U.S. dollars at such rates or any other exchange rates on such date or any other date.

If there is any inconsistency between the Chinese names of entities or enterprises established in the PRC and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with "" and the Chinese translation of company or entity names in English which are marked with "*" is for identification purpose only.*

Unless otherwise specified, all relevant information in this prospectus assumes no exercise of the Over-allotment Option.

This glossary of technical terms contains explanations of certain technical terms used in this prospectus in connection with our Group and our business. As such, these terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"CAGR"	compound annual growth rate
"compulsory education"	grade one to grade nine education, which all citizens in China must receive according to the Compulsory Education Law of the PRC (《中華人民共和國義務教育法》)
"elementary schools" or "primary schools"	schools that provide education for students in grade one through grade six
"formal education"	education systems that provide students with the opportunity to earn official certificates from the PRC government
"GDP"	gross domestic product
"Healthcare Industry"	one of the largest components of the PRC national economy, which refers to services and products relating to the maintenance, recovery and promotion of health. It encompasses healthcare services, pharmaceuticals, nutrition and health products, medical devices, maternal and infant products, as well as other services such as health management and elderly care
"high schools"	schools that provide education for students in grade 10 through grade 12
"higher education"	an optional final stage of formal learning that occurs after secondary education, which is often delivered at universities, academies, colleges, seminaries and institutes of technologies
"Initial Employment Rate"	the percentage of graduates who entered into full-time employment contracts, were self-employed, accepted an offer for higher degree or equivalent programs, or accepted an offer to pursue overseas study or employment, before September 1 of each year. There may be variation to the meaning of this term depending on the relevant school and type of graduates considered. With respect to Lingnan Institute of Technology, such rate is generally determined before September 1 of each year, whereas with respect to Lingnan Modern Technician College, such rate is usually determined before August 1 of each year. Such rate had been determined by our Company on a best knowledge basis after due inquiry with its graduates and their prospective employers

"IT Industry"	an industry in China that primarily consists of (i) telecommunication, radio and television and satellite transmission services; (ii) internet and related services; and (iii) software and information technology, according to the Industrial Classification for National Economic Activities (國民經濟行業分類)
"junior college education"	a three-year post-high school degree-granting education upon completion of which, a junior college degree will be granted. Junior college students may continue their education by enrolling in a two-year program and transferring some or all of the credit earned at the junior college toward the degree requirements of the formal undergraduate degree
"middle schools"	schools that provide education for students in grade seven through grade nine
"post-secondary vocational program"	a type of vocational education program offered by Lingnan Modern Technician College at post-secondary level. It usually takes three years for high school graduates to complete. These programs also admit middle school graduates but it usually takes five years for middle school graduates to complete
"private higher education institution"	a PRC private higher education institution (民辦高等教育機構) that is operated by non-governmental entity(ies) or individual(s) where public funding is not a major source of capital and has open admission and enrollment to the public. It is able to offer junior college, undergraduate and post graduate courses. Private higher education institutions include private regular university, private junior college and independent college
"private schools"	schools which are not administered by local, provincial or national governments
"private technical school(s)"	(民辦技工學校) a type of private vocational education institution. Some private technical schools only offer secondary vocational education, while others also offer post-secondary vocational education
"public schools"	schools administered by local, provincial or national education authorities

"rising industries"	generally include TMT, healthcare, finance and legal services, energy conservation and environment protection, new material, new energy, intelligent manufacturing, and culture, entertainment and sports industries
"school sponsor"	the individual(s) or entity(ies) that funds or holds interests in an educational institution
"school year" or "academic year"	the school year for all of our schools, which generally starts on September 1 of each calendar year and ends on August 31 of the next calendar year
"secondary education"	normally takes place after primary education and may be followed by higher education, vocational training or employment
"secondary vocational program"	a type of three-year vocational education program offered by Lingnan Modern Technician College at the secondary level for middle school graduates. It is the same as high school in terms of education level. However, secondary vocational education programs place more emphasis on the training of professional skills. Students of these programs usually have already had a mastery of the relevant professional skills upon graduation and are competent for a specific job
"sq.m."	square meter(s)
"TMT Industry"	also known as technology, media and telecommunications industry, which covers a broad range of business sectors, including internet, e-commerce, telecommunications, software and animation

This prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as the assumptions made by and information currently available to our management. When used in this prospectus, the words "aim", "anticipate", "believe", "could", "estimate", "expect", "forecast", "going forward", "intend", "may", "ought to", "outlook", "plan", "project", "seek", "should", "target", "will", "would", "wish" and similar expressions, as they relate to our Company or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our Company's management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing our Company which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business operations and prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our strategies, plans, objectives and goals and our ability to implement such strategies, plans, objectives and goals;
- our ability to develop and manage our operations;
- our ability to maintain or increase student enrollment;
- our ability to maintain or raise tuition fees;
- our ability to maintain or increase our school utilization;
- general economic conditions;
- our capital expenditure programs and future capital requirements;
- our future general and administrative expenses;
- changes to regulatory and operating conditions in the industry and markets in which we operate;
- our ability to control costs;
- our dividend policy, if any;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;

- the actions and developments of our competitors; and
- all other risks and uncertainties described in the section headed "Risk Factors" in this prospectus.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such statements. Any forward-looking statements speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no responsibility to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of any subsequent unanticipated event. Statements of or references to our intentions or those of any of our Directors are made as of the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

Potential investors should consider carefully all the information set out in this prospectus and, in particular, should evaluate the following risks associated with the investment in our Shares. You should pay particular attention to the fact that we conduct our operations in the PRC, the legal and regulatory environment of which in some respects may differ from that in Hong Kong and other jurisdictions. For more information concerning the PRC and certain related matters discussed below, please refer to the sections headed "Regulatory Overview" and "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law." in this prospectus. Any of the risks and uncertainties described below could have a material adverse effect on our business, results of operations, financial condition or on the trading price of our Shares, and could cause you to lose all or part of your investment.

These factors are contingencies that may or may not occur and we are not in a position to express a view on the likelihood of any such contingency occurring. The information given is as of the Latest Practicable Date unless otherwise stated, will not be updated after the date hereof and is subject to the cautionary statements in "Forward-looking Statements."

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and our industry; (ii) risks relating to our Contractual Arrangements; (iii) risks relating to doing business in China; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

We are subject to uncertainties brought by the 2016 Decision and the 2021 Implementation Rules.

Our business is regulated by, the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》). The 2016 Decision that became effective on September 1, 2017 introduced a number of amendments. Under the 2016 Decision, sponsors of an existing private school engaged in higher education may elect to register the school as a non-profit or for-profit private school at their own discretion. We are not required at this stage to make, and have not made, any decision as to whether any of our PRC Operating Entities will be registered as a non-profit or for-profit private school under the 2016 Decision. According to the Implementing Opinions of the Guangdong Provincial Government on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《廣東省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》) (the "Guangdong Opinion"), which was promulgated by the People's Government of Guangdong Province on May 4, 2018, school sponsors of private schools which were established and registered in Guangdong prior to November 7, 2016 may choose for the schools to be for-profit private schools or non-profit private schools at their own discretion, except for the schools providing compulsory education, which must be non-profit. On December 19, 2018, five departments of the Guangdong provincial government, namely, the Education Department of Guangdong Province (廣東省教育廳), Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳), the Department of Civil Affairs of Guangdong Province, the Office of Organization Staffing Committee of CPC Guangdong Provincial Party Committee and the Market Supervision and Administration

Bureau of Guangdong Province, promulgated the Implementing Measures of Classification Registration for Private Schools (《關於民辦學校分類登記的實施辦法》) (the "Guangdong Measures"). According to the Guangdong Measures, if an existing private school elects to be registered as a non-profit private school, it shall submit its registration application to the Civil Affairs Department or the Organization Staffing Department in accordance with the relevant regulations after completion of the review of its property ownership and the revision of its bylaws, among other things. If an existing private school elects to be registered as a for-profit private school, it shall carry out financial settlement, a process to clarify the ownership and equity of the school's assets, in accordance with applicable PRC laws and regulations, complete the certification process of the ownership of its properties, including land and school buildings, with the relevant government authority, pay the relevant taxes and fees and obtain new school operating licenses, among other things. However, the Guangdong Measures do not specify a deadline for the existing private schools to elect to be registered as non-profit or for-profit private schools.

The election to register our schools as a non-profit or for-profit private school may have a material impact on our business, financial condition and results of operations, of which we are currently not in a position to accurately assess due to the absence of any detailed implementation rules that have yet to be promulgated by the relevant local governments under the 2016 Decision other than the abovementioned Guangdong Opinion and Guangdong Measures. For a general description of the key differences between a non-profit private school and a for-profit private school under the framework of the 2016 Decision, see the section headed "Regulatory Overview — Regulations on Private Education in the PRC — The Law for Promoting Private Education and Implementation Rules for the Law for Promoting Private Education" for further details. Some of the differences may result in significant changes to the competitive landscape among private schools. In particular, a for-profit private school may determine the level of its school fees based on its operating conditions, while that of a non-profit private school is subject to standards stipulated by local governments, and a non-profit private school may receive additional support from the government than a for-profit private school.

The 2016 Decision was promulgated in November 2016 and the PRC government authorities may further introduce regulations to implement the 2016 Decision. It remains uncertain as to whether such implementation regulations would have any material adverse impact on our business. In particular, there is significant uncertainty as to tax or other preferential treatments that our schools may enjoy if we elect to register them as non-profit private schools or for-profit schools under the 2016 Decision. In addition, there are uncertainties regarding the interpretation and enforcement of the 2016 Decision and relevant regulations by government authorities. While we intend to comply with all new and existing laws and regulations, we cannot assure you that we will always be able to timely and efficiently change our business practice in line with the new regulatory environment. Any such failure could materially and adversely affect our business, financial condition, results of operations and prospects.

On May 14, 2021, the State Council released the 2021 Implementing Rules, with an effective date of September 1, 2021, which made certain significant changes that may affect private schools. The 2021 Implementation Rules further promotes the development of private education by providing that a private school shall enjoy rights or preferential policies stipulated by laws equivalent to those applicable to a public school, which shall primarily include:

(i) a private school may enjoy the preferential tax policies stipulated by the State and a non-profit private school may enjoy the same tax policies as a public school; and (ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools equally as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or combination of sale as well as rental and may permit payment in instalments.

The 2021 Implementation Rules stipulates further provisions of the operation and management of private schools, such as our PRC Operating Entities. Among other things, (i) a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions, and a for-profit private school shall deposit the income into a specific settlement account of its own; (ii) at the end of each financial year, a for-profit private school shall set aside a portion of not less than 10% of its audited annual net income, and a non-profit private school from its audited annual net increase in assets, as the development fund, which shall be used for the development of the school; (iii) private schools that provide compulsory education are not allowed to enter into transactions with their interested parties, and other private schools shall conduct transactions with their interested parties in a manner that is open, justified and fair, shall be reasonably priced, shall establish standardized decision-making for such transactions and shall not harm the interests of the State, schools and teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their interested parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial departments, shall strengthen the supervision of the agreements entered into between non-profit private schools and their interested parties, and shall review the connected transactions annually; (iv) the registered capital of a private school shall be paid in full when it is formally established and shall be compatible with the type, level and scale of the school; (v) any social organizations or individuals shall not control compulsory education private schools or non-profit private schools that implement preschool education through mergers or "structured contracts"; and (vi) for any change of school sponsor of a private school, an alteration agreement shall be entered into but shall not involve the legal property of the school, nor shall it affect the development of the school, or damage the rights and interests of teachers and students; the existing school sponsor may, in accordance with its lawful rights and interests, enter into agreements with the successional school sponsor to stipulate the income from the alteration.

The 2021 Implementation Rules may also have an impact on our expansion strategy. According to clause 12 of the 2021 Implementation Rules, changes in the controlling shareholder(s) and actual controller(s) of the school sponsors of private schools who are legal persons (法人) shall be required to make filings of record with the relevant government authorities and issue public announcements, which may prolong or hinder the acquisition progress of private schools. According to clause 13 of the 2021 Implementation Rules, any social organizations or individuals shall not control private schools that provide compulsory education or non-profit private schools that provide preschool education through mergers or structured contracts. As advised by our PRC Legal Advisors, if our Contractual Arrangements are considered as "structured contracts" under Clause 13 of the 2021 Implementation Rules, we may no longer be able to acquire or control private schools providing compulsory education or non-profit private schools providing preschool education by means of merger or through "structured contracts", and our acquisition scope may also be limited.

With respect to requirement (iii) above, our Contractual Arrangements may be regarded as connected transactions of our private schools and we may incur substantial compliance costs for establishing disclosure mechanisms and undergoing reviewing by the relevant government authorities. Such process may not be in our control and may be highly complicated and burdensome and may divert management attention. Government authorities may, during their review process, compel us to make modifications to our Contractual Arrangements for whatever reason, which may in turn adversely affect the operation of our Contractual Arrangements. Government authorities may find that one or more agreements underlying our Contractual Arrangements do not comply with applicable PRC laws and regulations and may subject us to severe penalties, resulting in material adverse impact on our operation and financial condition.

Uncertainties exist with respect to the interpretation of the 2021 Implementation Rules and we cannot assure you that the implementation of the 2021 Implementation Rules by the competent authorities will not deviate from our current understanding or interpretation of it.

As of the Latest Practicable Date, other than the Guangdong Opinion and the Guangdong Measures, the Guangdong provincial government has not yet promulgated detailed implementation rules on the classification registration of the existing private schools under the 2016 Decision. There is no assurance that we will be able to operate our business in full compliance with the 2016 Decision or any relevant regulations in a timely manner, or at all. Should we fail to fully comply with the 2016 Decision or any relevant regulations as interpreted by the relevant government authorities, we may be subject to administrative fines or penalties or face other negative consequences that could materially and adversely affect our brand name and reputation, and, in turn our business, financial condition and results of operations.

According to the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) promulgated by five PRC government authorities, including the MOE, on December 30, 2016, existing private schools are required to choose to register as non-profit private schools or for-profit private schools with competent government authorities:

- if we elect our schools to register as for-profit private schools, we will be required to (i) undertake financial settlement, which is a process to clarify the ownership and equity of the school's assets; (ii) have the property rights of the relevant assets, such as land, school buildings and net balance being authenticated by the relevant governmental authorities; (iii) pay the relevant taxes and fees; and (iv) re-register with relevant authorities to continue the school operations. In the absence of any detailed implementation rules, the potential costs and expenses involved and the process necessary to adjust our structure to complete such re-registration are difficult to ascertain, which may materially and adversely affect our business, financial condition and results of operations; or

- if we elect our schools to register as non-profit private schools, (i) our schools will not be permitted to distribute the operating proceeds to their sponsor(s) and the surplus from school operations can only be applied to their operations; and (ii) the sponsor(s) of our schools should amend the constitution documents and re-register with the relevant authorities to continue the school operations. We may incur significant administration and financial costs in the re-registration process, which may materially and adversely affect our business, financial condition and results of operation.

We currently intend to register our schools as for-profit private schools. Our PRC Legal Advisors are of the view that there is no legal impediment for our schools to register as for-profit private schools in the future on the condition that they satisfy the requirements under the then applicable PRC laws. However, we cannot assure you that we will be able to satisfy such requirements and consequently, we may fail to register our schools as for-profit private schools. Local government authorities in some of the provinces, including Hainan Province, specified that a private school which did not successfully register as a for-profit private school before the given deadline shall be registered as a non-profit private school. However, as of the Latest Practicable Date, due to the lack of detailed implementation rules in Guangdong Province, uncertainties still existed with respect to the circumstance where an existing private school in Guangdong Province chooses to register itself as a for-profit private school but fails to meet the relevant requirements. Since the relevant laws and regulations only specified two categories for existing private schools to choose to register, i.e. non-profit private school and for-profit private school as of the Latest Practicable Date, under the currently applicable laws and regulations and with reference to the comparable local laws and regulations in other provinces, assuming no other detailed local implementation rules in Guangdong Province will be issued, if we fail to register our schools as for-profit private schools within the deadline which may be specified by the relevant governmental authorities in Guangdong Province in the future, our schools may be registered as non-profit private schools. In accordance with the currently applicable laws and regulations, non-profit private schools other than those providing compulsory education are required to enter into transactions with interested parties on a open, fair and impartial basis without damaging the State's interests, the interests of the schools or the rights and interests of the teachers and students. Given neither Lingnan Institute of Technology nor Lingnan Modern Technician College provides compulsory education, even if Lingnan Institute of Technology and Lingnan Modern Technician College remain as non-profit private schools, they are not subject to the prohibition on transaction with interested parties. Rather, they are required to enter into transactions with interest parties based on the foregoing basis. The School Sponsor of Lingnan Institute of Technology and Lingnan Modern Technician College is Lingnan Education. The Contractual Arrangements were entered into among Lingnan WFOE, Lingnan Education and the PRC Operating Entities (i.e., Lingnan Institute of Technology and Lingnan Modern Technician College). As long as the Contractual Arrangements were entered into on the above basis, even if Lingnan Education is not entitled to receive dividends from the operation of Lingnan Institute of Technology and Lingnan Modern Technician College as non-profit private schools, it will not impact the performance of the Contractual Arrangements by Lingnan WFOE, Lingnan Education, Lingnan Institute of Technology and Lingnan Modern Technician College thereunder, including the performance of the payment obligations by Lingnan Institute of Technology, Lingnan Modern Technician College and Lingnan Education to Lingnan WFOE. However, in the unlikely event that Lingnan Institute of Technology and Lingnan Modern Technician College register as non-profit private schools, and the Contractual Arrangements are not deemed to have been entered into on an open, fair and impartial basis in accordance with the current applicable laws and regulations by the relevant PRC government authorities, Lingnan WFOE may need to reduce the amount of service fees it could charge from Lingnan Institute of Technology and Lingnan Modern Technician College or make other changes to the terms of the Contractual Arrangements to comply with the open, fair and impartial requirements. Therefore, in the event that we fail to make such changes to the terms of our Contractual Arrangements necessary to comply with such requirements and the relevant authorities demand that our Contractual Arrangements be terminated, or the relevant authorities are of the view that no service fees could be charged by

Lingnan WFOE in order for the Contractual Arrangements to be open, fair and impartial, we will cease to be able to consolidate our PRC Affiliated Entities, which, in turn, will have a material adverse impact on our business, results of operations and financial condition.

According to the 2016 Decision, the school sponsors of non-profit private schools are prohibited from receiving income from the operation of the school and the balance of running such schools shall be only used for the operation of the schools. In addition, the fee collection of non-profit private schools shall be subject to provincial government regulation. For other key differences between a for-profit private school and a non-profit private school, please refer to the sections headed "Business — Potential Implications of the 2016 Decision and Related Implementation Rules" and "Business — The 2021 Implementation Rules" in this prospectus.

Given the evolving regulatory environment, there is uncertainty as to the interpretation and application of the 2021 Implementation Rules with respect to various aspects of the operations and benefits enjoyed by our schools after converting to for-profit private schools, such as (i) the preferential tax treatment which may be enjoyed by for-profit private schools; and (ii) the costs for a for-profit private school to obtain land use rights. To the extent that we are not able to fully comply with these requirements, our business, financial condition and results of operations may be materially and adversely affected. We are unable to predict with certainty the impact, if any, that future legislation or regulations relating to the implementation of the laws promoting private education in the PRC will have on our business, financial condition and results of operations. As of the Latest Practicable Date, we have not been notified of or been subject to any material fines or other penalties under any PRC laws or regulations in respect of our Group's existing structure and the entering into of the Contractual Arrangements. However, if our Group's existing structure or the Contractual Arrangements are deemed to violate any rules, laws or regulations, we may be required to terminate or amend the Contractual Arrangements, our license to operate private schools may be revoked, cancelled or not renewed and we may be exposed to other penalties as determined by the relevant government authorities. We may also be restricted from further expanding our schools or school network, including the limitation on the potential targets we are able to consider for acquisition. Please see "Business — Potential Implications of the 2016 Decision and Related Implementation Rules" for details. If such situations occur, our business, financial condition and prospects would be materially and adversely affected.

We may not be able to timely upgrade our Lingnan Institute of Technology from an associate college to a vocational university, which will hinder our expansion strategy and adversely affect our reputation, business, results of operations and financial condition, as well as prospects.

In order to expand the scale of our business and achieve economies of scale with respect to our operations, we intend to upgrade our Lingnan Institute of Technology from an associate college that only offers the junior college degree to a vocational university that offers both bachelor's degree and junior college degree by 2025. Such upgrade will enable us to recruit undergraduate students in addition to junior college students, and increase our ability to charge higher tuition fee and boarding fee rates. However, the upgrading of Lingnan Institute of Technology may require us to acquire additional land, construct new school facilities and faculty and student dormitories, and purchase new teaching equipment. We cannot guarantee we will be able to acquire the requisite land for such expansion at a reasonable cost from the PRC government or at all. In the event we cannot secure the land and construct the relevant educational facilities for such upgrade, we may not be able achieve the requisite teacher-to-student ratio and/or the prescribed ratios of the school's site area/teaching and administrative building area to the number of students enrolled. Further, the acquisition of land and construction of new facilities require substantial amount of capital. We currently intend to fund this initiative with a combination of the net proceeds from the Global Offering, our cash balance and cash generated from operations, as well as external financing. There is no assurance we will be able to obtain sufficient capital to complete such upgrade. If any of the foregoing occurs, we may not be able to timely upgrade Lingnan Institute of Technology from an associate college to a vocational university, which, we believe, will hinder our expansion strategy and adversely affect our reputation, business, results of operations and financial condition, as well as prospects.

We may experience a temporary reduction in student enrollment, an increase in the number of teachers with senior professional technology title of Lingnan Institute of Technology in connection with its application to upgrade from an associate college to a vocational university and an increase in the number of teachers to be hired by Lingnan Modern Technician College when it expands its secondary vocational and post secondary vocational education programs in the event Lingnan Institute of Technology successfully upgrades to a vocational university, which may adversely affect our results of operations and financial condition in the short term.

Currently, our total number of student enrollments include students from both Lingnan Institute of Technology and Lingnan Modern Technician College. In connection with our expansion plan, we intend to upgrade our Lingnan Institute of Technology from an associate college to a vocational university, which will be able to offer vocational undergraduate programs to students. In order to successfully apply for such upgrade with the MOE, we plan to reduce student enrollment of Lingnan Institute of Technology to approximately 15,600 starting from the 2022/2023 school year and maintain a steady school capacity of approximately 15,600 after the upgrade (in order to continue to meet the required ratios until Lingnan Institute of Technology is able to acquire additional land and construct new buildings and facilities in the future). For further details of the requirements of the upgrade, please refer to the section headed "Business — Our Expansion Plans" in this prospectus. In connection with our application for upgrade, we expect to gradually reduce student admission quota with respect to the junior college program offered by Lingnan Institute of Technology beginning in the 2022/2023 school year and increase the student admission quota for the undergraduate program once Lingnan Institute of Technology is approved by the MOE to offer undergraduate programs in the 2023/2024 school year. There is also risk that we may not be able to admit sufficient number of students upon the upgrade of Lingnan Institute of Technology. The reduction in student enrollment will reduce the revenue of our Lingnan Institute of Technology in the short-term. We intend to enhance our recruitment efforts for Lingnan Modern Technician College to attract more student enrollment beginning in the 2022/2023 school year in order to make up for the temporary reduction of student enrollment of Lingnan Institute of Technology relating to the upgrade, so that the overall financial impact of our Group would be limited. While we will use our best endeavors to increase student enrollment of Lingnan Modern Technician College beginning in the 2022/2023 school year, there is no assurance such efforts will be fruitful. Besides, the tuition fee rates of Lingnan Modern Technician College are generally lower than those of Lingnan Institute of Technology. In the event we are not able to recruit sufficient number of student enrollments of Lingnan Modern Technician College to offset the impact of reduction of student enrollment of Lingnan Institute of Technology, the results of operations and financial condition of our Group could be adversely affected in the short-term.

In addition, in order to meet the requirements relating to the qualification of teachers in connection with the upgrade, we will need to add approximately 120 full-time teachers with senior professional technology title to our teaching staff. Therefore, we may incur additional expenses as the annual salaries of teachers with senior professional technology title are generally more than those of the regular teachers without such qualification. Furthermore, in order to offset the temporary loss of revenue from Lingnan Institute of Technology resulting from the reduction of its student enrollment in connection with the upgrade to a vocational university, Lingnan Modern Technician College may utilize available number of beds in the student dormitories in Guangzhou Campus to expand its secondary and post-secondary vocational programs. As a result of the increase in student enrollment in these programs, Lingnan Modern Technician College is expected to engage an aggregate of approximately 231 teachers by September 30, 2021, 531 teachers by September 30, 2022 and 831 teachers by December 31, 2023, which will result in additional staff costs. These additional teacher hiring expenses could have an adverse impact on our results of operation and financial condition in the short term. Please refer to the section headed "Business — Our Expansion Plans — Details of Expansion" in this prospectus for more details.

We may not be able to admit sufficient students after the successful upgrade of our Lingnan Institute of Technology to a vocational university, which could materially and adversely affect our reputation, business, financial condition and results of operations.

After the successful upgrade of our Lingnan Institute of Technology to a vocational university, we expect that other than reserving such student enrollment quota to enable the completion of our junior college program during the transition period, we will eventually reserve all outstanding student enrollment quota to our undergraduate program in accordance with the applicable student admission quota to be approved by the relevant education authority in Guangdong Province at such time. As we lack experience of providing undergraduate education and have not established our reputation as a vocational university, we may not be able to attract sufficient number of students to apply to enroll in Lingnan Institute of Technology. The number of students enrolled is one of the most significant factors affecting our profitability. If we are not able to admit sufficient number of students after the successful upgrade of our Lingnan Institute of Technology to a vocational university, our reputation, business, financial condition and results of operations could be materially and adversely affected.

Our business is heavily dependent on the market recognition of the brand and reputation of each of our schools.

We believe that our success is heavily dependent on the market recognition of the brand and reputation of each of our schools. Our ability to maintain our brand recognition and reputation depends on a number of factors, some of which are beyond our control. It may become difficult to maintain the quality and consistency of the services we offer while we continue to grow in size and expand our business and services, which in turn may lead to diminishing confidence in our brand name.

A number of factors can potentially impact our reputation, including, but not limited to, our teachers and their teaching quality, the levels of students' and parents' satisfaction with our programs, negative press, accidents on campus, teacher or student scandals, disruptions to our educational services, failure to pass an inspection by a government educational authority, loss of accreditation and unauthorized use or infringement of our brand by our employees, cooperative partners and other third parties. If our reputation is damaged, students' and parents' interest in our schools may decrease and our business could be materially and adversely affected.

We have developed our student base primarily through word-of-mouth referrals. We also promote our brands by conducting certain marketing activities, such as advertisement on WeChat and other social media platforms and onsite visits to a number of high schools to introduce our schools and educational programs. However, we cannot assure you that our marketing methods will be successful or sufficient in the future or any additional marketing efforts we undertake will be successful or sufficient in further promoting our brand or in helping us to remain competitive. If we are unable to further enhance our reputation and increase market awareness of our programs and services, or if we are required to incur excessive marketing and promotional expenses in order to remain competitive, our business, financial condition and results of operations may be materially and adversely affected. If we are unable to maintain or sustain our brand reputation and recognition, we may also be unable to maintain or increase student enrollment, which in turn may have adverse effect on our business, financial condition and results of operations.

Our business has been and is likely to continue to be severely interrupted by the outbreak of COVID-19.

In response to the outbreak of COVID-19, the PRC government enacted a number of measures, including extending the Chinese New Year holiday, instituting mandatory quarantine, requiring residents in the PRC to remain at home and to avoid gathering in public. The outbreak of COVID-19 in the PRC has also resulted in the temporary closure of many corporate offices, retail stores and manufacturing facilities across the country. Schools were not allowed to reopen their campuses for the spring semester of the 2019/2020 school year until notified by the MOE and the local provincial governments. To facilitate learning during the period of campus closure, our schools began to offer online courses for the 2019/2020 spring semester in March 2020. Since our students did not live on campus during the spring semester of the 2019/2020 school year, we were required by the PRC government authorities to refund a portion of the boarding fees already collected from our students in the beginning of the 2019/2020 school year, which were initially recognized as contract liabilities. In addition, our boarding fee revenue decreased from RMB38.8 million for the year ended December 31, 2019 to RMB22.0 million for the year ended December 31, 2020. We may also incur additional costs as we deal with the COVID-19 pandemic, such as the costs to maintain sanitation and invest in online technology upgrade. As of the Latest Practicable Date, our schools have reopened, and students and faculties have returned to campus. Despite the fact that many of our courses can be taught online, we cannot assure you that teaching courses online can be as effective as teaching them offline. Students may be easily distracted while attending courses at home through the Internet. Some of them may even have limited access to the Internet. It may also not be easy for instructors to track class attendance, deliver courses efficiently and engage students to learn effectively in an online setting. Moreover, many of our courses have practical training that is provided to our students in separate practical training bases or laboratories, which cannot be duplicated online. All of the above may compromise the quality of our education services and adversely affect the outcome of teachers' instructions.

While many of the restrictions on movements within the PRC had been relaxed as of the Latest Practicable Date, there is still uncertainty as to the future progress and impact of the disease, and no vaccine had been approved for full use or cure for COVID-19. The relaxation of the restrictions on economic and social life may lead to development of new cases, which may result in the reimposition of further restrictions. Our business and financial performance had been adversely affected by the outbreak of COVID-19 since the beginning of 2020, and is likely to continue to be affected throughout the current year.

Our business and results of operations depend on the level of tuition fees and boarding fees we are able to charge and our ability to maintain and raise tuition and boarding fees.

One of the most significant factors affecting our profitability is the tuition fees we charge at our schools. For the years ended December 31, 2018, 2019 and 2020, tuition fees from our Key Operating Business accounted for approximately 82.4%, 83.3% and 86.9%, respectively, of our total revenue, while the boarding fees from our Key Operating Business accounted for the 9.0%, 8.7% and 4.9%, respectively, of our total revenue. We determine our tuition rates at Lingnan Institute of Technology and Lingnan Modern Technician College primarily based on the demand for and the quality of our educational programs, the cost of our operations, the geographic markets where we operate our schools, the tuition charged by our competitors, our pricing strategy to gain market share and general economic conditions in the PRC. Our new tuition fee rates of our Lingnan Institute of Technology and Lingnan Modern Technician College will only be applicable to newly enrolled students and tuition fee rates for existing students will not be affected. We raised the tuition fee rates for certain majors at Lingnan Institute of Technology and Lingnan Modern Technician College and boarding fee rates for our Lingnan Institute of Technology in the 2019/2020 school year and our Lingnan Modern Technician College in the 2020/2021 school year, and plan to further increase our tuition fee rates by approximately 3% to 5% for all majors at our Lingnan Institute of Technology and Lingnan Modern Technician College in the 2021/2022 school year. However, there can be no assurance that we will be able to maintain or raise the tuition and/or boarding fee levels we charge at our schools in the future. Even if we are able to maintain or raise tuition fees and/or boarding fees, we cannot assure you that we will be able to attract prospective students to apply for our schools at such increased fee rates. Our business, financial condition and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition or attract sufficient prospective students.

In addition, as a result of the COVID-19 pandemic, our students were not allowed to live on campuses of our Lingnan Institute of Technology and Lingnan Modern Technician College during the spring semester of the 2019/2020 school year. Accordingly, we were required to refund the boarding fees collected for such semester as required by the relevant education authority in Guangdong Province. In the event that the COVID-19 pandemic cannot be fully controlled, students may be required to stay away from school campuses, which may adversely affect the amount of boarding fees we are able to collect and recognize.

We face intense competition in the PRC private higher vocational education industry which could lead to reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures if we are unable to compete effectively.

The private higher vocational education sector in China is rapidly growing, highly fragmented and competitive. We expect competition in this sector to intensify and grow continuously. We primarily compete with public schools and other private schools that offer similar vocational training programs. We compete with these schools across a range of factors, including the quality of educational facilities and competency of teachers and other key personnel, program and curriculum offerings, school location and premises, career services, school-enterprise collaboration, internship opportunities, brand recognition as well as tuition fee levels. Public schools may enjoy preferential treatment from governmental authorities in respect of, tax exemptions and government subsidies. Our competitors may adopt similar curriculums and marketing approaches, with different pricing and service packages that may seem more attractive than our offerings. In addition, some of our competitors may have more resources than we do and may be able to devote greater resources than we can to the development and promotion of their schools. Moreover, with more resources than we do, they may be able to respond more quickly than we can to the changes in student preferences, new technologies, testing materials, admissions standards or market needs. As a result, we may need to increase spending in response to intensified competition in order to retain or attract students or pursue new market opportunities. If we are unable to successfully compete for new students, maintain or increase our tuition level, attract and retain competent teachers or other key personnel and enhance our competitiveness in terms of the quality of our educational services in a cost effective manner, our business, financial condition and results of operations may be materially and adversely affected.

Our business and results of operations depend on the number of students we may admit, which in turn is subject to the admission quotas approved by relevant education authorities and limited by the capacity of our school facilities.

One of the most important factors that affect our profitability is the number of students enrolled in our schools. Each year the government education authorities specify a quota for the number of new students each of our schools may admit for each school year, which is subject to adjustment by the education authorities. The maximum number of new students we may admit at each of our schools is therefore subject to the quotas set by the local educational authorities (in the case of colleges) or the human resources and social security bureau (in the case of technician colleges) on an annual basis, as adjusted by the education authorities. As a result, the maximum number of new students each of our schools may admit each year is beyond our control. To the best of the Directors' knowledge, the local education authorities take into account a number of factors to determine the student admission quota to be granted to each school, including but not limited to, social recognition and reputation of the school, the number of full-time students enrolled and the number of applications received by the school, quality of education provided by the school and the overall regional economic and educational conditions and policies. In addition, the number of students we are able to admit at each of our schools is also restrained by our education facilities, such as the number of available classrooms, and the number of beds available for students, which are limited in space and size. Furthermore, without building additional facilities such as classrooms and dormitories or relocating to another site with more capacity in the local areas, we may not be able to effectively expand our capacity at our current campuses. If we fail to expand our capacity as quickly as the demand for our services grows, or if we otherwise fail to grow by acquiring or building additional schools or campuses, we may not be able to admit more potential students, and our results of operations and business prospects could be adversely affected.

Since we charge tuition fees and boarding fees at Lingnan Institute of Technology and Lingnan Modern Technician College, our total revenue is determined by the sum of (i) tuition fee per student multiplied by the total number of students enrolled at our schools; and (ii) boarding fee per student multiplied by the number of boarding students at our schools. During the Track Record Period, our overall full-time student enrollment grew from 24,460 for the 2017/2018 school year to 27,033 for the 2020/2021 school year. If our admission quotas do not increase or even decrease in the future, which may result in a decrease in the total number of our enrolled students, our total revenue may not grow as expected or may even decline, which in turn will have a material and adverse impact on our business, financial condition and results of operations.

If we are unable to continue to attract students to enroll in the courses offered at Lingnan Institute of Technology and Lingnan Modern Technician College without a significant decrease in the fees we charge, our revenue may decline and we may not be able to maintain profitability.

The success of our business also depends on the number of student enrollment in the courses that we offer at Lingnan Institute of Technology and Lingnan Modern Technician College and the amount of tuition fees that our students are willing to pay. As a result, our ability to continue to attract students to enroll in the courses offered at Lingnan Institute of Technology and Lingnan Modern Technician College without a significant decrease in tuition fees is vital to the continuing success and growth of our business. This, in turn, will depend on several factors, including our ability to develop new educational and practical training programs and enhance existing programs at Lingnan Institute of Technology and Lingnan Modern Technician College to respond to changes in the market trends and student demand, maintain the consistency of our teaching quality, effectively market our programs to a broader prospective student base, develop and license additional high-quality educational content and respond to competitive pressures. If we are unable to continue to attract students to enroll in our courses offered at our schools without a significant decrease in tuition fees, our revenue may decline and we may not be able to maintain profitability.

Our continuing success depends on our ability to attract and retain our senior management and other key personnel.

We depend on our senior management and other key personnel for the smooth operations of our PRC Operating Entities and execution of our business plans. The continuing services of our executive Directors, senior management team and other key personnel (e.g., Mr. He Huishan, Ms. He Huifen and Ms. He Huifang) are vital to our future success.

If one or more of our executive Directors, senior management and other key personnel are unable or unwilling to continue their employment with us, we may not be able to replace them with qualified personnel in a timely manner, or at all, which may disrupt our business and materially and adversely affect our results of operations and financial conditions. There is intense competition for hiring qualified and experienced educators in the private vocational education industry in the PRC, and the pool of qualified candidates is very limited. We may not be able to retain experienced senior management members or other key personnel in the future. In the event we lose their services, or if any member of our executive Directors or senior management team or other key personnel joins our competitors or forms a competing company, we may not be able to retain our teachers, students, key educators and other professionals, which could have a material and adverse effect on our business, results of operations and financial condition.

Our business relies on our ability to recruit and retain dedicated and qualified teachers and other school administrative personnel.

We rely heavily on our teachers to deliver educational services to our students. Our teachers are vital for us to maintain the quality of our educational programs and services and to uphold our reputation. As of December 31, 2020, we had an aggregate of 1,159 teachers, approximately 77.0% of which had a bachelor's degree or above and 32.9% of which had a master's degree or above.

To maintain the quality of our educational services and further expand our business, we need to continue to attract and retain qualified teachers who meet our high standards. We seek to hire teachers who have relevant expertise in their respective teaching subject areas and are capable of delivering unambiguous classroom instructions. The number of teachers with the relevant experience and qualifications to conduct and deliver our courses is limited. There is no guarantee that we can recruit and retain such personnel in the future. To do so, we must provide competitive compensation and benefit packages to attract and retain qualified teachers and school administrative personnel. In addition, criteria such as work ethics, commitment and dedication are difficult to ascertain during the recruitment process, particularly as we continue to expand and increase the number of teachers and other school administrative personnel quickly in order to meet the increase in student enrollment. We must also provide on-going training to our teachers in order for them to stay abreast of any changes in industry standards, student demands, developments in popular culture and other key trends necessary to effectively conduct and deliver their respective courses.

Moreover, we may not be able to hire and retain sufficient qualified teachers and school administrative personnel to keep up with our anticipated growth while maintaining consistent teaching quality and overall quality of our education programs offered in our schools. If we are unable to recruit and retain an appropriate number of qualified teachers and school administrative personnel, the quality of our services or overall education programs may decrease or be perceived to decrease in one or more of our schools, which may in turn have a material and adverse effect on our reputation, business and results of operations.

We carry on business in Hong Kong under names that are different from our brand names in the PRC and we may not be able to benefit from our well-known brand name in the PRC.

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 15, 2018 under the name of Lingnan Education International Holdings Limited (嶺南教育國際控股有限公司) and registered as a non-Hong Kong company under Part 16 of the Companies Ordinance in Hong Kong under the same name. SCV Education HK, a wholly-owned subsidiary of our Company, was incorporated in Hong Kong as a limited liability company on September 4, 2018 under the name of Lingnan Education Group (Hong Kong) Limited (嶺南教育集團(香港)有限公司). Our Group has been using the brand name of "Lingnan Education" for carrying out education business in the PRC since 1993 when Lingnan Education was established. Our Lingnan Institute of Technology was established in May 2002 to provide diploma education and vocational training and our Lingnan Modern Technician College was established in July 2005 to provide vocational education and training.

On January 5, 2021, we received a demand letter from legal counsels to Lingnan Education Organization Limited (嶺南教育機構有限公司) ("Lingnan Education Organization"), a company established in Hong Kong, on behalf of Lingnan Education Organization, alleging that since the prominent and distinctive parts of both the English and Chinese names of our Company and SCV

Education HK were identical to that of Lingnan Education Organization, Lingnan Education Organization would be entitled to commence legal proceedings against our Company for passing off, unless the demands in the letter were complied with, in which case Lingnan Education Organization would be prepared to withhold commencement of proceedings (the "Potential Claim"). Pursuant to the said demand letter, Lingnan Education Organization demanded that we cease doing business or operating in Hong Kong by reference to the name "Lingnan Education International Holdings Limited (嶺南教育國際控股有限公司)" or any other company name which incorporates "Lingnan Education", or any words visually or phonetically similar thereto, and procure SCV Education HK to cease doing business or operating by reference to the name "Lingnan Education Group (Hong Kong) Limited (嶺南教育集團(香港)有限公司)" or any words visually or phonetically similar thereto. For the avoidance of doubt, such request does not apply to our operations in the PRC and will not prevent us from using "Lingnan Education" or "Lingnan" in the PRC.

Without admission of any liability whatsoever, we changed the name of our Company to "South China Vocational Education Group Company Limited (中國華南職業教育集團有限公司)", effective on February 5, 2021, and changed the name of SVC Education HK to "South China Vocational Education Group (Hong Kong) Limited (中國華南職業教育集團(香港)有限公司)", effective on February 17, 2021. We also updated the registration of our Company as a non-Hong Kong company under Part 16 of the Companies Ordinance in Hong Kong under the changed name on March 3, 2021. Such new names of our Company and SCV Education HK did not include any of the terms of "嶺南教育"/"嶺南" and/or "Lingnan Education"/"Lingnan". We also agreed we will not in future do business or operation in Hong Kong by reference to the previous names of our Company or SCV Education HK or any other company/business names which include "嶺南教育"/"嶺南" and/or "Lingnan Education"/"Lingnan" or any words visually or phonetically similar to them such as to cause a likelihood or confusion on the part of the public that the goods/services of our Company and SCV Education HK are those of associated with or endorsed by Lingnan Education Organization. As the names of the relevant companies in our Group have been changed and the Group did not, and will not, conduct its business in Hong Kong under the previous names of our Company and SVC Education HK (other than for the purpose of preparing for the Listing and the Global Offering prior to the name changes), and based on our communication with the legal counsels to Lingnan Education Organization, we believe the matters relating to the Potential Claim have been fully settled. No legal proceedings have been commenced by Lingnan Education Organization or any party against our Group in relation to the matters in the Potential Claim. Our legal counsels, Wilkinson & Grist, are of the opinion that, there is no risk of legal proceedings against our Group in relation to matters in the Potential Claims, as our Company and SCV Education HK have already fully complied with the terms of the settlement agreement between the parties, and will not in future do business or operation in Hong Kong by reference to the previous names of our Company or SCV Education HK or any other company/business names which include "嶺南教育"/"嶺南" and/or "Lingnan Education"/"Lingnan". As a result, we carry out business in Hong Kong under names that are different from our brand names in the PRC, and we may not be able to benefit from our well-known brand name in the private formal vocational education service industry in the PRC.

We are exposed to concentration risks as all of our PRC Operating Entities are located in Guangdong Province.

During the Track Record Period, all of our PRC Operating Entities were located in Guangdong Province. We anticipate that the vast majority of our business operations in the foreseeable future will likely be concentrated in Guangdong Province and our PRC Operating Entities in Guangdong Province will continue to generate a significant majority of our revenue. If Guangdong Province experiences any event that adversely affects its education industry, such as negative changes in local government policies relating to private education services, a serious economic downturn, a natural disaster or an outbreak of a contagious disease, our business, financial condition, results of operations and growth prospects could be materially and adversely affected.

In addition, if the relevant government authorities in Guangdong Province implement additional rules and regulations restricting the increase of our student enrollment, limiting the tuition fees and/or boarding fees we may charge, or otherwise negatively impacting the education industry in general, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to fully execute our growth strategies or manage our growth effectively, which may hinder our ability to capitalize on new business opportunities, or successfully integrate businesses that we acquire or invest in, which may cause us to lose the anticipated benefits from such acquisitions and investments and to incur significant additional expenses.

During the Track Record Period, we have experienced steady growth and expansion that has placed, and continues to place, significant pressure on our management and resources. In 2014, we began to operate the Qingyuan Campus of our Lingnan Institute of Technology. In 2019, we have put into use certain additional newly constructed school facilities and student dormitories on the Qingyuan Campus. We plan to leverage our past success and brand name to increase the number of students we teach going forward, both through the increase in number of students enrolled in our existing campuses as well as establishing or acquiring new campuses.

To manage and support our growth, we must improve our existing operational, administrative and technological systems as well as our financial and management controls. In addition, we need to recruit, train and retain additional qualified teachers, management personnel and other administrative, sales and marketing personnel. All of these endeavors require substantial management time and skills as well as significant additional expenditure. If we cannot adequately update and strengthen our operational, administrative and technological systems and our financial and management controls to support our future expansion, we may not be able to effectively and efficiently manage the growth of our operations. Any failure to effectively and efficiently manage our expansion may materially and adversely affect our ability to capitalize on new business opportunities, which in turn may have a material adverse effect on our business, financial condition and results of operations. Moreover, even if we are able to maintain or increase student enrollment in our existing schools, we may not be able to retain sufficient students or attract new students in the future to expand the scale of our operations, which could also adversely affect our business, financial condition and results of operations.

Our graduates' Initial Employment Rate may decline, which may lead to less satisfaction with the quality of education we provide.

Our schools are positioned as private higher vocational education institutions that equip our graduates with the practical skills needed in China's rising industries with significant recruiting demands, which enhance the competitive advantages of our students in the job market as they are able to smoothly adapt into the working environment and embark on new careers after graduation. Accordingly, the graduates of our schools have achieved relatively high employment rates. For the 2017/2018, 2018/2019 and 2019/2020 school years, the Initial Employment Rate of the graduates of our Lingnan Institute of Technology was 92.5%, 92.3% and 84.5%, respectively. For the same school years, the Initial Employment Rate of the graduates of Lingnan Modern Technician College was 99.5%, 99.4% and 99.2%, respectively. In contrast, the overall average Initial Employment Rate of junior college education in China was 78.2%, 78.4% and 78.6%, and the overall average Initial Employment Rate of private formal secondary vocational education in China was 81.7%, 81.9% and 82.6% in 2017, 2018 and 2019, respectively, according to the Frost & Sullivan Report.

While the Initial Employment Rates of the graduates of our schools were generally higher than the national averages, the Initial Employment Rates of the graduates of our schools fluctuated during the Track Record Period. For instance, the Initial Employment Rate of the graduates of our Lingnan Institute of Technology decreased from 92.5% in the 2017/2018 school year to 92.3% in the 2018/2019 school year. In addition, we cannot guarantee that our schools will continue to be able to design or modify our curriculums to meet the expectations of the students enrolled in our schools, prospective employers or trends in the job market. We may not be able to devote the same amount of resources in training our students, setting up simulated training facilities, enhancing students' practical skills and helping them secure jobs as we did in the past, or our efforts may not be as effective as they used to be. The Initial Employment Rate is also impacted by the general economic conditions. Even if the PRC is able to gradually keep the COVID-19 pandemic under control, there is no guarantee that the national and local economy will be able to fully recover in 2021 and beyond. In the event there is a prolonged economic downturn in China and the Greater Bay Area, in particular, employment opportunities in China and the Greater Bay Area may be materially and adversely affected. The graduates of our schools may therefore be unable to obtain satisfactory jobs and the Initial Employment Rates of our graduates may decrease. Any negative development of our graduates' Initial Employment Rates may harm the reputation of our schools. As a result, the future student enrollment in our schools may decrease, which may have a material and adverse impact on our business, financial condition and results of operations.

We may not be able to obtain all necessary approvals, licenses and permits and to make all necessary registrations and filings for our education and other services in the PRC, and may be subject to severe penalties if the operation of our business in China does not comply with applicable PRC laws and regulations.

We are required to obtain and maintain various approvals, licenses and permits to fulfill registration and filing requirements in order to conduct our business and provide educational services to our students. For instance, we are required to obtain a private school operation permit from the local education bureau (in the case of colleges) or the human resources and social security bureau (in the case of technician colleges) in order to establish and operate a school in the PRC. We are also required to register with the local civil affairs bureau to obtain a certificate of registration for a privately run non-enterprise unit or legal entity. In addition, we need to pass annual inspections conducted by the local civil affairs business and local education bureau or human resources and social security bureau in the PRC.

While we intend to obtain, with our best efforts, all requisite permits and complete all necessary filings, renewals and registrations on a timely basis for our PRC Operating Entities, there is no assurance that we will be able to obtain all required permits given the significant amount of discretion local PRC authorities may have in interpreting, implementing and enforcing relevant rules and regulations. In addition, other factors that are beyond our control and anticipation may also affect our ability to obtain all requisite permits and licenses. If we fail to receive required permits in a timely manner or fail to obtain or renew any permits and certificates, we may be subject to fines, confiscation of any gains derived from our noncompliant operations, suspension of our noncompliant operations or compensation of any economic loss suffered by our students or other relevant parties, which may materially and adversely affect our business and results of operations.

We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises.

We may, from time to time, renovate existing campuses or establish new campuses and school premises for the growth and expansion of our business. In order to construct and develop campuses and school premises for our schools, we must obtain requisite permits, certificates and other relevant approvals from different administrative authorities at various stages of property development. For example, these approval include, but not limited to, planning permits, construction permits, land use rights certificates, certificates for passing the fire control assessments, environmental protection inspections and construction completion acceptance inspection, as well as building ownership certificates. We may encounter problems when fulfilling the conditions precedent to the receipt of requisite permits, certificates and approval. In addition, it is not guaranteed that we may be able to obtain these requisite permits, certificates and approval in a timely member, or at all. Failure to obtain these requisite permits, certificates and approvals may subject us to administrative fines and other penalties, and may cause delays to put new campuses or new buildings into use, which may adversely affect our student recruitment and growth strategies. In particular, some of the properties we use for our operations are not in compliance with applicable laws and regulations in the PRC. As of the Latest Practicable Date, we utilized three buildings in the Qingyuan Campus of our Lingnan Institute of Technology with an aggregate gross floor area of 30,898.89 sq.m. that we did not obtain the relevant building ownership certificates as a result of our failure to pass the construction project completion inspection before putting them into use.

As advised by our PRC Legal Advisors, for construction projects we have put into use without passing the construction project completion acceptance check, we may be ordered to rectify and may be obliged to pay compensation where any damage has been caused. A fine of not less than 2% but not more than 4% of the contract price of the construction may also be imposed. For further details, please see "Business — Properties" in this prospectus. Moreover, we may be ordered to relocate our schools, which may disrupt our business and cause us to incur additional expenses, which in turn may materially and adversely affect our business, results of operations and financial condition.

Our schools are subject to compliance requirements relating to the teacher-to-student ratio.

According to the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》) (the "School Condition Notice") promulgated by the MOE in 2004, the qualified teacher-to-student ratio of Lingnan Institute of Technology, which provides higher education should be maintained at a level of not less than 1:18, and the applicable restrictive teacher-to-student ratio of our school shall be not less than 1:22. Lingnan Institute of Technology did not fully meet the regulatory requirements of the qualified teacher-to-student ratio during the Track Record Period. As of December 31, 2018, 2019 and 2020, the teacher-to-student ratio of our Lingnan Institute of Technology was 1:19.9, 1:20.5 and 1:21.5, respectively.

According to the School Condition Notice, the teacher-to-student ratio is one of the basic school operating condition indicators of a higher education institution that are categorized into "Qualified Standard" (which includes, among other requirements, the teacher-to-student ratio of 1:18) and "Restrictive Standard" (which includes, among other requirements, the teacher-to-student ratio of 1:22). As advised by our PRC Legal Advisors, there is no provision under the School Condition Notice stipulating that the schools which failed to meet the Qualified Standard but met the Restrictive Standard are subject to any legal consequences. In the event that any of the basic school operating condition indicators (the "Basic Indicators") of a school does not satisfy the Restrictive Standard, the school may receive a yellow card issued by the competent authority and its student admission must not exceed the number of the graduates in the same year; and in the event that a school receives a yellow card for three consecutive years or that two or more of the Basic Indicators of a school do not meet the Restrictive Standard, it may receive a red card issued by competent government authority and its student admission will be subject to suspension.

In addition, as advised by our PRC Legal Advisors, teacher-to-student ratio of Lingnan Modern Technician College, a technical institution, shall be at least 1:20 for senior technical schools and at least 1:18 for technician colleges according to the Notice on Printing Standards for Technical Schools and Colleges (Trial) (《關於印發技工院校設置標準(試行)的通知》) promulgated by the Ministry of Human Resources and Social Security in 2012. Lingnan Modern Technician College was upgraded from a senior technical school to a technician college in January 2019. Therefore, prior to January 2019, the teacher-to-student ratio requirement for the then existing Lingnan Modern Senior Technical School would be at least 1:20 and beginning in January 2019, the teacher-to-student ratio requirement for Lingnan Modern Technician College would be at least 1:18. During the Track Record Period, Lingnan Modern Technician College had not complied with such prescribed ratio. As of December 31, 2018, 2019 and 2020, the teacher-to-student ratio of our Lingnan Modern Technician College was 1:27.0, 1:30.1 and 1:32.5, respectively. As advised by our PRC Legal Advisors, as of the Latest Practicable Date, the aforementioned notice did not state any legal consequences for our failure to meet such regulatory requirement.

While Lingnan Institute of Technology had not received any yellow or red card(s), and neither Lingnan Institute of Technology nor Lingnan Modern Technician College had been subject to any other administrative penalty resulted from the failure to meet teacher-to-student ratio requirement during the Track Record Period and up to the Latest Practicable Date, we will continue to monitor and adjust the teacher-to-student ratio as necessary and where applicable based on the needs of our increasing student enrollments and our school's education plans and activities without compromising the quality of our education or profitability. We cannot assure you that we can recruit and retain a sufficient number of qualified teachers to comply with the regulatory teacher-to-student ratio requirement. In addition, while Lingnan Institute of Technology has not received any yellow or red card from, and neither Lingnan Institute of Technology nor Lingnan Modern Technician College had been subject to any form of administrative penalty by, the competent government authorities in relation to its compliance with the teacher-to-student ratio during the Track Record Period and up to the Latest Practicable Date, we cannot assure you that the relevant authorities will not impose any fines or penalties on us for not complying with the regulatory requirements in the future. If the relevant authorities impose fines or penalties on us or our schools, our business, financial condition, future prospects and results of operations may be adversely affected.

Our schools are subject to compliance requirements relating to site area and teaching and administrative building area.

Our Lingnan Institute of Technology is subject to certain regulatory requirements in relation to the prescribed ratio between its school's site area/teaching and administrative building area and the number of students enrolled, and our Lingnan Modern Technician College is subject to the total building area and site area requirements. See "Business — Properties — Regulatory Requirements Relating to the Ratio between Site Area/Building Area and Number of Students" for details.

According to the School Condition Notice promulgated by the MOE in 2004, there are two types of indicators, namely, the Basic Indicators and Monitoring Indicators. The Basic Indicators prescribed two levels of compliance standards: Qualified Standard (合格標準) and Restrictive Standard (限制招生標準). The teaching and administrative building area per full-time student belongs to the Basic Indicators. According to the School Condition Notice, the applicable Qualified Standard of teaching and administrative building area per full-time student for universities is 14 sq.m. In the event that one of the Basic Indicators of a higher education institution does not meet the Restrictive Standard, it may receive a yellow card issued by the competent authority and its student admission will be subject to certain restrictions. If a higher education institution receives a yellow card for three consecutive years or two or more of the Basic Indicators of a school do not meet the Restrictive Standard, it may receive a red card issued by the competent government authority and its student admission will be subject to suspension. The site area per full-time student belongs to the Monitoring Indicators, which are supplementary to the Basic Indicators to primarily reflect improvements to the operating conditions of such higher education institution. According to the School Condition Notice, the eligibility threshold of site area per full-time student for universities is 54 sq.m. under the Monitoring Indicators.

For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, the ratios between the teaching and administrative building area and the number of full-time student enrolled at our Lingnan Institute of Technology were approximately 22.0 sq.m. per student, 20.9 sq.m. per student, 22.1 sq.m. per student and 21.8 sq.m. per full-time student, respectively, which were in compliance with the aforesaid regulatory requirements. For the same school years, the ratios between the site area and the number of full-time student enrolled at our Lingnan Institute of Technology were approximately 36.1 sq.m. per full-time student, 35.1 sq.m. per full-time student, and 34.6 sq.m. per full-time student, respectively, which were lower than the aforesaid regulatory requirements.

On August 28, 2020, we consulted with the relevant officers of the Education Department of Guangdong Province, being the competent authorities as advised by our PRC Legal Advisors to confirm the matters relating to the basic operating conditions of the higher education institutions which were applicable to Lingnan Institute of Technology. Based on the consultations, we were advised that, (i) the failure to comply with such requirement stipulated in the regulations will not subject Lingnan Institute of Technology to any fine or penalty; (ii) Lingnan Institute of Technology had passed the annual inspections conducted by the relevant authorities during the Track Record Period; and (iii) Lingnan Institute of Technology obtained a confirmation from the competent authorities that there was no record of administrative penalty imposed on the school caused by their breach of the PRC laws and regulations.

In addition, according to the Notice on Printing Standards for Technical Schools and Colleges (Trial) promulgated by the Ministry of Human Resources and Social Security in 2012, the total school building area shall be at least 50,000 sq.m. for senior technical schools and 80,000 sq.m. for technician colleges, and the total site area shall be at least 66,000 sq.m. for senior technical schools and 100,000 sq.m. for technician colleges.

Lingnan Modern Technician College was upgraded from a senior technical school to a technician college in January 2019. Therefore, prior to January 2019, the school building area and site area requirements for the then existing Lingnan Modern Senior Technical School would be at least 50,000 sq.m. and 66,000 sq.m., respectively. Beginning in January 2019, the school building area and site area requirements for Lingnan Modern Technician College shall be at least 80,000 sq.m. and 100,000 sq.m., respectively. For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, the total school building area of Lingnan Modern Technician College was approximately 59,758.15 sq.m., 59,758.15 sq.m., 59,758.15 sq.m. and 59,758.15 sq.m., respectively, which met the aforementioned regulatory requirements in 2018 but was lower than the regulatory requirement in 2019 and 2020. As of the same dates, the total site area of Lingnan Modern Technician College was 83,805.19 sq.m., 83,805.19 sq.m., 83,805.19 sq.m. and 83,805.19 sq.m., respectively, which met the aforementioned regulatory requirements in 2018 but was lower than the regulatory requirement in 2019 and 2020.

On November 11, 2020, we consulted with the relevant officers of the Human Resources and Social Security Department of Guangdong Province being the competent authorities as advised by our PRC Legal Advisors to confirm the matters relating to the total site area and school building area requirements, which were applicable for us. Based on the consultations, we were advised that, (i) the failure to comply with such requirement stipulated in the regulations will not subject our Lingnan Modern Technician School to any fine or penalty; (ii) Lingnan Modern Technician School had passed the annual inspections conducted by the relevant authorities during the Track Record Period; and (iii) Lingnan Modern Technician School obtained a confirmation from the competent authorities that there was no record of administrative penalty imposed on the school caused by their breach of the PRC laws and regulations.

To fully comply with the requirements of the School Condition Notice and the Notice on Printing Standards for Technical Schools and Colleges (Trial) regarding site and building areas, we estimate that we would need additional land with a gross site area of approximately 400,200 sq.m., which we expect to require capital expenditure of approximately RMB200 million to RMB300 million to acquire the relevant land use rights for such additional land by means of land transfer from government for cash considerations. If we are ultimately deemed to be not in compliance with the relevant regulations, we may need to make such capital expenditures and if we are unable to purchase additional suitable land, our business, financial condition, cashflow position, future prospects and results of operations may be materially and adversely affected.

Failure to make adequate statutory social insurance contribution for our employees may subject us to penalties.

Pursuant to the PRC laws and regulations, we are required to participate in various social welfare plans for our employees, including pension insurance, unemployment insurance, medical insurance, work-related injury insurance, maternity insurance and housing provident fund. We are required to contribute to these plans and funds at the levels specified by relevant local government authorities from time to time. According to the relevant PRC laws and regulations, the amount we are required to contribute for each of our employees should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum as prescribed by local authorities from time to time.

During the Track Record Period, we had not made the required contributions to the social welfare plans for certain of our employees of Lingnan Institute of Technology and Lingnan Modern Technician College. As a result, we have not been able to make full contributions to the social insurance plans and housing provident funds for the employees of Lingnan Institute of Technology and Lingnan Modern Technician College. We estimate the aggregate amount of social insurance payments and housing provident fund contributions that we did not pay for the years ended December 31, 2018, 2019 and 2020 was approximately RMB11.3 million, RMB12.2 million and RMB11.1 million, respectively. For more information, see "Business — Employees" in this prospectus.

We cannot assure you that our employees will not complain to relevant authorities by reporting our failure to make contributions to the social welfare plans. Moreover, we cannot assure you that relevant local government authorities will not require us to pay the outstanding amount within a prescribed time or impose penalties or overdue fines on us, which may in turn adversely affect our financial condition.

The private education business has a relatively short history in China and may need time to gain wide acceptance.

Our future success is dependent on the acceptance, development and expansion of the market for private education services in China. The private education services market started to develop in the early 1980s and experienced rapid growth in the 1990s. It has grown significantly due to favorable policies enacted by the PRC government. In 1997, the State Council of the PRC promulgated the first regulation to promote the private for-profit education industry in China. The Standing Committee of the NPC published the Law for Promoting Private Education of the PRC on December 28, 2002, which later became effective on September 1, 2003. On November 7, 2016, the 2016 Decision, which made certain amendments to the Law for Promoting Private Education was approved by the Standing Committee of the National People's Congress, and later became effective on September 1, 2017. According to the 2016 Decision, sponsors of private schools can choose to establish schools as non-profit or for-profit entities, with the exception that schools providing compulsory education (grades one through nine) can only be established as non-profit entities. For risks associated with the 2016 Decision, please see "— We Are Subject to Uncertainties Brought by The 2016 Decision and the 2021 Implementation Rules" and "— New Legislation or Changes in the PRC Regulatory Requirements Regarding Private Education May Affect Our Business Operations and Prospects" in this prospectus.

The development of this industry has been accompanied by significant press coverage and public debate concerning the management and operation of private schools. Significant uncertainty remains in the PRC as to public acceptance of this business model. In addition, there is substantial uncertainty relating to the application and interpretation of PRC law as it relates to the promotion of the private for-profit education industry. There is also significant uncertainty as to the preferential tax treatments or other preferential treatments that our PRC Operating Entities will enjoy (whether as non-profit private schools or as for-profit schools if we choose to register certain of our PRC Operating Entities as such) after the 2016 Decision come into force. However, there may also be uncertainty in terms of the interpretation and enforcement of the 2016 Decision and the 2021 Implementation Rules by the relevant government authorities. Please refer to the section headed "Regulatory Overview — Regulations on Private Education in the PRC" in this prospectus for further details. If the private education business model fails to gain traction or wide acceptance among the general public in the PRC, especially among students and their parents, or if the favorable regulatory environment otherwise changes in the future, we may be unable to grow our business and the market price of our Shares could be materially and adversely affected.

Our historical financial and operating results may not be indicative of our future performance.

We experienced increase in revenue from 2018 to 2020. Our historical growth was primarily driven by the increase in number of students enrolled at our PRC Operating Entities. Our business, financial condition and results of operations may be affected due to a number of factors, many of which are beyond our control. These factors include, but not limited to public perception of the private education industry in China, our ability to maintain and increase student enrollment at our PRC Operating Entities and our ability to maintain and raise tuition and boarding fees. We may not be able to continuously and successfully increase the number of students admitted to our schools due to prescribed quotas and/or our limited capacity, as a result, we may not be successful in carrying out our growth strategies and expansion plans.

We cannot assure you that we will be able to sustain our past growth rates in future periods, and we may not be able to sustain profitability on a quarterly, interim or annual basis in the future. We generally require students to pay tuition fees and boarding fees for the school semester upfront prior to the commencement of the school semester, and recognize revenue for the tuition fees and boarding fees proportionately over the course of the relevant period in a school year. However, the timing of our recording of our costs and expenses do not necessarily correspond with the timing of our recognition of revenue. Our interim results, growth rates and profitability may not be indicative of our annual results or our future results. In addition, our historical interim and annual results, growth rates and profitability may not be indicative of our future performance for the corresponding periods. Our Shares could be subject to significant price volatility should our earnings fail to meet the expectations of investors. Any of these events could cause the price of our Shares to materially decrease.

We disposed certain subsidiaries and associated companies in 2018, resulting in a net gain on disposal of the discontinued operations of approximately RMB0.4 million and disposal of associates of approximately RMB6.2 million, respectfully. We also had a net gain from the disposal of certain subsidiaries of approximately RMB2.5 million for the year ended December 31, 2020. Our gain on disposing such subsidiaries and associated companies during the Track Record Period were non-recurring, and may not be indicative of our future performance.

Moreover, when we become a publicly-listed company on the Stock Exchange, we will be subject to continuing compliance with the applicable laws and regulations. Some of these efforts to ensure compliance will require our substantial resources and compliance costs, including our rectification measures to make required contributions to the social welfare plans for certain of our employees of Lingnan Institute of Technology and Lingnan Modern Technician College and to achieve the requisite teacher-to-student ratio and/or the prescribed ratios of the school's site area/teaching and administrative building area to the number of students enrolled with respect to our schools by expanding our school campuses and/or hiring additional teachers. These compliance costs will likely impact our results of operations and financial condition.

We had net current liabilities during the Track Record Period. We may be exposed to liquidation risks, and our business, financial condition and results of operations may be materially and adversely affected as a result.

During the Track Record Period, we relied on a combination of funds generated from our operations, loans from banks and other financial institutions and advances from certain related parties and shareholders to finance our business operations and expansion during the Track Record Period. As of December 31, 2018, 2019 and 2020, we had net current liabilities of RMB167.2 million, RMB126.5 million and RMB181.3 million, respectively, mainly because we used a large portion of the funds from operations to construct and expand the Qingyuan Campus.

Our net current liabilities position exposes us to liquidity risk. Our future liquidity will primarily depend on our ability to maintain adequate cash generated from operating activities and sufficient external financing. In addition, we cannot assure you that we will be able to continue to generate positive operating cash flow or obtain adequate external financing to meet our future working capital requirements and we may continue to have net current liabilities in the future. The inability to continue to generate positive operating cash flow or obtain additional short-term bank loans or other borrowings on a timely basis, on acceptable terms or at all would materially and adversely affect our ability to satisfy our working capital requirements. We cannot guarantee that we will be able to obtain additional working capital to execute our growth strategies, or that future expansion of our school network will not materially and adversely impact the current or future level of working capital. As we generally experience a certain number of students withdrawing from our school during the course of a school year for various reasons, to whom we refund a portion of their annual tuition fees, if a large number of students were to withdraw from our school, our financial position may be adversely impacted.

Moreover, our financial statements included in this prospectus have been prepared on going concern basis, which take into account the results of operations and the availability of our financial resources. If there is an adverse change to our profits, cash flow or ability to obtain additional external financing, our financial statements may need to be prepared on an alternative basis and adjustments relating to the recoverability and classification of recorded asset amounts or the classification of liabilities may need to be made.

Our financial assets at fair value through profit or loss may fluctuate from time to time and could increase significantly in the future, which could materially and adversely affect our financial condition.

During the Track Record Period, we invested in short-term wealth management products issued by banks in China. These wealth management products are classified as financial assets at fair value through profit or loss. As of December 31, 2018, 2019 and 2020, the balance of our current financial assets at fair value through profit or loss was RMB60.2 million, RMB45.3 million and RMB20.2 million, respectively. Such balance fluctuated during the Track Record Period due to the timing of maturity of certain wealth management products and our purchases of additional products in accordance with our investment policy. The performance and the value of our investment in such wealth management products may increase or decrease from time to time for reasons beyond our control, such as market interest rates, performance of the relevant assets which is used to determine the return of our investments, changes to regulatory requirements or restrictions, general economic conditions and risks associated with the PRC or Reminbi. Such investments are also subject to the credit risk of the issuers and we may lose all or a substantial amount of our investments in the event that an issuer becomes insolvent or delays in making or fails to make any payments when due. Any decrease of value or underperformance of the financial assets we purchase may adversely affect our financial condition or business prospects. See "Financial Information — Description of Certain Key Items from Our Consolidated Statement of Financial Position — Current Assets and Current Liabilities — Financial Assets at Fair Value through Profit or Loss" in this prospectus for details.

Failure to fulfil our obligations with respect to contract liabilities may adversely affect our liquidity and financial condition.

Due to the nature of the business operation of our school, we derive revenue mainly from tuition fees and boarding fees paid by the students of our school. We generally require tuition fees and boarding fees to be paid by our students in advance prior to the beginning of each school year in September, which are initially recorded as contract liabilities and are proportionately recognized as revenue when the relevant services are rendered to our students during the school year. Contract liabilities primarily represent the unsatisfied performance obligation, comprising contract liabilities relating to tuition fees and boarding fees. As of December 31, 2018, 2019 and 2020, we recognized contract liabilities of RMB171.5 million, RMB174.4 million and RMB167.9 million, respectively.

The delivery of our services to the students may be disrupted by unforeseeable events, such as outbreak of contagious diseases, occurrence of force majeure events, regulatory changes and/or natural disasters. In such events, we may need to refund a portion or all of our contract liabilities comprising tuition fees and boarding fees not yet recognized as revenue to our students. For instance, due to the outbreak of COVID-19 epidemic in 2020, our schools were unable to timely open their campuses for the spring semester of 2020 as previously scheduled, and we had to resort to providing education services to our students via third-party online education platforms. In the event we are unable to successfully render services to our students, we may be subject to claims to refund a portion or all of our contract liabilities, which may materially and adversely affect our business, results of operations and financial condition.

New legislation or changes in the PRC regulatory requirements regarding private education may affect our business operations and prospects.

The private education industry in the PRC is subject to various laws and regulations. Relevant laws and regulations could be changed to accommodate the development of the education industry from time to time, in particular, the private education industry. For example, the Law for Promoting Private Education of the PRC was promulgated in December 2002, and was further amended in June 2003 and November 2016 and became effective from September 1, 2017. Pursuant to the 2016 Decision, (i) school sponsors of a private school which provides education services other than nine-year compulsory education may choose for the school to be a for-profit private school or a non-profit private school; (ii) school sponsors of a for-profit private school are allowed to receive operating profits while school sponsors of a non-profit private school are not allowed to do so; (iii) a non-profit private school shall enjoy the same preferential tax treatment as public schools while a for-profit private school shall enjoy the preferential tax treatment as stipulated by the State; and (iv) a for-profit private school may determine the fees to be charged by taking into account factors such as the school operation costs and market demand and no prior approval from government authorities is required for such fees, while a non-profit private school shall collect fees pursuant to the measures stipulated by the relevant provincial government. Please see "Regulatory Overview — Regulations on Private Education in the PRC — The Law for Promoting Private Education and The Implementation Rules for the Law for Promoting Private Education" in this prospectus for details. While we intend to comply with all new and existing laws and regulations, we cannot assure you that we will always be deemed to be in compliance with any new laws and regulations, interpretation of which may remain uncertain. We also cannot assure you that we will be able to efficiently change our business practice to be in line with any new regulatory environment. Any such failure could materially and adversely affect our business, financial condition and results of operations.

We may not have sufficient insurance coverage.

We maintain various insurance policies, such as school liability insurance to safeguard against risks and unexpected events. However, our insurance coverage is still limited in terms of amount, scope and benefit. In addition, we do not carry property insurance for the properties that are owned by third parties and are not required to do so under applicable PRC laws and regulations. Consequently, we are exposed to various risks associated with our business and operations. See "Business — Insurance" for more information. We are exposed to risks that include, but not limited to, accidents or injuries in our schools that are beyond the scope of our insurance coverage, fires,explosions or other accidents for which we do not currently maintain insurance, loss of key management and personnel, business interruption, natural disasters, terrorist attacks and social instability or any other events beyond our control. We do not have any business disruption insurance, product liability insurance or key-man life insurance. Any business disruption, litigation or legal proceedings or natural disaster, such as epidemics, pandemics or earthquakes, or other events beyond our control could result in substantial costs and the diversion of our resources. Our business, financial condition and results of operations may be materially and adversely affected as a result.

Accidents or injuries suffered by our students, our employees or other personnel at our school premises may adversely affect our reputation and subject us to liabilities.

We are exposed to liability for any accidents, injuries or any other harm to our students or other people at our PRC Operating Entities, including those caused by or otherwise arising in connection with our school facilities or employees. We are also exposed potential negligent claims in relation to allegations of inadequate maintenance of school facilities or inadequate supervision of our employees. As a result, we may be held liable for accidents or injuries suffered by our students or other people at our schools. In addition, if any of our students or teachers is involved in any physical confrontation act of violence or violence, we may face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. Our PRC Operating Entities may therefore be perceived to be unsafe, which may discourage prospective students from applying to or attending our schools. Furthermore, although we maintain certain liability insurance, our insurance coverage may not be adequate to fully protect us from these kinds of claims and liabilities. In addition, we may not be able to obtain liability insurance in the future at reasonable prices or at all. Any liability claims against us or any of our employees may adversely affect our reputation and student enrollment and retention. Even if unsuccessful, such claims may create unfavorable publicity, which may cause us to incur substantial expenses and devote additional time and effort to manage any negative impact to our PRC Operating Entities, which in turn may have a material adverse effect on our business, prospects, financial condition and results of operations.

We outsource food and meal catering services to third-party service providers. As a result, we cannot guarantee the quality and price of the food they serve to our students who use our business service. We may be exposed to potential liabilities if we cannot maintain food quality standards.

As of Latest Practicable Date, we had four canteens on our campuses, including three canteens at Lingnan Institute of Technology and one canteen at Lingnan Modern Technician College. We outsourced the operation of these canteens to third parties. We entered into school canteen outsourcing agreements with third-party meal catering service providers during the Track Record Period, the terms of which varied from two to eight years and during such period, they shall provide meal catering services to our students within our school network. We typically charge such meal catering service providers rental fees and maintenance fess and also require them to make deposits with us to be used against any potential losses, damages or injuries caused by them during their operation. While we have internal control over the quality of such service providers, such as conducting due diligence on requisite licenses, and qualifications, it is impractical for us to monitor the day-do-day operation of these service providers. Thus, we cannot assure you that we will be able to ensure the quality of food, monitor the meal preparation process to ensure its quality or require such third-party service provider to adhere to our food quality standards. In the event any food quality-related incident occurs on our school campuses, our business, reputation and prospects may be materially and adversely affected.

The unavailability of any favorable regulatory treatment, particularly government grants could adversely affect our business, financial condition and results of operations.

We enjoy certain favorable regulatory treatment, particularly government grants, which are offered primarily for the purpose of promoting the development of private education institutions and are non-recurring in nature. For the years ended December 31, 2018, 2019 and 2020, we recorded government grants in the total amount of approximately RMB7.3 million, RMB7.2 million and RMB7.5 million, respectively. See "Financial Information — Key Components of Our Results of Operations — Other Income" for further details.

However, it is in the relevant government authorities' sole and absolute discretion, subject to relevant PRC laws, regulations and policies, to determine whether and when to provide government grants to us, if at all. We cannot assure you that we will be able to receive government grants in the future. Furthermore, any unexpected changes in the PRC laws, regulations and policies may result in uncertainty in the availability of government grants or any other favorable treatment to us. If we are unable to obtain or maintain government grants or any other favorable treatment in the future in the same amount or at all, the reduction in the amount of government grants or other favorable treatment received by us may impact our Group's results of operations and cash flows and we may experience decreases in profitability, and our business, financial condition and results of operations could be adversely affected.

We may not be able to secure additional funding to fund our planned operations.

The operation and establishment of a private education institution requires significant initial capital investment, such as the costs of acquiring land for school site, constructing school facilities, purchasing equipment and hiring qualified teaching and administrative staff. In order to support the operation of our existing schools and our schools that are expanding, and to fund our future growth plans such as establishing new schools and new campuses, we need to secure additional funding to fund our future capital expenditures. Historically, we have funded our operations primarily with cash generated from operations and proceeds from bank loans. We cannot assure you that we will be able to secure additional funding on terms acceptable to us or in a timely manner, or at all. If our internally generated capital resources and available credit facilities are insufficient to finance our capital expenditure and growth plans, we may have to seek additional financing from third parties, including banks, venture capital funds, joint-venture partners and other strategic investors. We may also have to consider raising funds through the issuance of new Shares, which would lead to the dilution of our existing Shareholders' interests in our Company. If we are unable to obtain financing in a timely manner, at a reasonable cost and on acceptable terms, we may be forced to delay our expansion plans, or downsize or abandon such plans, which may materially and adversely affect our business, financial condition and results of operations, as well as our future prospects.

In addition, On May 28, 2020, the National People's Congress enacted the Civil Code of the PRC (《中華人民共和國民法典》) (the "PRC Civil Code"), with an effective date of January 1, 2021. The PRC Civil Code provides that non-profit legal persons established for public welfare, such as schools, kindergartens and medical institutions, shall not mortgage their educational facilities, health care facilities and other public welfare facilities. The properties that certain of our schools own and occupy may be considered "public welfare facilities" according to the Law for Promoting Private Education and the relevant regulations and interpretations, which provides that private education is considered in the nature of "public welfare" in the PRC. It may be interpreted that the PRC Civil Code limits the prohibition on property mortgage only to non-profit private schools. However, substantial uncertainties still exist regarding the interpretation and application of the PRC Civil Code after its effectiveness. If the relevant PRC government authorities take a different view, these properties used as educational facilities may not be pledged as collateral when our schools enter into loan agreements with banks.

In such case, our ability to obtain financing to fund our operations by using our school properties as collateral will be limited. Even if our school properties are used as collateral under any loan agreement entered into between any of our schools and the potential lender, such pledge may not be valid or enforceable under the laws and regulations of the PRC. We cannot preclude the possibility that a government authority, including the PRC court or administrative authority, may consider the pledge created on such facilities to be in violation of PRC laws if any dispute arises between us and the lender with regards to the relevant loans under applicable loan agreements. Moreover, we cannot preclude the possibility that government authorities may challenge the validity of such loan agreements at any time.

We leased several properties for our schools and may not be able to control the quality, maintenance and management of these properties, nor can we ensure we will be able to find suitable properties to replace our existing properties in the event the relevant lease agreements are terminated.

We leased several properties from third parties. As of the Latest Practicable Date, we leased 38 properties with a total gross floor area of approximately 243,931.01 sq.m. Please refer to "Business — Properties" in this prospectus for details. Such properties were maintained by our landlords, such as controlling the quality, maintenance and management of these buildings. In the event the quality of the buildings deteriorates, or if any or all of our landlords fail to properly maintain and renovate such buildings in a timely manner or at all, our school operations could be materially and adversely affected. In addition, if any of our landlords terminates the existing lease agreements, refuses to renew the lease agreements when such lease agreements expire, or increase rent to a level that is unacceptable to us, we will be forced to look for alternative locations for our schools. We may not be able to find suitable premises for such relocation without incurring significant time and costs. There is no guarantee that we may be able to find suitable premises for relocation at all. If any of the above events occurs, our business, results of operations and financial condition could be materially and adversely affected.

In addition, among the properties we leased, 30 properties with a total gross floor area of approximately 154,475.49 sq.m. were leased by Lingnan Education for the establishment and operation of Lingnan Institute of Technology from Yuan Yi Chang. The Xintang Lease was entered into on or after May 18, 1999 with an initial lease term of 50 years, which was subsequently amended and supplemented numerous times, including a supplemental lease agreement in December 2015, pursuant to which Yuan Yi Chang transferred its rights and obligations under the Xintang Lease to Guangzhou Xintang. However, on October 1, 1999, the PRC government promulgated the PRC Contract Law, which stipulated, among other things, that property leases cannot exceed a term of 20 years. As advised by our PRC Legal Advisors, since the Xintang Lease was originally entered into prior to the promulgation of the PRC Contract Law, the 20-year lease term shall begin to run on the day the PRC Contract Law became effective, and that the remaining 30 years of the Xintang Lease may be deemed invalid. Accordingly, the rights of the parties to the leases of a number of properties under the Xintang Lease were no longer protected by the PRC Contract Law on or after October 1, 2019. We have made prepayments for rent to Guangzhou Xintang under the original terms of the Xintang Lease in November 2020, which will enable us to continue to use the properties until December 2021, for which the rights of the parties to the relevant leases of such properties were no longer protected by the Civil Code of the PRC as of the Latest Practicable Date. On March 29, 2021, we entered into a legally binding framework agreement with Guangzhou Xintang, pursuant to which we are able to continue to use the properties under the Xintang Lease and pay the rent until a new lease agreement is entered into between the parties. Although we have verbally agreed on the commercial terms of the new lease agreement, including the new rent to be charged, which is expected to increase at an estimated rate of approximately 1.5% per annum based on the rental appraisal results prepared by an independent property valuer, we have not yet entered into the new lease agreement and thus, cannot guarantee that Guangzhou Xintang will not drastically increase the rental payments we will be obligated to pay in connection with the new lease agreement until the new lease is formally signed.

According to our consultation with Guangzhou Municipal Planning and Natural Resources Bureau, Huangpu District Bureau (廣州市規劃和自然資源局黃埔區分局), dated September 29, 2020, the relevant government authorities currently have no plans to demolish such leased properties and we can continue to lease and use such land pursuant to Xintang Lease, we cannot guarantee Guangzhou Xintang will not claim that Xintang Lease for which the rights of the parties to the relevant leases of such properties were no longer protected by the Civil Code of the PRC and seek to repossess the relevant properties at any given time, in which case the PRC court may support such claim and we may not be able to continue to lease the relevant properties under the Xintang Lease to continue our business operations. Moreover, we may be ordered to relocate the Guangzhou Campus of Lingnan Institute of Technology, which may disrupt our business operations and cause us to incur additional costs, which in turn may materially and adversely affect our business, results of operations, financial condition and reputation.

Under the applicable PRC laws and regulations, the parties to a lease agreement are required to register and file the executed lease agreement with the relevant government authorities. As at the Latest Practicable Date, the lease agreement with respect to a property with a total gross floor area of approximately 25.89 sq.m. leased by Lingnan WFOE from two individuals who are Independent Third Parties had not been registered and filed. While the failure to complete the lease registration will not affect the legal effectiveness of the lease agreements according to PRC law, the relevant real estate administrative authorities may require the parties to the lease agreements to complete lease registration within a prescribed period of time and the failure to do so may subject the parties to fines from RMB1,000 to RMB10,000. While we have not been subject to any penalty or disciplinary action relating to the failure to register such lease agreement, we cannot assure you that we will not be subjected to penalties or other disciplinary actions for our past and future non-compliance.

We may be subject to potential risks on our non-compliance with the relevant PRC laws and regulations relating to loans made to third parties.

During the Track Record Period, we had extended loans to third parties to support their business operations. For the years ended December 31, 2018, 2019 and 2020, loans to third parties amounted to RMB3.0 million, RMB3.0 million and RMB0, respectively.

According to our PRC Legal Advisors, our loans to third parties did not comply with the Lending General Provisions (《貸款通則》) (the "Lending General Provisions") promulgated by the PBOC in 1996, which prohibited any financing arrangements or lending transactions between non-financial institutions and the PBOC may impose on the offending lender, a fine of one to five times the income the lender receives from such noncompliant loans. Please refer to the section headed "Financial Information — Description of Certain Key Items from Our Consolidated Statement of Financial Position — Current Assets and Current Liabilities — Prepayments, Other Receivables and Other Assets" in this prospectus for details. Although our PRC Legal Advisors confirmed that the likelihood of the PBOC imposing administrative penalties on our Group in relation to these loans is relatively low mainly because such loans are interest-free and have been settled as of the Latest Practicable Date, we cannot guarantee that the PBOC would not take any administrative action on us. In the event the PBOC levies any fine against or imposes any administrative penalty on us, our reputation and results of operations could be materially and adversely affected.

The appraisal value of our properties may be different from their actual realizable value and are subject to uncertainty or change.

The property valuation report set out in Appendix III to this prospectus with respect to the appraised value of our properties are based on various assumptions, which are subjective and uncertain in nature. The assumptions that Jones Lang LaSalle Corporate Appraisal and Advisory Limited used in the property valuation report include: (i) the transferable land use rights of the properties for their respective terms at nominal annual land use fees have been granted and that any premium payable has already been fully paid; (ii) our Group has an enforceable title to each of the properties and has free and uninterrupted rights to use, occupy or assign the properties for the whole of the respective unexpired land use term as granted; and (iii) the properties are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

Certain of the assumptions used by Jones Lang LaSalle Corporate Appraisal and Advisory Limited in reaching the appraised value of our properties may be inaccurate. Hence, the appraised value of our properties should not be taken as their actual realizable value or a forecast of their realizable value. Unexpected changes to our properties and to the national and local economic conditions may affect the value of these properties. You should not place undue reliance on such appraised value attributable to these properties by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

If we fail to protect our intellectual property rights or prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive edge and our brand, reputation and operations may be materially and adversely affected.

Unauthorized use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of copyright, trademark, patent and trade secrets laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorization. The practice of intellectual property rights enforcement action by the PRC regulatory authorities is evolving and is subject to significant uncertainty. We may also need to resort to litigation and other legal proceedings to enforce our intellectual property rights. Any such action, litigation or other legal proceedings could result in substantial costs and diversion of our management's attention and resources and could disrupt our business. In addition, there is no assurance that we will be able to enforce our intellectual property rights effectively or otherwise prevent others from the unauthorized use of our intellectual property. Failure to adequately protect our intellectual property could materially and adversely affect our brand name and reputation, and our business, financial condition and results of operations.

We may face disputes from time to time relating to the intellectual property rights of third parties.

We cannot assure you that the materials and other educational content used in our schools and programs do not or will not infringe the intellectual property rights of third parties. There is no assurance that third parties will not claim that we have infringed on their proprietary intellectual property rights. We also cannot guarantee that we will be able to successfully defend against such claims if they arise. Participants in such litigation and legal proceedings may also cause us to incur substantial expenses and resources, and divert the time and attention of our management. We may be required to pay damages or incur settlement expenses. Furthermore, in the event we are required to pay any royalties or enter into any licensing agreements with the owners of intellectual property rights, we may find the terms not to be commercially acceptable to us and we may lose the ability to use the related content and materials, which in turn could materially affect our educational programs. Any claim against us, even without merit, could damage our reputation and brand image. Any of these event could have a material and adverse effect on our business, financial condition and results of operations.

We may be involved in legal and other disputes and claims from time to time arising out of our operations.

We may, from time to time, be involved in disputes with and subject to claims by parents and students, teachers and other school personnel, and other parties involved in our business. We cannot assure you that when legal actions arise in the ordinary course of our business, any of the legal actions will be resolved in our favor. In the event that such legal actions cannot be resolved in our favor, we may be subject to uncertainties as to the outcome of such legal proceedings and our business operations may be disrupted. Legal or other proceedings involving us may result in us incurring significant costs, divert management's attention and other resources, negatively affect our business operations, cause negative publicity against us or damage our reputation, regardless whether we are successful in defending such claims or proceedings. As a result, our business, financial condition and results of operations may be materially and adversely affected.

Unauthorized disclosures, use or manipulation of student, teacher and other sensitive personal data, whether through breach of our network security or otherwise, could expose us to litigation or could adversely affect our reputation.

Maintaining our network security and internal controls over access rights is of vital importance because proprietary and confidential student and teacher information, such as names, addresses, and other personal information, are primarily stored in our computer database located at each of our PRC Operating Entities. If our security measures are breached as a result of actions by third-parties, employee error, malfeasance or otherwise, third parties may receive or be able to access student and teacher records, which could subject us to liabilities, interrupt our business and adversely affect our reputation. Additionally, we run the risk that our employees or third parties may misappropriate or illegally disclose confidential educational information in our possession. As a result, we may be required to expend significant resources to provide additional protection from the threat of these security breaches or to alleviate problems caused by these breaches, which may in turn adversely affect our business and financial conditions.

We face risks related to natural disasters, health epidemics or terrorist attacks in the PRC.

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of epidemic diseases such as COVID-19, avian influenza, severe acute respiratory syndrome (SARS), and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, as well as terrorist attacks, other acts of violence or war or social instability in the region in which we operate or those generally affecting the PRC. In particular, as a substantial number of our students are boarding students, and our campus provide on-campus accommodations to some staff and teachers, the boarding environment makes our students, teachers and staff exceptionally vulnerable to epidemics, which may make it more difficult for us to take preventive measures if epidemics were to occur. Any of these events may cause material disruptions to our operations, such as temporary closure of our PRC Operating Entities, which in turn may materially and adversely affect our financial condition and results of operations. If any of these occur, our PRC Operating Entities and facilities may suffer damage or be required to temporarily or permanently close and our business operations may be suspended or terminated. Our students, teachers and staff may also be negatively affected by such events. In addition, any of these could adversely affect the PRC economy and demographics of the affected region, which could cause significant declines in the number of students applying to or enrolling in our PRC Operating Entities. If this occurs, our business, financial condition and results of operations could be materially and adversely affected.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

The PRC government may find that the Contractual Arrangements do not comply with applicable PRC laws and regulations, which may subject us to significant penalties and our business may be materially and adversely affected.

In order to establish the structure for operating our business in the PRC, we entered into a series of arrangements in which our wholly-owned subsidiary, Lingnan WFOE, receives full economic benefits from our PRC Affiliated Entities. See "Contractual Arrangements" in this prospectus for more information.

We are a Cayman Islands company and therefore, we are classified as a foreign enterprise under PRC laws. Foreign investment in the education industry in the PRC is extensively regulated and subject to numerous restrictions. Under the Special Administrative Measures for the Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施(負面清單)》) (the "Negative List"), higher education is a restricted industry for foreign investors. In addition, based on the interview with the Education Department of Guangdong Province, being the competent authority as advised by our PRC Legal Advisors to confirm such matters, higher education institutions, including junior college are restricted industries for foreign investors in Guangdong Province. Foreign investors are allowed to invest in the higher education industry only in the form of cooperative joint venture in which the PRC party must play a dominant role.

Furthermore, under the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) (the "MOE Opinions"), which was issued by the MOE on June 18, 2012, the foreign portion of the total investment in a Sino-foreign joint venture educational institution should be below 50%. According to relevant regulations, the foreign investors invested in private education must be foreign education institutions, with relevant qualifications and experience. In addition, pursuant to the Sino-foreign Vocational Skills Training Measures (《中外合作職業技能培訓辦學管理辦法》), the foreign investor in a Sino-foreign technical school must be a foreign education institution or a foreign vocational skills training institution with relevant qualifications and high quality. See "Regulatory Overview — Foreign Investment in Education in the PRC" in this prospectus for more information.

Accordingly, in light of these restrictions, we, or our PRC subsidiaries are ineligible to independently operate higher education institutions or control them through holding equity interests. Please refer to the section headed "Contractual Arrangements — Background of the Contractual Arrangements" in this prospectus for further information. Accordingly, we have been and are expected to continue to be dependent on the Contractual Arrangements to operate our education business.

If the Contractual Arrangements that establish the structure for operating our business in China are found to be in violation of any PRC laws or regulations in the future or fail to obtain or maintain any of the required permits or approvals, the relevant PRC regulatory authorities, including the MOE, which regulates the education industry, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licenses of our PRC subsidiaries;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries;
- imposing fines or other requirements with which we or our PRC subsidiaries may not be able to comply;
- requiring us to restructure our operations in such a way as to compel us to establish new entities, re-apply for the necessary licenses or relocate our businesses, staff and assets;

- imposing additional conditions or requirements with which we may not be able to comply; or

- restricting the use of proceeds from our additional public offering or financing to finance our business and operations in China.

The imposition of any of these penalties may result in a material and adverse effect on our ability to conduct our business in China and a loss of our economic benefits in the assets and operations of our affiliated entities. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the PRC Affiliated Entities or our right to receive their economic benefits, we would no longer be able to consolidate such entities, which currently contribute all of our consolidated revenues.

Significant uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability or sustainability of our current corporate structure, corporate governance and business operations.

The National People's Congress promulgated the Foreign Investment Law on March 15, 2019, which took effect on January 1, 2020. Under the Foreign Investment Law, foreign investment is defined as any investment activity directly or indirectly carried out in the PRC by one or more foreign natural persons, enterprises or other organizations ("Foreign Investor(s)"), and specially stipulates certain forms of investment activities which constitute foreign investment, namely, (a) establishment of a foreign invested enterprise in the PRC by a Foreign Investor, either individually or collectively with any other investor; (b) obtaining shares, equities, assets interests or any other similar rights or interests of an enterprise in the PRC by a Foreign Investor; (c) investment in any new construction project in the PRC by a Foreign Investor, either individually or collectively with any other investor; and (d) investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020.

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain required or necessary licenses and permits in the industries that foreign investment is currently restricted or prohibited in China. While the Foreign Investment Law does not explicitly stipulate that contractual arrangements is a form of foreign investment, and the Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements, it is possible that contractual arrangements will be recognized as foreign investment under the limb of "investment in any other manners stipulated under laws, administrative regulations or provisions prescribed by the State Council" or new laws, administration regulations or provisions prescribed by the State Council may provide for the same. Whether the Contractual Arrangements will be found or deemed to be in violation of the foreign investment access investments and how the Contractual Arrangements will be handled in such scenarios are uncertain.

In the worst case scenario, we may be required to unwind the Contractual Arrangements and/or dispose our PRC Affiliated Entities, which could have a material and adverse effect on our business, financial condition and results of operations. If, in the Stock Exchange's view, our Company no longer has a sustainable business after the aforementioned unwinding of the

Contractual Arrangements or disposal or such measures are not complied with, the Stock Exchange may take enforcement actions against us which may have a material adverse effect on the trading of our Shares or even result in delisting of our Company. For details of the Foreign Investment Law and its potential impact on our Group, please refer to the section headed "Contractual Arrangements — PRC Laws and Regulations Relating to Foreign Ownership in the Education Industry" in this prospectus. Therefore, there are significant uncertainties in relation to the interpretation and implementation of the Foreign Investment Law and its impact to our Contractual Arrangements and our business, financial condition and results of operations.

The Contractual Arrangements may not be as effective in providing control over our PRC Affiliated Entities as direct ownership.

We have relied and expect to continue to rely on the Contractual Arrangements to operate our education business in the PRC. For a description of these Contractual Arrangements, see "Contractual Arrangements" in this prospectus. These Contractual Arrangements may not be as effective in providing us with control over our PRC Affiliated Entities as equity ownership. If we had ownership of the school sponsor's interest of our PRC Operating Entities, we would be able to exercise our rights as a direct or indirect holder of the school sponsor's interest of our PRC Operating Entities to effect changes in the board of directors of our PRC Operating Entities, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. However, as these Contractual Arrangements stand now, if our PRC Operating Entities or our School Sponsor or the Registered Shareholders fail to perform their respective obligations under these Contractual Arrangements, we cannot exercise school sponsor's rights to direct such corporate action as the direct ownership would otherwise entail.

In addition, while each of the Registered Shareholders pursuant to the Contractual Arrangements pledged and granted first priority security interests over all of his or her equity interest in Lingnan Education together with all related rights thereto to Lingnan WFOE as collateral security for performance of the Contractual Arrangements and all such loss and expenses incurred to Lingnan WFOE as a result of any events of default on the part of the Registered Shareholders, Lingnan Education or each of our PRC Operating Entities, there is no equity pledge arrangement between Lingnan WFOE and Lingnan Education in respect of the school sponsor's interest of our schools held by Lingnan Education. As advised by our PRC Legal Advisors, any equity pledge arrangement where Lingnan Education pledges its school sponsor's interest in our schools in favor of us would be unenforceable under applicable PRC laws and regulations given that the sponsor interests in schools are not pledgeable under the PRC laws and any equity pledge arrangements with respect to our sponsor interests in schools cannot be registered with the relevant PRC regulatory authorities.

We have implemented measures to ensure that the company seals of our PRC Affiliated Entities are properly secured, are under the full control of our Company and cannot be used by Lingnan Education or the Registered Shareholders without our Company's permission. Please refer to the section headed "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (10) Equity Pledge Agreement" of this prospectus for further details.

If the parties under such Contractual Arrangements refuse to carry out our directions in relation to day-to-day business operations, we will be unable to maintain effective control over the operations of our PRC Affiliated Entities. If we were to lose effective control over our PRC

Affiliated Entities, certain negative consequences would result, including us being unable to consolidate the financial results of our PRC Affiliated Entities with the financial results of our Company. Given that revenue from our PRC Affiliated Entities constituted all of the total revenue in our consolidated financial statements for the years ended December 31, 2018, 2019 and 2020, our financial position would be materially and adversely impacted if we were to lose effective control over our PRC Affiliated Entities. In addition, losing effective control over our PRC Affiliated Entities may negatively impact our operational efficiency and brand image, and may impair our access to their cash flow from operations, which may reduce our liquidity.

The owners of our PRC Affiliated Entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Our control over our PRC Affiliated Entities is based upon the Contractual Arrangements with our PRC Affiliated Entities, the Registered Shareholders and the directors of our schools as appointed by Lingnan Education in its capacity as school sponsor and/or shareholder of our PRC Operating Entities. Lingnan Education is the direct holder of our school sponsor's interest and the Registered Shareholders, being shareholders of Lingnan Education, or their beneficial owners are also shareholders of our Company. Lingnan Education or the Registered Shareholders may potentially have conflicts of interest with us and breach their contracts or undertakings with us if it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between our Company on the one hand, and Lingnan Education or our PRC Affiliated Entities on the other hand, the Registered Shareholders or their beneficial owners will act entirely in our interest or that the conflicts of interest will be resolved in our favor. In the event that such conflict of interest cannot be resolved in our favor, we would have to rely on legal proceedings, which could result in disruptions to our business operations. Moreover, the outcome of such legal proceedings would be uncertain. If we are unable to resolve such conflicts, including if Lingnan Education or the Registered Shareholders breached their contracts or undertakings with us and as a result or otherwise we are subject to claims from third parties, our business, financial condition and results of operations could be materially and adversely affected.

We may not be able to satisfy the Qualification Requirement.

Pursuant to the Negative List and the MOE Opinions, the foreign investor in a Sino-foreign joint venture private school offering junior college must be a foreign educational institution with relevant qualification that provides high quality education (the "Qualification Requirement I"), holds less than 50% of the capital investment in the Sino-foreign joint venture private school (the "Foreign Ownership Restriction") and the domestic party shall play a dominant role (the "Foreign Control Restriction"). According to the consultation with the Cooperation and Exchange Office (交流合作處) and the Development and Planning Office (發展規劃處) of the Education Department of Guangdong Province, other than the Notice forwarded by the Office of Guangdong Government regarding the opinion of the Education Department of Guangdong Province on introducing world-famous universities to set up independent higher education institutions through joint sponsorship in Guangdong Province (Yuefuban [2013] No. 23) (《廣東省人民政府辦公廳轉發省教育廳關於引進世界知名大學來粵合作舉辦獨立設置高等學校意見的通知(粵府辦[2013]23號)》), no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation to provide quantitative or specific standards on the Qualification Requirement I in Guangdong Province, and as a matter of policy, no Sino-Foreign Joint Venture Private School in junior college education (as separate legal person) had been approved in

Guangdong Province since the Sino-Foreign Regulation became effective. In addition, pursuant to the Sino-foreign Vocational Skills Training Measures, the foreign investor in a Sino-foreign technical school must be a foreign education institution or a foreign vocational skills training institution with relevant qualifications and high quality (the "Qualification Requirement II"). According to the consultation with the Vocational Education and Management Office (技工教育管理處) of the Human Resources and Social Security Department of Guangdong Province, no implementing measures or specific guidance were promulgated pursuant to the Sino-foreign Vocational Skills Training Measures on the Qualification Requirement II in Guangdong Province, and as a matter of policy, no application to convert PRC private technical school into Sino-Foreign Joint Venture Private Technical School would generally be approved in Guangdong Province. As of the Latest Practicable Date, while we do not meet the Qualification Requirement I and/or Qualification Requirement II as we have no experience in operating schools outside of the PRC, we have taken concrete steps to comply with the Qualification Requirement I and/or Qualification Requirement II. See "Contractual Arrangements — PRC Laws and Regulation relating to Foreign Ownership in the Education Industry — Plan to Comply with the Qualification Requirement" for further details on our plans to comply with the Qualification Requirement I and/or Qualification Requirement II. We cannot assure you that we will meet the Qualification Requirement I and/or Qualification Requirement II in the future and the plan we have adopted will be sufficient to satisfy the Qualification Requirement I and/or Qualification Requirement II.

If the Foreign Ownership Restriction and the Foreign Control Restriction applicable to higher education institutions are lifted, we may be unable to terminate the Contractual Arrangements by acquiring the school sponsor's interests in Lingnan Institute of Technology before we are in a position to comply with the Qualification Requirement I. If we otherwise attempt to terminate the Contractual Arrangements by acquiring the school sponsor's interests in our schools before we satisfy the Qualification Requirement I and/or Qualification Requirement II, we may be considered by the regulatory authorities to be ineligible for operating schools and could be forced to cease the operation of our PRC Operating Entities, which may have a material adverse effect on our business, financial condition and results of operations.

Our exercise of the option to acquire the school sponsor's interest in our PRC Operating Entities and equity interest in our School Sponsor may be subject to certain limitations and we may incur substantial costs and expend significant resources to enforce the option under the Contractual Arrangements.

We may incur substantial cost on our part to exercise the option to acquire the school sponsor's interest in our PRC Operating Entities and equity interest in our School Sponsor. Pursuant to the Exclusive Call Option Agreement, Lingnan WFOE or its designated purchaser has the exclusive right to purchase all or part of the school sponsor's direct or indirect interest in our PRC Operating Entities and direct or indirect equity interest in our School Sponsor at the lowest price permitted under the PRC laws and regulations at any time. In the event that Lingnan WFOE or its designated purchaser acquires the school sponsor's interest in our PRC Operating Entities and equity interest in our School Sponsor and the relevant PRC authorities determine that the purchase price for acquiring the school sponsor's interest and/or equity interest of our PRC Affiliated Entities is below market value, Lingnan WFOE or its designated purchaser may be required to pay EIT with reference to the market value such that the amount of tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

The Contractual Arrangements may be subject to scrutiny by the PRC tax authorities and additional tax may be imposed, which may materially and adversely affect our results of operation and value of your investment.

Any arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities under relevant PRC laws and regulations. We could face material and adverse tax consequences if the PRC tax authorities determine that the Exclusive Technical Service and Management Consultancy Agreement we entered into with our PRC Affiliated Entities does not represent an arm's-length price and adjust any of those entities' income in the form of a transfer pricing adjustment. An adjustment in transfer pricing may increase our tax liabilities. In addition, the PRC tax authorities may have reasons to believe that our subsidiaries or PRC Affiliated Entities are avoiding tax obligations, and we may not be able to rectify such incident within the limited time period required by the PRC tax authorities. As a result, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes, which could materially and adversely affect our business, financial condition and results of operations.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the Guangzhou Arbitration Commission located in Guangzhou, Guangdong Province, China. The Contractual Arrangements provide that the arbitral body may award remedies over the equity interests and/or school sponsor's interest, property interests and/or assets of our PRC Affiliated Entities, injunctive relief or order of winding up of our PRC Affiliated Entities. In addition, the Contractual Arrangements stipulate that the courts in Hong Kong, the Cayman Islands and the places where the principal assets of our Company and our PRC Affiliated Entities are located are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal. However, we have been advised by our PRC Legal Advisors that the above-mentioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final winding-up order to preserve the assets of or any equity interest in our PRC Affiliated Entities in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or equity interest in our PRC Affiliated Entities in favor of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against our PRC Affiliated Entities as interim remedies to preserve the assets or equity interests in favor of any aggrieved party. Our PRC Legal Advisors are also of the view that, even though the Contractual Arrangements provide that the courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favor of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that our PRC Affiliated Entities or any of the Registered Shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over our PRC Affiliated Entities and conduct our education business could be materially and adversely affected. See "Contractual Arrangements — Dispute Resolution" in this prospectus for details regarding the enforceability of the dispute resolution provisions in the Contractual Arrangements as opined by our PRC Legal Advisors.

We rely on dividends and other payments from Lingnan WFOE to pay the dividends and make other cash distributions to our Shareholders.

We are a holding company and rely principally on dividends paid by our subsidiaries in China for our cash needs, including paying dividends and other cash distributions to our Shareholders, servicing any debt we may incur and paying our operating expenses. The income of Lingnan WFOE in turn depends on the service fees paid by our PRC Affiliated Entities. Current PRC laws and regulations permit our subsidiaries in China to pay dividends to us only out of its retained profits, if any, determined in accordance with Chinese accounting standards and regulations. Accordingly, Lingnan WFOE shall make up its losses of previous years when conducting outward remittance. Under the applicable requirements of PRC laws and regulations, Lingnan WFOE is required to set aside at least 10% of its after-tax profits based on PRC accounting standards each year to fund a statutory reserve until the accumulated amount of such reserve has exceeded 50% of its registered capital and may only distribute after-tax dividends after deduction of statutory reserve and other expenses as required by the regulations. These reserves are not distributable as cash dividends.

Our ability to distribute dividends to our Shareholders may be limited under the PRC laws and regulations.

As a holding company, our ability to pay dividends and make other cash distributions to our Shareholders mainly depends on our ability to receive dividends and other distributions from Lingnan WFOE. The amount of dividends and other distributions paid to us by Lingnan WFOE depends on the service fees received by Lingnan WFOE from our PRC Affiliated Entities.

Moreover, the government authorities have adopted a number of policies to regulate education fee collection and related-party transaction in the private education in recent years, including the newly promulgated Opinion on Further Strengthening and Regulating the Administration of Education Fees Collection (《關於進一步加強和規範教育收費管理的意見》). If the relevant PRC government authorities strengthen the administration on fee collection and related party transaction, or promulgate more stringent laws and regulations on private education in the future, the ability of our PRC Affiliated Entities to negotiate the service price and to pay service fees to Lingnan WFOE may be affected accordingly.

Substantial uncertainties exist regarding the interpretation and application of the 2016 Decision, including treatments of the schools in the PRC as non-profit schools or for-profit schools.

Our business is regulated by the Law for Promoting Private Education of the PRC, which was subsequently amended by the 2016 Decision promulgated on November 7, 2016 and became effective on September 1, 2017. The 2016 Decision classifies private schools into non-profit schools and for-profit schools based on whether they are established and operated on profit-making basis. The school sponsors of private schools may, at their own discretion, choose to establish non-profit or for-profit private schools, with the exception of schools providing compulsory education, which can only be established as non-profit schools.

The PRC government authorities may or may not promulgate rules and regulations to implement the 2016 Decision. It remains uncertain as to whether any such new rules and regulations would have any material adverse impact on our business. There is also significant uncertainty as to tax or other preferential treatments that our schools will be able to enjoy (as non-profit private schools or for-profit schools which we may choose to register) after the 2016 Decision and the relevant regulations come into force. In addition, there are uncertainties regarding the interpretation and enforcement of the 2016 Decision and the relevant regulations by government authorities. Failure to fully comply with the 2016 Decision or any relevant regulations as interpreted by the relevant government authorities may subject us to administrative fines or penalties or other negative consequences which could materially and adversely affect our brand name and reputation, as well as our business, financial condition and results of operations.

As of the Latest Practicable Date, the School Sponsor of our schools intends to elect and submit written application with the relevant authority in Guangdong Province to register them as for-profit private schools. As of the same date, other than the Guangdong Opinion and the Guangdong Measures, detailed rules and regulations regarding the conversion of existing private schools into for-profit or non-profit private schools have not been promulgated by Guangdong provincial government authorities, there are uncertainties involved in interpreting and implementing the 2016 Decision, such as (i) specific procedures to proceed in order for a school to become a for-profit school or non-profit school; and (ii) specific conditions or requirement in order for non-profit schools to enjoy the same preferential tax treatment as public school. Consequently, we are unable to accurately evaluate the potential impact on our operations at this stage, such as tax liabilities our schools may be exposed to if we choose for our schools to be for-profit private schools and the land and buildings ownerships our schools may be required to obtain as a result of the latest regulatory requirements. As the detailed rules and regulations regarding the conversion of existing private schools into for-profit private schools or non-profit private schools have not been promulgated by local governmental authorities other than the Guangdong Opinion and the Guangdong Measures, there can be no assurance that the conversion of our schools into for-profit private schools will not materially and adversely affect our business, financial condition and results of operations.

If any of our PRC Affiliated Entities becomes subject to winding up or liquidation proceedings, we may lose the ability to enjoy certain important assets, which could negatively impact our business and materially and adversely affect our ability to generate revenue.

We currently conduct our operations in China through Contractual Arrangements with our PRC Affiliated Entities and the Registered Shareholders. As part of these contractual arrangements, substantially all of our education-related assets that are important to the operation of our business are held by our PRC Affiliated Entities. If any of these PRC Affiliated Entities is wound up, and all or part of their assets become subject to liens or rights of third-party creditors or are distributed to other persons of higher priority than the school sponsor of the schools in accordance with the applicable PRC laws and regulations and articles of association of our PRC Affiliated Entities, we may be unable to continue some or all of our business activities, which could materially and adversely affect our business, financial condition and results of operations. If any of our PRC Affiliated Entities undergoes a voluntary or involuntary liquidation proceeding, our PRC Affiliated Entities may be required to distribute their assets to other persons of higher priority than the school sponsor, or its equity owner or unrelated third-party creditors may claim rights relating to some or all of these assets, which would hinder our ability to operate our business and could materially and adversely affect our business, our ability to generate revenue and the market price of our Shares. While each of the Registered Shareholders undertakes pursuant to the Contractual Arrangements that in the event of the dissolution or liquidation of our PRC Affiliated Entities and/or our School Sponsor or its subsidiaries, Lingnan WFOE and/or its designee shall have the right to exercise all of the school sponsors' rights on behalf of Lingnan Education and/or to exercise all shareholders' rights on behalf of the Registered Shareholders, we may not be able to exercise our rights in a timely manner and our business, financial condition and operations may be materially and adversely affected.

RISKS RELATING TO DOING BUSINESS IN CHINA

Adverse changes in the PRC economic, political and social conditions as well as laws and government policies, may materially and adversely affect our business, financial condition, results of operations and growth prospects.

The economic, political and social conditions in the PRC differ from those in more developed countries in many respects, including structure, government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment, allocation of resources, rate of inflation and trade balance position. Before the adoption of its reform and opening up policies in 1978, the PRC was primarily a planned economy. In recent years, the PRC government has been reforming the PRC economic system and government structure. For example, the PRC government has implemented economic reform and measures emphasizing the utilization of market forces in the development of the PRC economy in the past four decades. These reforms have resulted in significant economic growth and social prospects. Economic reform measures, however, may be adjusted, modified or applied inconsistently from industry to industry or across different regions of the country.

We cannot predict whether the resulting changes will have any adverse effect on our current or future business, financial condition or results of operations. Despite these economic reforms and measures, the PRC government continues to play a significant role in regulating industrial development and the development of the education industry, allocation of natural and other resources, production, pricing and management of currency, and there can be no assurance that the PRC government will continue to pursue a policy of economic reform or that the direction of reform will continue to be market friendly.

Our ability to successfully expand our business operations in the PRC depends on a number of factors, including macro-economic and other market conditions, and credit availability from lending institutions. Stricter credit or lending policies in the PRC may affect our customers' consumer credit or consumer banking business, and may also affect our ability to obtain external financing, which may reduce our ability to implement our expansion strategies. We cannot assure you that the PRC government will not implement any additional measures to tighten credit or lending standards, or that, if any such measure is implemented, it will not adversely affect our future results of operations or profitability.

Demand for private education and our education services and our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- general economic development, political instability or changes in social conditions of the PRC;
- changes in laws, regulations, and administrative directives or the interpretation thereof;
- measures which may be introduced to control inflation or deflation; and
- changes in the rate or method of taxation.

These factors are affected by a number of variables which are beyond our control.

Furthermore, while COVID-19 has had a severe and negative impact on the Chinese and the global economy, whether this will lead to a prolonged downturn in the economy remains to be seen. Even before the outbreak of COVID-19, the global macro-economic environment was facing numerous challenges. The growth rate of the Chinese economy had been slowing since 2010. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies that had been adopted by the central banks and financial authorities of some of the world's leading economies. There have also been concerns about the relationship between China and other countries. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to a variety of areas, including trade policies, national security, government regulations and tariffs some of which may impact the growth of the Chinese economy. For example, in 2019 and 2020, the United States had imposed restrictions on import controls against the Chinese technology company, Huawei, and in September 2020, the Commerce Department of the United States announced prohibitions on US persons engaging in certain transactions with the companies operating WeChat and TikTok to safeguard the national security of the United States. These measures may impair the development of certain key enterprises in the TMT Industry, which is one of the two key areas of focus for the key educational programs our schools currently offer. While U.S. President Biden has issued executive orders to replace some of these measures, we are unable to predict the ultimate impact of such executive orders on the Chinese companies involved. As a result, any impairment to the growth of the TMT Industry could affect employment opportunities for our students, which could in turn lead to a reduction in demand for our education services. In addition, economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China. Any severe or prolonged slowdown in the global or Chinese economy, or uncertainty in connection with the Sino-U.S. relationship may materially and adversely affect our business, results of operations and financial condition.

The PRC regulation of loans and direct investment by offshore holding companies to the PRC entities may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC Affiliated Entities; which could materially and adversely affect our liquidity and our ability to fund and expand our business operations.

In utilizing the proceeds of the Global Offering in the manner described in the section "Future Plans and Use of Proceeds" in this prospectus as an offshore holding company of our PRC subsidiary, we may (i) make loans to our PRC subsidiary or our PRC Affiliated Entities; (ii) make additional capital contributions to our PRC subsidiary; (iii) establish new subsidiaries and make additional new capital contributions to these new PRC subsidiaries; and (iv) acquire offshore entities with business operations in the PRC in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- loans by us to Lingnan WFOE, our subsidiary in the PRC, cannot exceed statutory limits and must be registered with SAFE, or its local counterparts;

- loans by us to our PRC Affiliated Entities, over a certain threshold, must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterparts; and

- capital contributions to our PRC subsidiaries, whether existing or newly-established ones, are subject to the requirement of necessary filings in the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the State Administration for Market Regulation and registration with other governmental authorities in China.

We expect that PRC laws and regulations may continue to limit our use of net proceeds from the Global Offering or from other financing sources. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all, with respect to future loans or capital contributions by us to our entities in the PRC. If we fail to receive such registrations or approvals, our ability to use the net proceeds from the Global Offering and to capitalize our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

PRC governmental control and restrictions on the convertibility of Renminbi may materially and adversely affect the value of your investments.

The PRC government imposes controls and restrictions on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of the PRC. The majority of our income is received in Renminbi and shortages in the availability of foreign currencies may restrict our ability to pay dividends or other payments, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from SAFE, by complying with certain procedural requirements. Approval from appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of the PRC to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may, at its discretion, impose restrictions on access to foreign currencies for current account transactions and if this occurs in the future, we may not be able to pay dividends in foreign currencies to our Shareholders.

We face foreign exchange risk, and the fluctuations in the exchange rates could have an adverse effect on our business and your investments.

The value of the Renminbi has been under pressure of appreciation in recent years. Due to international pressures on the PRC to allow more flexible exchange rates for the Renminbi, the economic situation and financial market developments in the PRC and abroad and the balance of payments situation in the PRC, the PRC government has decided to proceed further with reform of the Renminbi exchange rate regime and to enhance the Renminbi exchange rate flexibility.

Any appreciation or depreciation in the value of the Renminbi or other foreign currencies that our operations are exposed to will affect our business in different ways. In addition, changes in foreign exchange rates may have an impact on the value of, and any dividends payable on, the Shares in Hong Kong dollars. In such events, our business, financial condition, results of operations and growth prospects may be materially and adversely affected.

Inflation in the PRC could negatively affect our profitability and growth.

The economy of the PRC has been experiencing significant growth, leading to inflation and increased labor costs. According to the National Bureau of Statistics of China, the year-over-year growth in the consumer price index in the PRC was 2.4% in August 2020. The overall economy of the PRC and the average wage in the PRC are expected to continue to grow. Future increases in the PRC's inflation and material increases in the cost of labor may materially and adversely affect our profitability and results of operations unless we are able to pass on these costs to our students by increasing tuition fees.

The legal system of the PRC is not fully developed and there are inherent uncertainties that may affect the protection afforded to our business and our Shareholders.

Our business and operations in the PRC are governed by the PRC legal system that is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as these laws and regulations are relatively new and continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and different degrees of inconsistency. Some of the laws and regulations are still in the developmental stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in the PRC, including the promulgation of new laws, changes in existing laws or their interpretation or enforcement, or the pre-emption of local regulations by national laws. As a result, there is substantial uncertainty as to the legal protection available to us and our Shareholders. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in the PRC may be protracted and result in substantial costs and the diversion of resources and management attention.

As our Shareholder, you hold an indirect interest in our operations in the PRC. Our operations in the PRC are subject to PRC regulations governing PRC companies. These regulations contain provisions that are required to be included in the articles of association of PRC companies and are intended to regulate the internal affairs of these companies. PRC company law and regulations, in general, and the provisions for the protection of shareholders' rights and access to information, in particular, may be considered less developed than those applicable to companies incorporated in Hong Kong, the United States and other developed countries or regions. In addition, PRC laws, rules and regulations applicable to companies listed overseas do not distinguish among minority and controlling shareholders in terms of their rights and protections. As such, our minority shareholders may not have the same protections afforded to them by companies incorporated under the laws of the United States and certain other jurisdictions.

It may be difficult to effect service of process upon us, our Directors or our senior management members that reside in the PRC or to enforce against them or us in the PRC any judgments obtained from non-PRC courts.

The legal framework to which our Company is subject is materially different from the Companies Ordinance or corporate law in the United States and other jurisdictions with respect to certain areas, including the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework to which our Company is subject are also relatively undeveloped and untested. However, according to the PRC Company Law, shareholders may commence a derivative action against the directors, supervisors, officers or any third party on behalf of a company under certain circumstances.

On July 14, 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院互相認可和執行當事人協議管轄的民商事案件判決的安排》) (the "2006 Arrangement"). Under the 2006 Arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgment requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing by the parties, any party concerned may apply to the relevant people's court in the PRC or Hong Kong court for recognition and enforcement of the judgment. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

On January 18, 2019, the Supreme People's Court of the People's Republic of China and the Department of Justice under the Government of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) (the "2019 Arrangement"). The 2019 Arrangement, for the reciprocal recognition and enforcement of judgments in civil and commercial matters between the courts in the PRC and those in the Hong Kong Special Administrative Region, stipulates the scope and particulars of judgments, the procedures and ways of the application for recognition or enforcement, the review of the jurisdiction of the court that issued the original judgment, the circumstances where the recognition and enforcement of a judgment shall be refused, and the approaches towards remedies. After a judicial interpretation has been promulgated by the Supreme People's Court and the relevant procedures have been completed by the Hong Kong Special Administrative Region, both sides shall announce a date on which the 2019 Arrangement shall come into effect. The 2019 Arrangement shall apply to any judgment made on or after its effective date by the courts of both sides. The 2006 Arrangement shall be terminated on the same day when the 2019 Arrangement comes into effect. If a "written choice of court agreement" has been signed by the parties according to the 2006 Arrangement prior to the effective date of the 2019 Arrangement, the 2006 Arrangement shall still apply. Although the 2019 Arrangement has been signed, its effective date has yet to be announced. Therefore, there are still uncertainties regarding the outcomes and effectiveness of enforcement or recognition of judgments under the 2019 Arrangement.

All of our Directors and senior management members reside in the PRC, and substantially all of our assets, and substantially all of the assets of those persons are located in the PRC. Therefore, it may be difficult for investors to effect service of process upon those persons inside the PRC or to enforce against us or them in the PRC any judgments obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in the PRC of judgments of a court in any of these jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

If we are classified as a PRC "resident enterprise," we could be subject to PRC income tax at the rate of 25% on our worldwide income, holders of our Shares may be subject to a PRC withholding tax upon the dividends payable by us and upon gain from the sale of our Shares.

Under the EIT Law and its implementation rules, if an enterprise incorporated outside the PRC has its "de facto management bodies" located within the PRC, such enterprise may be recognized as a PRC tax resident enterprise and be subject to the unified EIT rate of 25% on its worldwide income. Under the implementation rules for the EIT Law, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. The State Administration of Taxation, or the SAT, issued the Notice regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》) (the "SAT Circular 82") on April 22, 2009. The SAT Circular 82 provides certain specific criteria for determining whether the "de facto management body" of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed having its de facto management body within China. One of the criteria is that a company's major assets, accounting books and minutes and files of its board and shareholders' meetings are located or kept in the PRC. In addition, the SAT issued a bulletin on July 27, 2011 and last amended on June 15, 2018, effective from September 1, 2011, providing further guidance on the implementation of the SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both the SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises and there are currently no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining "de facto management body" for companies like ours, the determination criteria set forth in SAT Circular 82 and the bulletin may reflect the SAT's general position on how the "de facto management body" test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

Since all of our senior management members are currently located in the PRC, we may be recognized as a PRC tax resident enterprise for the purpose of the EIT Law and therefore we would be subject to PRC income tax at the rate of 25% on our worldwide income. In such event, our income tax expenses may increase significantly and our net profit and profit margin could be materially and adversely affected.

Under the EIT Law, foreign corporate shareholders of a PRC resident enterprise will be subject to a 10% (or 20% for an individual) withholding tax upon dividends received from the PRC resident enterprise and on gain recognized with respect to the sale of shares of the resident enterprise. Accordingly, if we are treated as a PRC resident enterprise, our Shareholders may be subject to a 10% (or 20% for an individual) withholding tax upon dividends received from us and on gain recognized with respect to the sale of our Shares, unless such withholding tax is reduced by an applicable income tax treaty between China and the jurisdiction of the Shareholder. Any such tax may reduce the returns on your investment in our Shares.

The discontinuation of any preferential tax treatments currently available to us, in particular the tax exempt status of our PRC Operating Entities, could materially and adversely affect our results of operations.

Prior to the 2016 Decision taking effect on September 1, 2017, private schools, whether or not the school sponsors require reasonable returns, may enjoy preferential tax treatment according to the Implementation Rules for the Law for Promoting Private Education. The School Sponsor of Lingnan Institute of Technology had elected not to require reasonable return. On the other hand, it is not explicitly stated that whether the School Sponsor of Lingnan Modern Technician College requires reasonable returns. Pursuant to the 2016 Decision, a non-profit private school may enjoy the same preferential tax treatments as public schools in accordance with the relevant PRC laws and regulations. Our PRC Tax Consultant advised us that based on the applicable tax laws and regulations promulgated by the relevant authorities in the PRC and the publicly available tax filings and current operating practices as disclosed by our public company peers, and in light of the fact that neither Lingnan Institute of Technology nor Lingnan Modern Technician College has elected to register as a for-profit private school, the possibility of our schools being ordered by the relevant local tax authority to pay any back taxes during the Track Record Period is relatively low. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, including in the event our schools elect to register as for-profit private schools, or the local tax bureaus may change their policy, in each such case, we will be subject to PRC income tax on academic education income going forward. The discontinuation of any preferential tax treatment currently available to us or the determination of any of the relevant tax authorities that any of the preferential tax treatment we have enjoyed or currently enjoy is not in compliance with the PRC laws would cause our effective tax rate to increase, which would increase our tax expenses and reduce our net profit.

Following the execution of the Contractual Arrangements, Lingnan WFOE is initially subject to an EIT rate of 25% of the service fees it receives from our PRC Operating Entities. Such tax rate may be subject to change as it may qualify to enjoy the local preferential tax treatment with EIT rate of 15%, provided that it satisfies the requisite conditions stipulated by the Notice of the Ministry of Finance and the State Administration of Taxation on the Preferential Policies and Preferential Catalog of Enterprise Income Tax in Guangdong Hengqin New District, Fujian Pingtan Comprehensive Experimental Zone, Shenzhen Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone (《財政部、國家稅務總局關於廣東橫琴新區、福建平潭綜合實驗區、深圳前海深港現代化服務業合作區企業所得稅優惠政策及優惠目錄的通知》) published on May 30, 2014, which may have a significant impact on our profitability.

We may be subject to potential tax exposure for our treatment not recognizing academic education income as taxable income in 2019 and 2020.

Since there was uncertainty brought by the 2016 Decision and other related implementation rules, we proactively conducted self-tax assessment of our PRC Operating Entities and had aggregate EIT of approximately RMB12.4 million for the year ended December 31, 2018 based on our interpretations of the existing tax laws and regulations at that time. Lingnan Institute of Technology and Lingnan Modern Technician College had applied EIT at a rate of 25% on the taxable income during the Track Record Period (including academic education income as taxable income in year ended December 31, 2018) but treated the academic education income as non-taxable income in the years ended December 31, 2019 and 2020 based on our interpretation of the Amendment of the Law for Promoting Private Education of the PRC and the MOJ Draft for Review, which stipulated that non-profit private schools shall be entitled to the same treatment as public schools in terms of tax benefits, preferential tax treatments and preferential treatments in terms of land use (for example, preferential treatment on charges for the assignment or rental of land). Specifically, we interpreted that the above-mentioned laws and regulations to mean that the academic education income from Lingnan Institute of Technology and Lingnan Modern Technician College, being non-profit private schools at the relevant time, shall be non-taxable. With a view to confirming the tax treatment applicable to Lingnan Institute of Technology and Lingnan Modern Technician College, on November 10, 2020, we consulted the Guangzhou Taxation Bureau of the SAT, being the competent authority as advised by our PRC Legal Advisors to confirm matters relating to taxation issues relevant to the two schools. Such consultation confirmed our interpretation that as long as neither Lingnan Institute of Technology and Lingnan Modern Technician College has elected to register as for-profit private schools, we were in compliance with the applicable laws and regulations to treat academic education income generated by Lingnan Institute of Technology and Lingnan Modern Technician College as non-taxable income for the years ended December 31, 2019 and 2020. Academic education income is the income generated from the provision of formal education services provided by our Group, including junior college education, secondary vocational education, post-secondary vocational education, continuing education programs (which include two-year junior college-undergraduate program (自考專升本項目), 3+2 junior college-undergraduate program (自考專插本項目) and adult education program (成人教育項目)). Please refer to the section headed "Financial Information — Key Components of Our Results of Operations — Continuing Operations — Income Tax Expense" in this prospectus for details.

For illustrative purposes only, assuming that (i) our Lingnan Institute of Technology and Lingnan Modern Technician College had registered as for-profit private schools; and (ii) the Contractual Arrangements were effective during the entire Track Record Period under which all of the respective amount of surplus from operations (after deducting all costs, reasonable expenses and taxes in accordance with applicable PRC laws) of our PRC Affiliated Entities was paid to Lingnan

WFOE in accordance with the Contractual Arrangements, and Lingnan WFOE is subject to EIT of 25% of the profit before tax and VAT of 6% in respect of the service fees it received from our PRC Affiliated Entities, our Directors estimate that our tax exposure, which comprises EIT and VAT, would have increased by approximately RMB34.4 million, RMB41.9 million and RMB45.5 million for the years ended December 31, 2018, 2019 and 2020, respectively, in the worst case scenario. In addition, assuming that we distributed 30% of our profits available for distribution generated in each financial year during the Track Record Period pursuant to our dividend policy, all of which would have been financed by the distribution of Lingnan WFOE, we would be subject to a withholding tax at a rate of 10% on the distribution of Lingnan WFOE. Our Directors estimate that our tax exposure would have further increased by approximately RMB3.4 million, RMB3.8 million and RMB4.2 million for the years ended December 31, 2018, 2019 and 2020, respectively. In aggregate, the maximum tax exposure under the aforementioned assumptions and tax impact of our Group would be approximately RMB37.8 million, RMB45.7 million and RMB49.7 million for the years ended December 31, 2018, 2019 and 2020, respectively, accounting for approximately 27.6%, 29.5% and 29.1%, respectively, of our net profit for the same years.

In the event the relevant PRC tax authorities do not agree with our interpretation of the existing tax laws and regulations, we could be subject to additional EIT payments, as a result of which, our business, results of operations and financial condition could be materially and adversely affected.

RISKS RELATING TO THE GLOBAL OFFERING

No prior public market exists for our Shares and there can be no assurance that an active market would develop.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Sole Global Coordinator on behalf of the Underwriters and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of us may affect the volume and price at which our Shares will be traded.

The liquidity, trading volume and market price of our Shares following the Global Offering may be volatile.

The price at which our Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors, some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;

- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenues and cost structures such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- general market sentiment regarding private education companies;
- the depth and liquidity of the market for our Shares;
- additions to or departures of members of our senior management;
- changes in laws and regulations in the PRC affecting us, our industry or our Contractual Arrangements;
- our inability to compete effectively in the market; and
- political, economic, financial and social developments in the PRC and globally.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of their Shares regardless of our operating performance or prospects.

Because the initial public Offer Price per Share is higher than the net tangible book value per Share, purchasers of our Shares in the Global Offering will experience immediate dilution.

The Offer Price of our Offer Shares is higher than the net tangible book value per Share immediately prior to the Global Offering. Therefore, purchasers of our Offer Shares in the Global Offering will experience an immediate dilution in pro forma adjusted consolidated net tangible asset value of HK$1.20 per Share (assuming an Offer Price of HK$1.80 per Offer Share, being the mid-point of our Offer Price range of HK$1.59 to HK$2.01 per Offer Share) and existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. If we issue additional Shares in the future, purchasers of our Offer Shares may experience further dilution.

Substantial future sales or the expectation of substantial sales of our Shares in the public market could cause the price of our Shares to decline.

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares. There will be 1,334,000,000 Shares outstanding immediately following the Global Offering, assuming no exercise of the Over-allotment Option. Our Controlling Shareholders agreed that any Shares held by them will be subject to a lock-up after the Listing. See "Underwriting — Underwriting Arrangements and Expenses" for more information. However, the Underwriters may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiry of the lock-up period. Shares which are not subject to a lock-up arrangement represent approximately 25.04% of the total issued share capital immediately following the Global Offering (assuming no exercise of the Over-allotment Option) and will be freely tradable immediately following the Global Offering.

Our Controlling Shareholders have substantial influence on our Company and their interests may differ from your interests.

Immediately after the completion of the Global Offering and the Capitalization Issue (without taking into account of the Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme), our Controlling Shareholders will own approximately 75% of our Shares. As such, our Controlling Shareholders will have substantial influence over our business, including decisions regarding mergers, consolidations and the sale of all or substantially all of our assets, election of Directors and other significant corporate actions. This concentration of ownership may discourage, delay or prevent a change in control of our Company, which could deprive our shareholders of an opportunity to receive a premium for their Shares in a sale of our Company or may reduce the market price of our Shares. These actions may be taken even if they are opposed by our other Shareholders, including those who purchased Shares in the Global Offering. In addition, the interests of our Controlling Shareholders may differ from the interests of our other Shareholders.

Since there will be a gap of several days between pricing and trading of our Shares, holders of our Shares are subject to the risk that the price of our Shares could fall during the period before trading of our Shares begins.

The Offer Price of our Offer Shares is expected to be determined on the Price Determination Date. However, our Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be four business days after the pricing date. As a result, investors may not be able to sell or deal in our Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of our Shares could fall before trading begins as a result of adverse market conditions or other adverse developments, that could occur between the time of sale and the time trading begins.

Past dividend distributions may not be indicative of our future dividend policy.

During the Track Record Period and as at Latest Practicable Date, no dividend has been proposed, paid or declared by our Company or by any of the subsidiaries of our Group, except for the cash dividends of approximately RMB21.4 million declared and paid by a subsidiary during the year ended December 31, 2019. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our Articles of Association and the PRC laws, including (where required) the approvals from our shareholders and our Directors. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiary. As a result of the above, we cannot assure you that we will make any dividend payments on our Shares in the future with reference to our historical dividends. For further details of the dividend policy of our Company, see the section headed "Financial Information — Dividend Policy" in this prospectus.

We have significant discretion as to how we will use the net proceeds of the Global Offering, and you may not necessarily agree with how we use them.

Our management may spend the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering, to expand the Qingyuan Campus of Lingnan Institute of Technology in order to apply for the upgrade of our Lingnan Institute of Technology from an associate college to a vocational university, and expand our business and school network. Please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" for more information. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

We cannot guarantee the accuracy of facts and other statistics with respect to certain information obtained from the Frost & Sullivan Report that is contained in this prospectus.

Certain facts and statistics in this prospectus, including, but not limited to, information and statistics relating to the PRC private education industry, are based on the Frost & Sullivan Report or are derived from various publicly available publications, which our Directors believe to be reliable.

We cannot, however, guarantee the quality or reliability of such facts and statistics. Although we have taken reasonable care to ensure that the facts and statistics presented are accurately extracted and reproduced from such publications and the Frost & Sullivan Report, they have not been independently verified by us, the Sole Global Coordinator, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy. We therefore make no representation as to the accuracy of such facts and statistics which may not be consistent with other information complied by other sources and prospective investors should not place undue reliance on any facts and statistics derived from public sources or the Frost & Sullivan Report contained in this prospectus.

We are a Cayman Island company and you may face difficulties in protecting your interests under the laws of the Cayman Islands.

Our corporate affairs are governed by, among other things, our Memorandum and Articles and the Companies Act and common law of the Cayman Islands. The rights of Shareholders to take action against our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as that from English common law, which has persuasive, but not binding, authority on a court in the Cayman Islands. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those in other jurisdictions.

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements and information that are forward-looking and uses forward-looking terminology such as "anticipate", "believe", "could", "going forward", "intend", "plan", "project", "seek", "expect", "may", "ought to", "should", "would" or "will" and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Listing Rules, we do not intend to update or otherwise revise the forward-looking statements in this prospectus to the public, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or other media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

MANAGEMENT PRESENCE

Rule 8.12 of the Listing Rules requires that a new applicant applying for a primary listing on the Stock Exchange must have a sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Since our principal business operations are primarily located in the PRC and will continue to be based in the PRC, our executive Directors and senior management members are and will continue to be based in the PRC. At present, none of our executive Directors is ordinarily resident in Hong Kong. We have applied to the Stock Exchange for, and have obtained, a waiver from strict compliance with the requirements set out in Rule 8.12 of the Listing Rules subject to the following conditions:

(a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal channel of communication with the Stock Exchange. The two authorized representatives are Mr. Lao Hansheng, our executive Director, and Mr. Wang Tao, our joint company secretary and chief financial officer. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable period of time upon request and will be readily contactable by office, mobile and other telephone numbers, email address and correspondence address (if the authorized representative is not based at the registered office), facsimile numbers, if available, and any other contact details prescribed by the Stock Exchange from time to time. Each of the authorized representatives has been duly authorized to communicate on our behalf with the Stock Exchange. Each of Mr. Wang Tao and Mr. Lao Hansheng has confirmed that he possesses valid travel documents to Hong Kong, and he will be able to meet with the Stock Exchange within a reasonable period of time, when required;

(b) our authorized representatives have means of contacting all Directors promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication between the Stock Exchange, the authorized representatives and our Directors, our Company has implemented a policy whereby (i) each Director will provide his or her office phone number, mobile phone number, residential phone number, office facsimile number and email address to the authorized representatives; (ii) each Director will provide valid phone numbers or means of communication to the authorized representatives when he or she travels; and (iii) all Directors will provide their mobile phone numbers, office phone numbers, email addresses and office fax numbers to the Stock Exchange;

(c) our Company has, in accordance with Rule 3A.19 of the Listing Rules, also appointed Somerley Capital Limited as its compliance adviser, who will act as an additional channel of communication with the Stock Exchange. The compliance adviser will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong for a period commencing on the Listing Date at least until the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year after the Listing Date;

(d) meetings between the Stock Exchange and our Directors could be arranged through our authorized representatives or our Company's compliance adviser, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly in respect of any change in our Company's authorized representatives and compliance adviser; and

(e) each Director who is not ordinarily resident in Hong Kong has confirmed that he or she either possesses or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period.

JOINT COMPANY SECRETARIES

Pursuant to Rules 3.28 and 8.17 of the Listing Rules, we must appoint a company secretary who, by virtue of his or her academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of a company secretary.

Note 1 to Rule 3.28 of the Listing Rules further provides that the Stock Exchange considers the following academic or professional qualifications to be acceptable:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

In addition, pursuant to Note 2 to Rule 3.28 of the Listing Rules, in assessing "relevant experience", the Stock Exchange will consider the individual's:

(a) length of employment with the issuer and other issuers and the roles he or she played;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance, Companies (WUMP) Ordinance and the Takeovers Code;

(c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

As of the Latest Practicable Date, we operated two schools in the Greater Bay Area, namely, Lingnan Institute of Technology and Lingnan Modern Technician College, and therefore, our principal business activities are primarily conducted outside Hong Kong.

We have appointed Mr. Wang Tao, our chief financial officer, and Ms. Lau Jeanie ("Ms. Lau") as the joint company secretaries of the Company. Ms. Lau is an associate 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 England and therefore satisfies the requirements under Rules 3.28 and 8.17 of the Listing Rules pursuant to Note 1 of Rule 3.28 of the Listing Rules. For further details about the qualifications and experience of Ms. Lau, see "Directors and Senior Management — Joint Company Secretaries" in this prospectus. On the other hand, Mr. Wang Tao is not a member of The Hong Kong Institute of Chartered Secretaries, a solicitor or barrister (as defined in the Legal Practitioners Ordinance) nor a certified public accountant (as defined in the Professional Accountants Ordinance), as required under Rules 3.28 and 8.17 of the Listing Rules.

However, the Directors consider that Mr. Wang Tao, by virtue of his background and experience, is capable of discharging the functions of a joint company secretary. Mr. Wang Tao joined our Group in April 2018 as the assistant to the president of Lingnan Education. Mr. Wang Tao currently acts as our chief financial officer, being responsible for our overall management of financial and investment matters. For further details about the qualifications and experience of Mr. Wang Tao, see "Directors and Senior Management — Joint Company Secretaries" in this prospectus. Mr. Wang Tao is therefore experienced in business management and has a thorough understanding of the daily operations of our Group. Mr. Wang Tao has been actively involved in the Listing of the Company since the preparatory period, hence he is familiar with the legal and the Listing Rules' requirements and has been assisting the Board on corporate governance matters. Mr. Wang Tao, as our chief financial officer, also attended the training seminar regarding the responsibility of directors of listed companies delivered by our Company's legal advisers as to Hong Kong laws to the Directors and senior management of our Company.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. The waiver is granted on condition that (i) we engaged Ms. Lau, who possesses all the requisite qualifications required under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary for an initial period of three years commencing from the Listing Date, to work closely with and to assist Mr. Wang Tao in discharging his duties as a company secretary and in gaining the "relevant experience" as required under Note 2 to Rule 3.28 of the Listing Rules, and (ii) the waiver will be revoked immediately if Ms. Lau ceases to provide assistance to Mr. Wang Tao during the three-year period or if there are material breaches of the Listing Rules by the Company. At the end of the three-year period, our Company will liaise with the Stock Exchange to demonstrate to the satisfaction of the Stock Exchange that Mr. Wang Tao, having had the benefit of Ms. Lau's assistance for three years, would have acquired the "relevant experience" within the meaning of Rule 3.28 of the Listing Rules so that a further waiver would not be necessary.

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon Listing.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see "Connected Transactions — Continuing Connected Transactions" in this prospectus.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (WUMP) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this prospectus 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 prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus and the relevant Application Forms. Any information or representation not contained herein and therein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-manager and any of the Underwriters, any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

The Listing is sponsored by the Sole Sponsor, and the Global Offering is managed by the Sole Global Coordinator. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Sole Global Coordinator (on behalf of the Underwriters) and our Company on the Price Determination Date. The International Placing is expected to be fully underwritten by the International Underwriters subject to the terms and conditions of the International Underwriting Agreement, which is expected to be entered into on or about the Price Determination Date.

The Price Determination Date is expected to be on or around Tuesday, July 6, 2021 and, in any event, not later than 5:00 p.m. on Wednesday, July 7, 2021 (unless otherwise determined between the parties). If, for whatever reason, the Offer Price is not agreed between the Sole Global Coordinator and our Company by 5:00 p.m. on Wednesday, July 7, 2021, the Global Offering shall not become unconditional and shall lapse immediately.

See the section headed "Underwriting" for further information about the Underwriters and the underwriting arrangements.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedures for the Hong Kong Offer Shares are set forth in the section headed "How to Apply for the Hong Kong Offer Shares" and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set forth in the section headed "Structure of the Global Offering."

SELLING RESTRICTIONS ON OFFER AND SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus and on the relevant Application Forms.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances, in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Application has been made to the Stock Exchange for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Global Offering (including the Shares which may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Share Option Scheme).

Dealings in the Shares on the Stock Exchange are expected to commence on Tuesday, July 13, 2021. No part of our Shares or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought. All Offer Shares will be registered on the Hong Kong register of members of our Company and enabled to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made on an application in pursuance of the prospectus shall be void if the listing of, and permission to deal in, the Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

OVER-ALLOTMENT OPTION AND STABILIZATION

Details of the arrangements relating to the Over-allotment Option and stabilization are set out in the section headed "Structure of the Global Offering". Assuming that the Over-allotment Option is exercised in full, the Company may be required to issue and allot up to an aggregate of 50,100,000 Offer Shares.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance, and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. Investors should seek advice from their stockbroker or other professional advisers regarding details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTRAR AND STAMP DUTY

Our principal register of members will be maintained by our principal registrar, Conyers Trust Company (Cayman) Limited, in Cayman Islands, and our Hong Kong register of members will be maintained by the Hong Kong Share Registrar, Tricor Investor Services Limited, in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Placing will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the tax implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasized that none of us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-manager, the Underwriters, any of our/their respective affiliates, directors, officers, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares or exercising any rights attached to them.

EXCHANGE RATE CONVERSION

For illustration purposes, this prospectus includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts were or could be converted into another currency at the rates indicated, or at all. Unless otherwise indicated, (i) the translation between Renminbi and Hong Kong dollars was made at the rate of RMB0.8315 to HK$1, the exchange rate prevailing on June 21, 2021 published by the People's Bank of China (the "PBOC") for foreign exchange transactions, and (ii) the translation between Renminbi and U.S. dollars was made at the rate of RMB6.4546 to US$1, being the exchange rate prevailing on June 21, 2021 published by the PBOC for foreign exchange transactions.

TRANSLATION

If there is any inconsistency between the English version of this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail unless otherwise stated. However, if there is any inconsistency between the names of any of the entities mentioned in this English prospectus which are not in the English language and their English translations, the names in their respective original languages shall prevail.

ROUNDING

Unless otherwise stated, any numerical discrepancies in this prospectus between total and sum of amounts are due to rounding.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. He Huishan (賀惠山)	Room 202, No. 162 Huijing North Road Tianhe District Guangzhou Guangdong Province PRC	Chinese
Ms. He Huifen (賀惠芬)	Room 2001, No. 283 Huijing South Road Tianhe District Guangzhou Guangdong Province PRC	Chinese
Ms. He Huifang (賀惠芳).	Room 1501, No. 283 Huijing South Road Tianhe District Guangzhou Guangdong Province PRC	Chinese
Mr. Lao Hansheng (勞漢生). . . .	Room 420, No. 27 Building No. 492, Daguan Central Road Tianhe District Guangzhou Guangdong Province PRC	Chinese
Independent Non-executive Directors		
Mr. Luo Pan (羅潘)	Room 2005, Junbo International Building No. 699-13, Dongfeng East Road Yuexiu District Guangzhou Guangdong Province PRC	Chinese

Name	Address	Nationality
Mr. Yeh Zhe-Wei (葉哲瑋) (formerly known as Mr. Yeh Shih-Yin (葉士穎))	Flat C, 15/F, Tower 3A 8 Wui Cheung Road The Austin, Kowloon Hong Kong SAR	Chinese
Mr. Ma Shuchao (馬樹超)	Room 1903, No. 20, 555 Lane Henan South Road Huangpu District Shanghai PRC	Chinese

See also "Directors and Senior Management" in this prospectus for further details of our Directors.

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	**BNP Paribas Securities (Asia) Limited** 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Sole Global Coordinator	**BNP Paribas Securities (Asia) Limited** 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong

Joint Bookrunners

BNP Paribas Securities (Asia) Limited
59/F-63/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

CMB International Capital Limited
45/F Champion Tower
3 Garden Road
Central
Hong Kong

Futu Securities International (Hong Kong) Limited
Unit C1-2 13/F United Centre
No.95 Queensway Admiralty
Hong Kong

China Galaxy International Securities (Hong Kong) Co., Limited
20/F Wing On Centre
111 Connaught Road Central
Hong Kong

Joint Lead Managers	**BNP Paribas Securities (Asia) Limited** 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
	CMB International Capital Limited 45/F Champion Tower 3 Garden Road Central Hong Kong
	Futu Securities International (Hong Kong) Limited Unit C1-2 13/F United Centre No.95 Queensway Admiralty Hong Kong
	China Galaxy International Securities (Hong Kong) Co., Limited 20/F Wing On Centre 111 Connaught Road Central Hong Kong
Co-manager	**Sinomax Securities Limited** Room 2705–6, 27/F, Tower One Lippo Centre, 89 Queensway Hong Kong

Legal Advisors to our Company	*As to Hong Kong and U.S. law:* **Morgan, Lewis & Bockius** Suites 1902-09, 19/F Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law:* **Commerce & Finance Law Offices** 6/F, NCI Tower A12 Jianguomenwai Avenue Beijing PRC *As to Cayman Islands law:* **Conyers Dill & Pearman** 29th Floor One Exchange Square 8 Connaught Place Central Hong Kong
Legal Advisors to the Sole Sponsor and the Underwriters	*As to Hong Kong and U.S. law:* **Sullivan & Cromwell (Hong Kong) LLP** 20th Floor, Alexandra House 18 Chater Road, Central Hong Kong *As to PRC law:* **Haiwen & Partners** 20/F, Fortune Financial Center 5 Dong San Huan Central Road Chaoyang District, Beijing PRC
Auditor and Reporting Accountants	**Ernst & Young** Certified Public Accountants Registered Public Interest Entity Auditor 27/F, One Taikoo Place 979 King's Road Quarry Bay Hong Kong

Property Valuer	**Jones Lang LaSalle Corporate Appraisal and Advisory Limited** 7/F, One Taikoo Place 979 King's Road Hong Kong
PRC Tax Consultant	**Guangzhou Da Gong Certified Public Accountants Co., Ltd.** Suite E, 16/F West Tower, Fuxing Building 159 West Huangpu Avenue Tianhe District Guangzhou, Guangdong Province PRC
Industry Consultant	**Frost & Sullivan (Beijing), Inc. Shanghai Branch Co.** 2504 Wheelock Square 1717 Nanjing West Road Shanghai PRC
Receiving Bank	**Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong
Compliance Advisor	**Somerley Capital Limited** 20/F, China Building 29 Queen's Road Central Hong Kong

Registered Office	Cricket Square Hutchins Drive, P.O. Box 2681 Grand Cayman, KY1-1111 Cayman Islands
Headquarter and Principal Place of Business in PRC	No. 492 Da Guan Zhong Road Tianhe District Guangzhou Guangdong Province PRC
Principal Place of Business in Hong Kong	40th Floor, Dah Sing Financial Centre No. 248 Queen's Road East Wanchai Hong Kong
Company's Website	www.lnedugroup.com *(information contained in this website does not form part of this prospectus)*
Joint Company Secretaries	Mr. Wang Tao (王濤) Room 303, No. 27 Building No. 492, Daguan Central Road Tianhe District Guangzhou Guangdong Province PRC Ms. Lau Jeanie (劉准羽) (ACS, ACG) Room 3709, Kai King House Cho Yiu Chuen Kwai Chung Hong Kong
Authorized Representatives	Mr. Lao Hansheng (勞漢生) Room 420, No. 27 Building No. 492, Daguan Central Road Tianhe District Guangzhou Guangdong Province PRC Mr. Wang Tao (王濤) Room 303, No. 27 Building No. 492, Daguan Central Road Tianhe District Guangzhou Guangdong Province PRC

Audit Committee	Mr. Luo Pan (羅潘) *(Chairman)* Mr. Yeh Zhe-Wei (葉哲瑋) Mr. Ma Shuchao (馬樹超)
Remuneration Committee	Mr. Yeh Zhe-Wei (葉哲瑋) *(Chairman)* Mr. Luo Pan (羅潘) Mr. Lao Hansheng (勞漢生)
Nomination Committee	Mr. He Huishan (賀惠山) *(Chairman)* Mr. Luo Pan (羅潘) Mr. Yeh Zhe-Wei (葉哲瑋)
Principal Banks	Bank of China Gongyeyuan Branch Room 101, Block 3 No. 16 Keyun Road Tianhe District Guangzhou, Guangdong Province, PRC
	China CITIC Bank Huangpu Branch First Floor, Jinlongyuan No. 193-203 Huangpu East Road Huangpu District Guangzhou, Guangdong Province, PRC
	Bank of China Kexuecheng Branch No. 111 Science Boulevard Hi-tech Industrial Development Zone Huangpu District Guangzhou, Guangdong Province, PRC
	China Construction Bank Shahe Branch No. 106 Shuiyin Siheng Road Tianhe District Guangzhou, Guangdong Province, PRC
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Hong Kong Share Registrar	**Tricor Investor Services Limited** Level 54 Hopewell Centre 183 Queen's Road East Hong Kong

This section contains certain information, statistics and data which are derived from official government publications and industry sources as well as a commissioned report from Frost & Sullivan, an Independent Third Party (the "Frost & Sullivan Report"). The information from official government publications and the Frost & Sullivan Report may not be consistent with information available from other sources within or outside the PRC and Hong Kong. We believe that the sources of the information in this section are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any part has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-manager, the Underwriters or any other party involved in the Global Offering (other than Frost & Sullivan) and no representation is given as to its accuracy.

SOURCES OF INFORMATION

We commissioned Frost & Sullivan, an independent market research and consulting firm, to conduct an analysis of the private formal vocational education market and the rising industries in the Greater Bay Area, which is an integrated economic and business hub under PRC government schemes.

Founded in 1961, Frost & Sullivan has over 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We engaged Frost & Sullivan for a total fee of RMB1,176,000 in connection with the preparation of the Frost & Sullivan Report. We have extracted certain information from the Frost & Sullivan Report in this prospectus to provide our potential investors with a more comprehensive presentation of the industries in which we operate.

During the preparation of the Frost & Sullivan Report, Frost & Sullivan performed both primary research, which involved discussing the status of the industry with leading industry participants and industry experts, and secondary research, which involved reviewing annual reports of companies, independent research reports and Frost & Sullivan's proprietary database. The Frost & Sullivan Report was compiled based on the following assumptions: (i) the economy of China and the Greater Bay Area is expected to maintain steady growth in the next decade; (ii) the social, economic and political environment of China and the Greater Bay Area are likely to remain stable in the forecast period from 2020 to 2024; and (iii) market drivers, such as the support from PRC central and local governments, improved investment in private education in China and the increase of household income and wealth, are likely to drive the vocational education market in China and the Greater Bay Area. Projected total market size was obtained from historical data analysis plotted against macroeconomic data as well as specific related industry drivers.

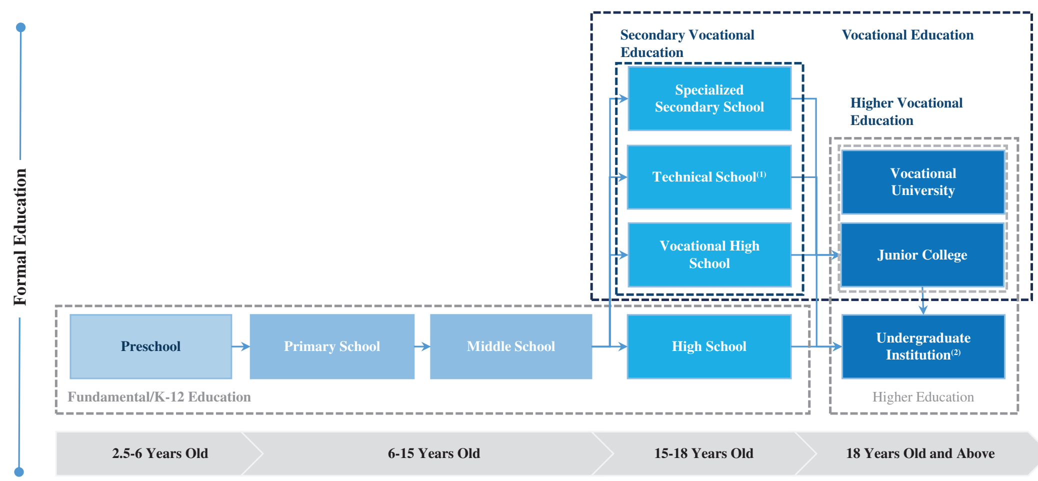
Based on and subject to the aforesaid, our Directors believe that the disclosure of future projections and industry data in this section is not false or misleading. We believe that the sources of the information in this section are appropriate and we have taken reasonable care in extracting and reproducing such information. After taking reasonable care and based on Frost & Sullivan's views, our Directors confirm that there has been no adverse change in the market information since the date of the Frost & Sullivan Report up to the Latest Practicable Date, which may qualify, contradict or have an adverse impact on the information contained in this section.

OVERVIEW OF THE PRIVATE VOCATIONAL EDUCATION MARKET

Overview of the Private Vocational Education Market in the PRC

In China, vocational education can be generally categorized into formal and non-formal vocational education. Formal vocational education consists of higher vocational education (including vocational university education and junior college education) and secondary vocational education. Non-formal vocational education consists of different kinds of trainings and students will earn completion certificates that are granted by the institutions which may not be recognized by the government. The following diagram illustrates the composition of the formal vocational education in China.

Illustration of China's Formal Education System



Notes:

(1) Technical schools include technician colleges (技師學院), senior technical schools (高級技工學校) and general technical schools (普通技工學校). Technician colleges provide "post-secondary vocational program" (高級職業課程), senior technical schools provide "post-secondary vocational program" and "secondary vocational program" (中級職業課程), and general technical schools provide "secondary vocational program".

(2) Undergraduate Institution includes both regular university and independent college.

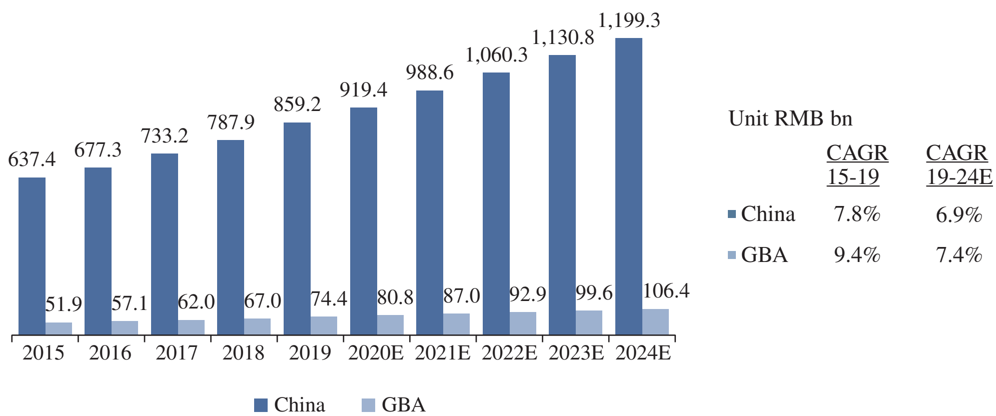
Source: Frost & Sullivan

Market Size and Trends of the Private Formal Vocational Education Industry in China and in the Greater Bay Area

China's rapid economic growth and structural change from an economy dependent on the manufacturing sector to an increasingly service-based economy driven by technology and service, have led to a sizeable demand for skilled talents who received practical and vocational trainings and those who can swiftly adapt to the workplace. Such trend has also contributed to a solid growth in the vocational education industry. According to the Frost & Sullivan Report, China's vocational education industry grew steadily from RMB637.4 billion in 2015 to RMB859.2 billion in 2019 in terms of the total revenue, representing a CAGR of 7.8% and is expected to grow to reach RMB1,199.3 billion in 2024, representing a CAGR of 6.9%. Meanwhile, the Greater Bay Area, as a national initiative highlighted in China's long-term strategic development plan, has attracted top

PRC corporations and fast-growing companies to conduct business in the region, which increased the demand of the Greater Bay Area's vocational education industry. It exhibited a solid growth from RMB51.9 billion in 2015 to RMB74.4 billion 2019, representing a CAGR of 9.4%, and is expected to further increase to RMB106.4 billion in 2024, representing a CAGR of 7.4% from 2019 to 2024.

Market Size of the Vocational Education Industry in China and in the Greater Bay Area



Source: MOE, Frost & Sullivan

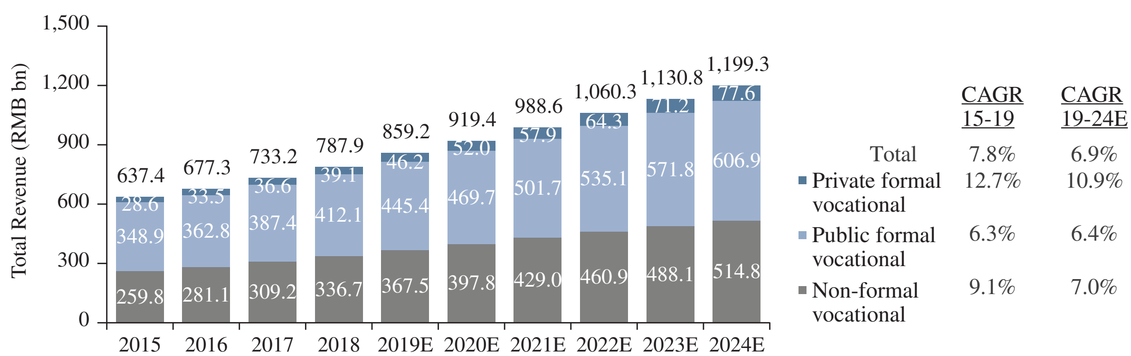
The Chinese government has promoted private formal vocational education from the policy level. In 2019, the Ministry of Education issued the Draft Revision of the Law of the People's Republic of China on Vocational Education 《中華人民共和國職業教育法修訂草案(徵求意見稿)》, emphasizing the importance of enterprises in running schools and supporting the extensive participation of various social entities in vocational education. Riding on the prevailing trend of private formal vocational education promoted by the Chinese government, according to the Frost & Sullivan Report, the private formal vocational education industry in China has recorded robust growth over the past five years, from RMB28.6 billion in 2015 to RMB46.2 billion in 2019 in terms of the total revenue, representing a CAGR of 12.7%, and is expected to reach RMB77.6 billion in 2024, representing a CAGR of 10.9%. Meanwhile, due to a strong economic growth, the demand for private formal vocational education in the Greater Bay Area has also increased stably. According to the Frost & Sullivan Report, the total revenue of private formal vocational education in the Greater Bay Area has increased from RMB4.6 billion in 2015 to RMB6.5 billion 2019, representing a CAGR of 9.2%, and is expected to further increase to RMB10.3 billion in 2024, representing a CAGR of 9.6%. According to the Frost & Sullivan Report, there were approximately 140 private formal vocational education groups, approximately 150 private formal vocational education institutions and 462,400 total student enrollment in the Greater Bay Area.

In 2019, the People's Government of Guangdong Province proposed in the "Three Years Action Plan for Professional Education of Guangdong Province by 'Increasing Capacity, Improving Quality, Strengthening Service' (2019-2021)" (《廣東省職業教育"擴容、提質、強服務"三年行動計劃(2019-2021年)》) that more than 120,000 new graduates of higher vocational education shall be added by 2021, and the overall size of the secondary vocational education market in Guangdong Province shall remain stable, while the structure shall be gradually optimized. According to the MOE, the new enrollment in higher vocational education in Guangdong Province increased from 290,500 in 2018 to 328,100 in 2019, and is expected to reach 354,500 in 2020, according to Frost & Sullivan Report. Moreover, the new enrollment in the secondary vocational education in

Guangdong Province is expected to grow from 462,000 in 2018 to 464,600 in 2019, and is expected to reach 466,000 in 2020, according to the Guangdong Provincial Education Examination Institute (廣東省教育考試院). Therefore, it is expected that the admission quota and school capacity of higher vocational educations in Guangdong province will continue to increase.

The rising recognition of vocational education and government's promotion of formal vocational education has led to an increasing demand for private formal vocational education institutions to attract students from the non-formal vocational and public formal vocational education market. According to the Frost & Sullivan Report, the total revenue of non-formal vocational education in China is expected to increase from RMB367.5 billion in 2019 to RMB514.8 billion in 2024, representing a CAGR of 7.0%. Meanwhile in the Greater Bay Area, the non-formal vocational education market is expected to increase from RMB30.3 billion in 2019 to RMB43.8 billion in 2024, representing a CAGR of 7.7%. The following chart illustrates the market size breakdown of the vocational education industry in China from 2015 to 2019, and the forecast period from 2020 to 2024.

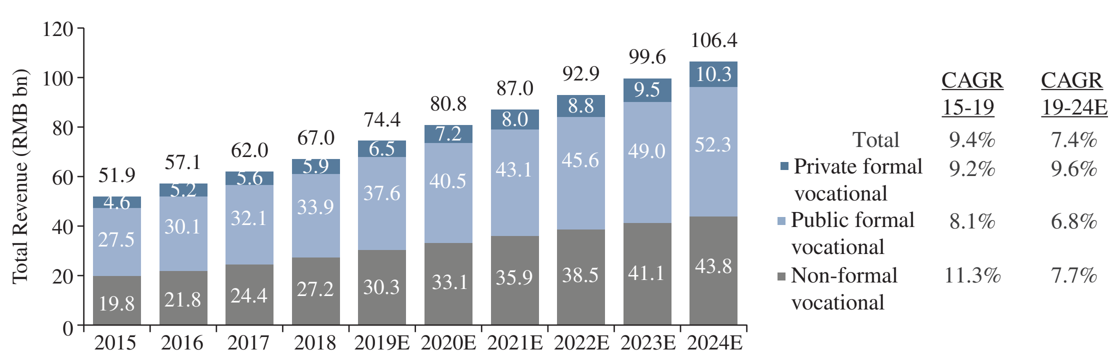
Total Revenue of Vocational Education Market (China), 2015-2024E



Source: MOE, Frost & Sullivan

The following chart illustrates the market size breakdown of the vocational education industry in the Greater Bay Area from 2015 to 2019, and the forecast period from 2020 to 2024.

Total Revenue of Vocational Education Market (GBA), 2015-2024E

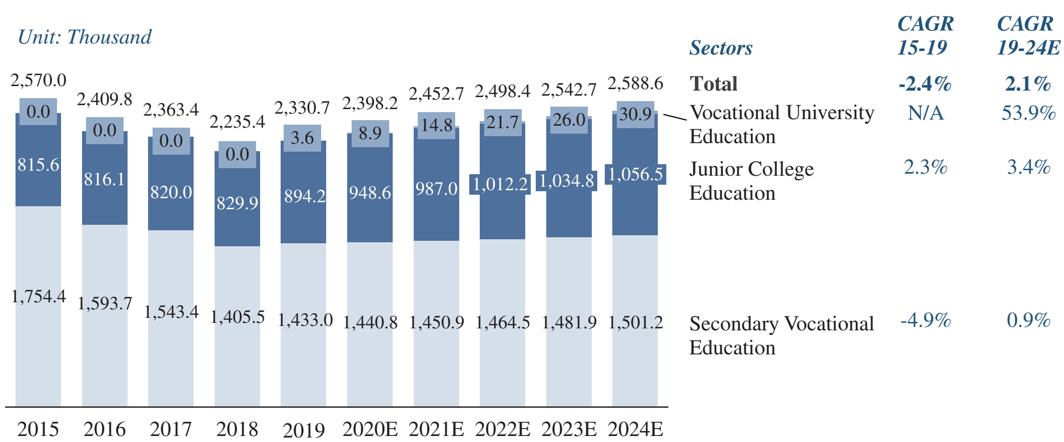


Source: MOE, Frost & Sullivan

Market Size of the Formal Vocational Education Industry in Guangdong Province

The following chart sets for a breakdown the number of student enrollments in formal vocational education industry in Guangdong Province from 2015 to 2019, and the forecast period from 2020 to 2024.

Total Student Enrollments in Formal Vocational Education Industry (Guangdong), 2015-2024E



Source: MOE, Frost & Sullivan

According to the Frost & Sullivan Report, the sustainable growth of the demand for formal vocational education in Guangdong Province is supported by (i) the increase of total number of student enrollments and new enrollment in vocational education; (ii) high Initial Employment Rate; and (iii) growing base of school-age population with high level of birth rate in Guangdong Province.

According to the MOE, the total number of student enrollments of vocational education in Guangdong Province increased from 2,235,400 in 2018 to 2,330,700 in 2019, and is expected to reach 2,398,200 in 2020, representing a CAGR of 2.1% from 2019 to 2024. The new student enrollment in vocational education in Guangdong Province increased from 752,500 in 2018 to 796,300 in 2019, and is expected to reach 825,700 in 2020. Therefore, it is expected that the demand and admission quota of vocational educations in Guangdong Province will continue to increase.

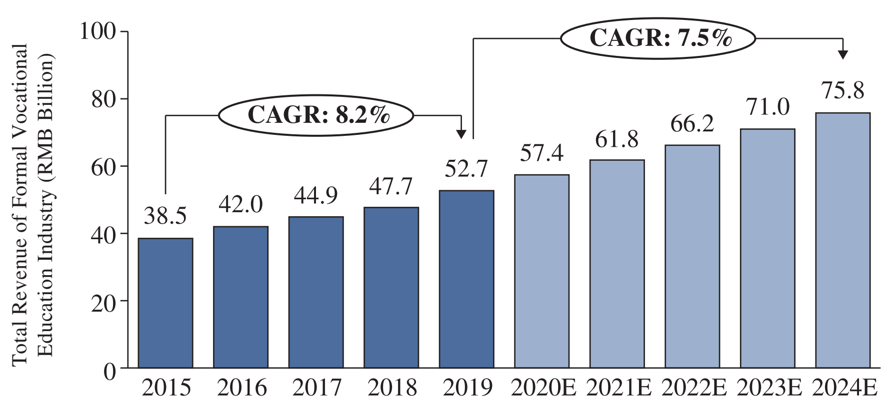
The number of vocational education institutions in Guangdong Province decreased slightly from 689 in 2018 to 644 in 2020, mainly due to the decreasing number of secondary vocational education institutions. According to the "Guangdong Provincial Three-Year Action Plan for 'Enlarging Capacity, Improving Quality and Strengthening Service' of Vocational Education (2019-2021) (《廣東省職業教育"擴容、提質、強服務"三年行動計劃(2019-2021年)》), the structure of secondary vocational education will be continuously optimized to ensure that all secondary vocational institutions meet the national standards.

Looking forward, it is expected that the number of vocational education institutions is expected to decline in 2021, and remain relatively stable by 2024, due to the steady development of the number of secondary vocational institutions and the continuous trend of junior colleges upgrading to vocational universities in Guangdong Province from 2021 to 2024. Given the junior colleges need to be approved by the MOE to provide undergraduate vocational education (職業本科), the forecast number of vocational universities in Guangdong Province is not available. The table below sets forth the number of vocational education institutions in Guangdong Province for the years indicated.

Number of Vocational Education Institutions in Guangdong Province	**2018**	**2019**	**2020**
Vocational universities.	–	2	2
Junior colleges…	88	87	87
Secondary vocational education institutions . . .	601	584	555
Total	689	673	644

The following chart sets forth the market size of formal vocational education industry in Guangdong Province in terms of revenue from 2015 to 2019, and the forecast period from 2020 to 2024.

Total Revenue of Formal Vocational Education Industry (Guangdong), 2015-2024E



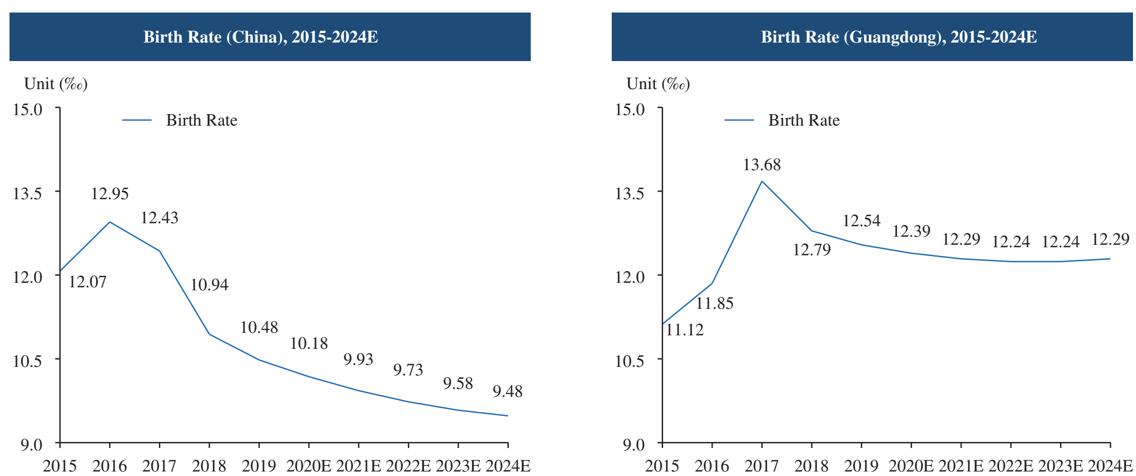
Source: MOE, Frost & Sullivan

The total revenue of vocational education in Guangdong has grown from RMB38.5 billion in 2015 to RMB52.7 billion 2019, representing a CAGR of 8.2%. The total revenue of formal vocational education in Guangdong is expected to increase to RMB75.8 billion in 2024, representing a CAGR of 7.5% from 2020, mainly due to the increase in the number of student enrollments in vocational education in Guangdong Province, which was supported by PRC government policies and a growing market demand for skilled talents, as well as an increase in tuition fees.

Birth Rate, Population and Demographics in the Greater Bay Area

According to the Frost & Sullivan Report, the birth rate in Guangdong Province has maintained a relatively high level in recent years as compared to that of China, and the trend is expected to continue, which is also beneficial to the sustainable growth in the demand for the private formal vocational education industry because Guangdong Province is expected to have a growing base of school-age population in the future. The birth rate in Guangdong Province increased from 11.12‰ in 2015 to 12.54‰ in 2019, and is expected to slightly decrease to 12.29‰ in 2024. In contrast, the birth rate in China has exhibited a downtrend recorded a decrease from 12.07‰ in 2015 to 10.48‰ in 2019, and is expected to further decrease to 9.48‰ in 2024. The following charts illustrate the birth rates of China and Guangdong Province from 2015 to 2019 and the forecast period from 2020 to 2024. The strong population growth and relatively young demographics in the Greater Bay Area could be beneficial to the stable growth of student enrollment in the private formal vocational education market. According to the Frost & Sullivan Report, the student enrollment of private formal vocational education in the Greater Bay Area is expected to increase from 462,400 in 2019 to 563,700 in 2024, representing a CAGR of 4.0%.

Birth Rate (China and Guangdong Province), 2015 – 2024E



Source: National Bureau of Statistics, Frost & Sullivan

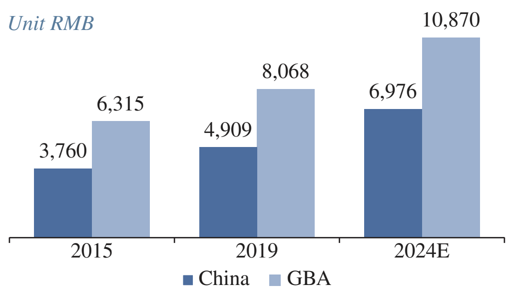
Average Annual Tuition Fee of Private Vocational Education Industry in the Greater Bay Area

Due to the strong increase in household income and demand for vocational education in the Greater Bay Area, the average annual tuition fee of private vocational education industry in the Greater Bay Area was higher than that of China, and the trend is expected to continue. According to the Frost & Sullivan Report, the average annual tuition fee of private vocational education Industry in the Greater Bay Area was RMB8,068 in 2019, higher than that of in China, which was RMB4,909 in the same year. In 2024, the average annual tuition fee of private vocational education industry in the Greater Bay Area is expected to reach RMB10,870, while the average annual tuition fee of private vocational education industry in China is expected to reach RMB6,976. The relatively higher average annual tuition fee of private vocational education in the Greater Bay Area reflected the higher household income in the Greater Bay Area and the higher Initial Employment Rate the private vocational education institutions in the Greater Bay Area generally achieve than that of in China.

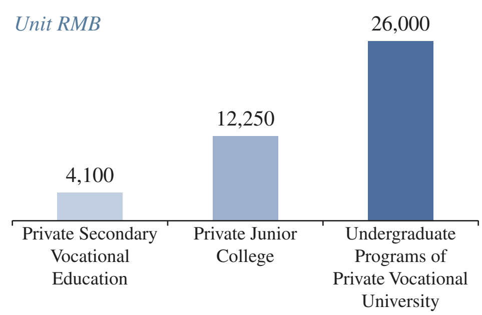
According to the Frost & Sullivan Report, the average tuition fee of private vocational university in the Greater Bay Area was RMB26,000 in 2019, significantly higher than that of junior college and secondary vocational education, which were RMB12,250 and RMB4,100, respectively. This reflected that in the private formal vocational education system in the PRC, the higher the education level, the higher the ability for education service providers to charge higher average annual tuition fee, which is favorable to the players in the Greater Bay Area.

The following charts illustrate the average annual tuition fee of private vocational education industry in China and the Greater Bay Area from 2015 to 2019, and the forecast period from 2020 to 2024, and the average annual tuition fee of private vocational universities in the Greater Bay Area in 2019.

Average Annual Tuition Fee of Private Vocational Education Industry (China and the Greater Bay Area), 2015-2024E



Average Annual Tuition Fee of Private Vocational Universities (the Greater Bay Area), 2019

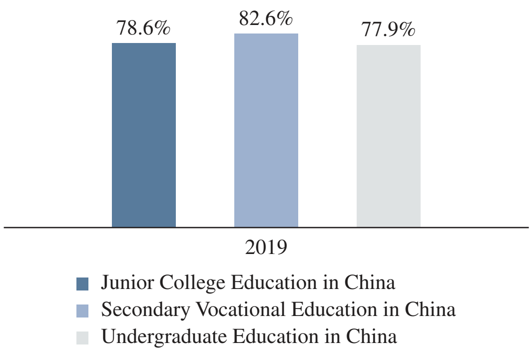


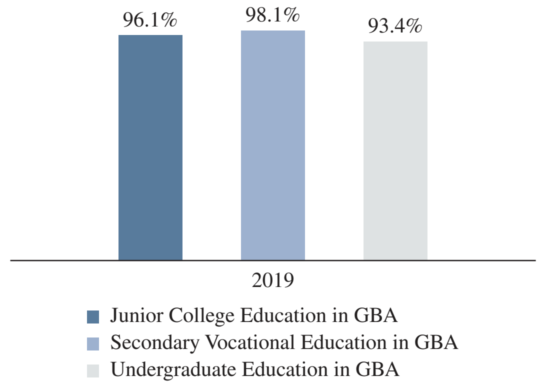
Source: MOE, Frost & Sullivan

Initial Employment Rate of Vocational Education and Undergraduate Education Industry in the Greater Bay Area

According to the Frost & Sullivan Report, the Initial Employment Rates of junior college education, secondary vocational education and undergraduate education in the Greater Bay Area were all higher than the national average in 2019. The Initial Employment Rate of junior college education, secondary vocational education and undergraduate education in the Greater Bay Area was 96.1%, 98.1% and 93.4% in 2019, respectively, which was higher than the Initial Employment Rate of junior college education, secondary vocational education and undergraduate education in China, which was 78.6%, 82.6% and 77.9% in 2019, respectively. The high Initial Employment Rates in the Greater Bay Area were driven by the strong economic vitality and growth and the strategic role of the Greater Bay Area in China, which was conducive to a stable increase in the demand for higher and vocational education. The following charts illustrate the Initial Employment Rates of vocational education and undergraduate education in China and the Greater Bay Area in 2019.

Initial Employment Rate of Vocational Education and Undergraduate Education Industry (China and the Greater Bay Area), 2019





Source: MOE, Frost & Sullivan

Entry Barriers of Private Formal Vocational Education Industry in the Greater Bay Area

According to the Frost & Sullivan Report, the private formal vocational education industry in the Greater Bay Area has relatively high entry barriers. Specific entry barriers are set forth below:

- ***High initial capital requirement***: A large amount of initial capital investment is required to obtain land use rights and invest in campus construction, teaching facilities and equipment, among other things. The investment is a long term commitment with continuous capital expenditure to maintain the quality of the higher education.

- ***Regulatory approvals***: Private school operators in China are required to obtain and maintain a series of approvals, licenses and permits and comply with a set of designated registration and filing requirements raised by relevant governmental authorities. The process for obtaining such approvals is often complex and time consuming.

- ***Highly qualified teachers***: Vocational education involves expertise in practical experience whereby teachers and professors are often recruited from corporates. Teachers with both academic and professional qualifications are also highly sought in vocational education industry.

- ***Training sites***: For cultivating talent with practical and readily applicable technical skills, a vocational school operator needs to provide its students the opportunities to practice their skills and techniques by working on real-life projects. In order to do so, the operator needs to maintain long-term stable cooperation with a variety of enterprise who are willing and in a position to provide such real-life opportunities to students.

Market Drivers of the Private Formal Vocational Education in the Greater Bay Area

According to the Frost & Sullivan Report, the rapid development of private formal vocational education in the Greater Bay Area is primarily driven by the following factors:

- ***Large population base with high birth rate***: Guangdong Province is the largest province in China in terms of permanent resident population in 2019. In addition, the birth rate in Guangdong is higher than the national average. With nine cities in the Greater Bay Area situated within the Pearl River Delta Area, which has been continuously attracting migrant workers from across the PRC, vocational Education in the Greater Bay Area plays a crucial role in equipping such workers with practical and technical-oriented trainings, which drives the demand for vocational education.
- ***High quality manufacturing industry in Guangdong Province***: As a major manufacturing province in the PRC, the high-quality manufacturing industry in Guangdong Province has been developing rapidly, boosting the demand for highly-skilled talents. In 2019, the added value of advanced manufacturing and high-tech manufacturing in Guangdong Province accounted for 54.9% and 31.5% of the total industrial sector in the province, which increased by 7.0% and 5.9% from 2015, respectively. Meanwhile, vocational education graduates are highly sought after by the employers because they are trained with practical, vocational and technical-oriented skills, which allow them to quickly adapt to the workplace and contribute to an entity's productivity. Therefore, Guangdong Province proactively implements the manufacturing talent demand matching strategy, continuously coordinates the development of vocational education, optimizes the structure and layout of vocational education, and promotes the high-quality development vocational education in the province. With the strong economic growth in Guangdong Province and government's promotion of formal vocational education, the demand for vocational education continues to rise.
- ***Scarcity of vocational education resources***: The scarcity of vocational education resources in Guangdong Province and the Greater Bay Area brings development potential. The vocational education of Guangdong Province not only enrolls a large number of middle school and high school graduates within the province, but also attracts graduates from neighboring provinces, such as Guangxi and Jiangxi Provinces, to study as well as work in Guangdong Province after graduation, stimulating the demand for vocational education services in Guangdong Province. In 2019, the admission rate of higher vocational education in Guangdong Province was 36.5%, which was much lower than that of China of 41.1% in the year. The relatively low admission rate indicates that the proportion of high school graduates in Guangdong Province who were eligible for admission into higher vocational education was relatively low, mainly because there are relatively few higher vocational education institutions in Guangdong Province, indicating the scarcity of higher vocational education resources in Guangdong Province, and the huge potential for enrollment and development of higher vocational education in the province. In addition, the Greater Bay Area plays a key role in driving China's economic development and attracting companies from rising industries to conduct business in the area, which creates strong demand for skilled professional and technical talents. This increases the scarcity for high-quality vocational education resources in the Greater Bay Area.

- ***Government's initiatives to reform vocational universities and boost supply***: In addition to expanding student enrollment in higher vocational education by 1 million per year from 2019 to 2021 in China, the MOE issued the National Vocational Education Reform Implementation Plan (《國家職業教育改革實施方案》) in February 2019, aiming to cultivate more high-quality and skilled workforce by reforming the vocational education systems and clarifying that vocational education and general education are two different types of education with the same level of importance. It introduced various measures, including (i) improving the national systems and policies relating to vocational education; (ii) establishing national standards for vocational education; (iii) promoting the integration of enterprises with vocational institutions and universities; and (iv) establishing diversified operation of vocational institutions. It also proposed to carry out a pilot program of higher vocational education from the undergraduate level. As of October 2020, 22 higher vocational institutions in China had been upgraded to undergraduate level vocational schools and were renamed as vocational universities, including 21 private vocational universities, two of which are located in Guangdong Province. Moreover, it plans to establish 50 high quality higher vocational institutions by 2022, which illustrates the rising importance of formal vocational education amid the rapid economic development in the Greater Bay Area.

Competitive Landscape of Private Formal Vocational Education Market in China

China's private formal vocational education market is highly fragmented. In the 2019/2020 school year, there were more than 2,500 private formal vocational education groups in China. The top five private formal vocational education groups in China in the aggregate accounted for approximately 5.5% of the total number of student enrollments in the private formal vocational education market for the 2019/2020 school year, according to the Frost & Sullivan Report.

We were the fifth largest private formal vocational education group in terms of student enrollments in China, accounting for 0.5% of the market share in the 2019/2020 school year. The following table sets forth our Group's position in the private formal vocational education market in China in terms of student enrollment in the 2019/2020 school year.

Ranking	Private Formal Vocational Education Group	Student Enrollment in the 2019/2020 School Year (Thousand)(1)	Market Share (%)
1	Group I(2)	86.2	1.6
2	Group J(3)	76.5	1.4
3	Group K(4)	74.6	1.4
4	Group M(5)	33.7	0.6
5	Our Group	26.9	0.5
Top Five		**297.9**	**5.5**
Total		**5,381.1**	**100.0**

Notes:

* The ranking and market share information is determined taking into consideration of the full-time student enrollment of the schools based in China in the 2019/2020 school year.

(1) The student enrollments of private formal vocational education include students enrolled in junior college program in universities and junior colleges, and in vocational education program in higher and secondary vocational education institutions. In addition, the student enrollments only refer to the full-time student enrollments, excluding, students who enrolled in the continuing education, adult education and non-degree education (technical diploma) programs.

(2) Group I refers to a Hong Kong listed company. It mainly provides private higher education and vocational education in Guangdong, Jiangxi, Chongqing, Shandong.

(3) Group J refers to a Hong Kong listed company. It mainly provides private higher education and vocational education in Yunnan, Heilongjiang, Hubei, Guizhou, Henan, Guangxi.

(4) Group K refers to a Hong Kong listed company. It mainly provides private higher education and vocational education in Sichuan, Guizhou, Shanxi, Ningxia, Henan, Jiangsu.

(5) Group M refers to a private company. It mainly provides private higher education and vocational education in Beijing, Hebei, Chongqing, Guangdong, Guangxi, Hubei, Yunnan.

Source: Frost & Sullivan

According to the MOE, the percentage of market share that the formal vocational education holds in the formal education industry in China was approximately 9.8% in terms of student enrollment in the 2019/2020 school year.

Competitive Landscape of Private Formal Vocational Education Market in the Greater Bay Area

In the 2019/2020 school year, there were approximately 140 private formal vocational education groups in the Great Bay Area. The top five private formal vocational education groups in the Greater Bay Area in the aggregate accounted for approximately 23.3% of the total number of student enrollments in the private formal vocational education market for the 2019/2020 school year, according to the Frost & Sullivan Report.

We were the largest private formal vocational education group in terms of student enrollments in the Greater Bay Area, accounting for 5.8% of the market share in the 2019/2020 school year. According to the Frost & Sullivan Report, the private formal vocational education market in the Greater Bay Area accounted for approximately 8.7% of the private formal vocational education market in China in terms of revenue in 2019. In addition, we were also the largest private formal vocational education group in the Greater Bay Area in terms of student enrollments in the TMT Industry- and Healthcare Industry-related majors in the 2019/2020 school year, according to the Frost & Sullivan Report. The following table sets forth our Group's position in the private formal vocational education market in the Greater Bay Area in terms of student enrollment in the 2019/2020 school year.

Ranking	**Private Formal Vocational Education Group**	**Student Enrollment in the 2019/2020 School Year (Thousand)(1)**	**Market Share (%)**
1	**Our Group**	**26.9**	**5.8**
2	Group A(2)	22.3	4.8
3	Group B(3)	21.4	4.6
4	Group C(4)	18.8	4.1
5	Group D(5)	18.3	4.0
Top Five		**107.7**	**23.3**
Total		**462.4**	**100.0**

Notes:

* The ranking and market share information is determined taking into consideration of the full-time student enrollment of the schools based in the Greater Bay Area in the 2019/2020 school year.

(1) The student enrollments of private formal vocational education include students enrolled in junior college program in universities and junior colleges, and in vocational education program in higher and secondary vocational education institutions. In addition, the student enrollments only refer to the full-time student enrollments, excluding, students who enrolled in the continuing education, adult education and non-degree education (technical diploma) programs.

(2) Group A refers to a Hong Kong listed company. Its headquarter is in Guangzhou. It mainly provides private higher education and vocational education in South China.

(3) Group B refers to a private company. Its headquarter is in Dongguan. It mainly provides private higher education, vocational education and fundamental education in South China.

(4) Group C refers to a private higher vocational institution located in Guangzhou.

(5) Group D refers to a private company. It mainly provides private higher and secondary vocational education in South China.

Source: Frost & Sullivan

The rapid industry growth and wide talent gaps of the TMT Industry and Healthcare Industry in the Greater Bay Area drives the demand for graduates enrolled in the TMT Industry- and Healthcare Industry-related majors. In the 2019/2020 school year, the percentage of our student enrollment in the TMT Industry- and Healthcare Industry-related majors was 64.4%, which was the highest among all private vocational education groups in the Greater Bay Area in the same school year. Our focus on vocational education in these two rising industries has made our graduates competitive in the job market and helped our schools to achieve high initial employment rates. Moreover, compared to graduates from non-formal vocational education and formal non-vocational education, graduates of our junior college, secondary vocational diploma and post-secondary vocational diploma programs, which are all formal vocational education, are equipped with better theoretical knowledge on top of ready-to-work practical skillsets, as well as government-recognized formal academic qualifications, adding further to the competitiveness of our graduates in the employment market.

Competitive Landscape of Private Formal Vocational Education Market in Guangzhou and Qingyuan

According to the Frost & Sullivan Report, in 2019, there was only one private vocational university in Guangdong Province with a student enrollment of approximately 18,600 in the 2019/2020 school year. Meanwhile, there were 45 junior colleges in Guangdong Province, including 14 private junior colleges. As of the Latest Practicable Date, there were two private vocational universities in Guangdong Province. The following table sets forth the private formal vocational education market (including vocational universities and junior colleges) in Guangzhou in terms of student enrollment in the 2019/2020 school year:

Ranking	Private Formal Vocational Education Group	Type of Institution	Student Enrollment in the 2019/2020 School Year (Thousand)
1	Our Group	Junior college	20.4
2	Group E	Junior college	18.8
3	Group F	Vocational university	18.6
4	Group G	Junior college	14.4
5	Group H	Junior college	13.3

Source: Frost & Sullivan

The following table sets forth the comparison of the number of student enrollments, campuses, revenue and key major offerings of the two private vocational universities in Guangdong Province and our Lingnan Institute of Technology.

Private Vocational Education Group	Student Enrollment for the 2020/2021 School Year	Campuses	2020 Revenue	Key Majors Offered
			(RMB'000)	
Group F	25,495	Guangzhou and Maoming	358,423[1]	Engineering-related majors
Group I	Approx. 19,000[2]	Zhaoqing	N/A[2]	Engineering and management-related majors
Our Group (Lingnan Institute of Technology only)	20,659	Guangzhou and Qingyuan	449,350	TMT Industry- and Healthcare Industry-related majors

Notes:

(1) The 2020 revenue of Group F was for the year from September 1, 2019 to August 31, 2020.

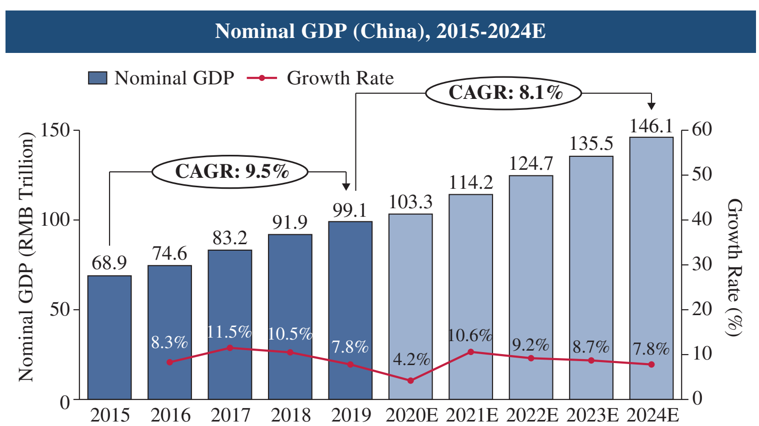
(2) The exact number of student enrollments for the 2020/2021 school year and 2020 revenue of Group I were not publicly available.

In 2019, there were no vocational universities in Qingyuan. Meanwhile, there were three junior colleges in Qingyuan, including one private junior college with student enrollment of approximately 1,100 in the 2019/2020 school year.

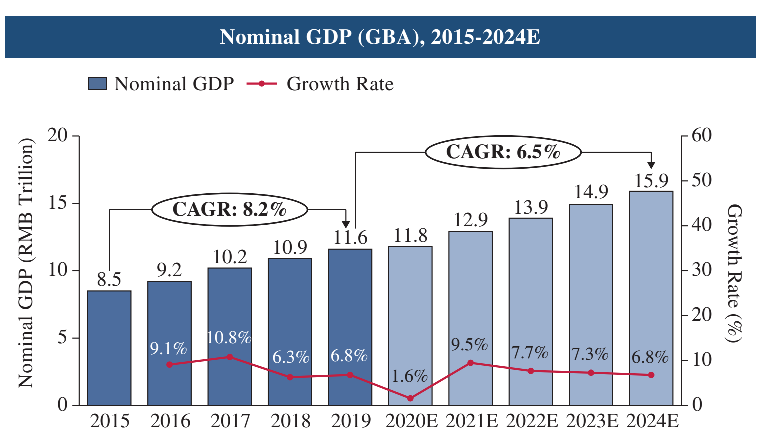
OVERVIEW OF THE GREATER BAY AREA'S RISING INDUSTRIES AND EMPLOYMENT MARKETS

Overview of the Economic Development of the Greater Bay Area

The Greater Bay Area has become one of the key economic growth drivers in China. According to the Frost & Sullivan Report, the Greater Bay Area occupied less than 1% of China's land area yet contributed 11.7% nominal GDP in 2019. The Greater Bay Area's nominal GDP was RMB8.5 trillion in 2015 and increased to RMB11.6 trillion in 2019, representing a CAGR of 8.2% from 2015 to 2019 and is expected to reach approximately RMB15.9 trillion in 2024, representing a CAGR of 6.5% from 2019 to 2024. Meanwhile, China's nominal GDP was RMB68.9 trillion in 2015 and increased to RMB99.1 trillion, representing a CAGR of 9.5%, and is expected to reach to RMB146.1 trillion in 2024, representing a CAGR of 8.1%. The following charts illustrate the nominal GDP of China and the Greater Bay Area from 2015 to 2019, and the forecast period from 2020 to 2024.



Source: National Bureau of Statistics, IMF (April 2020)



Source: National Bureau of Statistics, Census and Statistics Department of Hong Kong SAR, Statistics and Census Service of Macao SAR, IMF (April 2020)

As China's economy is in a period of structural transformation, the rising industries are playing the increasingly important role in the overall economy. TMT Industry and Healthcare Industry, two of the key rising industries in the Greater Bay Area, are particularly crucial in driving the region's economic development. According to the Frost & Sullivan Report, the total revenue of TMT Industry and Healthcare Industry represented 52.3% and 11.5% of the nominal GDP in the Greater Bay Area in 2019, respectively.

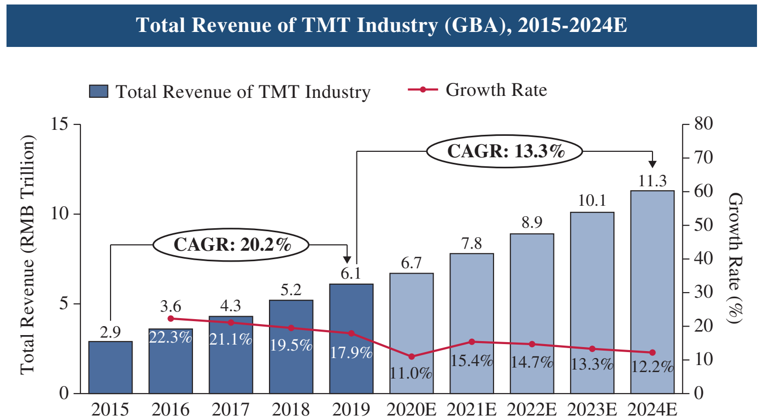
Development of the Rising Economy in the Greater Bay Area – TMT Industry and Healthcare Industry

Market Size of the TMT Industry and Healthcare Industry in the Greater Bay Area

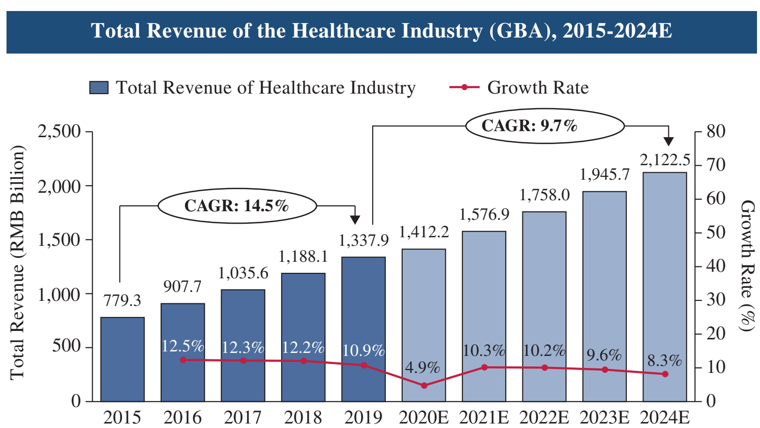
According to the Frost & Sullivan Report, the TMT Industry is referred to as an industry of technology, media and telecommunications, which covers a broad range of industry subsectors. Among these subsectors, Internet and related services, software and information technology, animation and Internet of Things ("IoT") are the four major subsectors of the TMT Industry, which are also the important disciplines within the education programs that we offer at our schools. According to the Frost & Sullivan Report, the total revenue of the TMT Industry in the Greater Bay Area witnessed a rapid growth with a CAGR of 20.2% from 2015 to 2019, reaching RMB6.1 trillion in 2019. Due to the Greater Bay Area's technology focus and the rise of technology- and finance-driven industries, the total revenue of the TMT Industry in the Greater Bay Area is expected to increase at a CAGR of 13.3% from 2019 to 2024.

The Healthcare Industry includes services and products related to the maintenance, recovery and promotion of health, which encompasses healthcare services, pharmaceuticals, nutrition and health products, medical devices, maternal and infant products, as well as other services such as health management and elderly care. According to the Frost & Sullivan Report, the total revenue of the Healthcare Industry in the Greater Bay Area increased from RMB779.3 billion in 2015 to RMB1,337.9 billion in 2019, representing a CAGR of 14.5%. It is forecasted that the revenue of Healthcare Industry in the Greater Bay Area is likely to reach RMB2,122.5 billion by 2024, representing a CAGR of 9.7% from 2019 to 2024.

The following charts illustrate the market size of the TMT Industry and Healthcare Industry, respectively, in the Greater Bay Area in terms of revenue from 2015 to 2019 and the forecast period from 2020 to 2024.

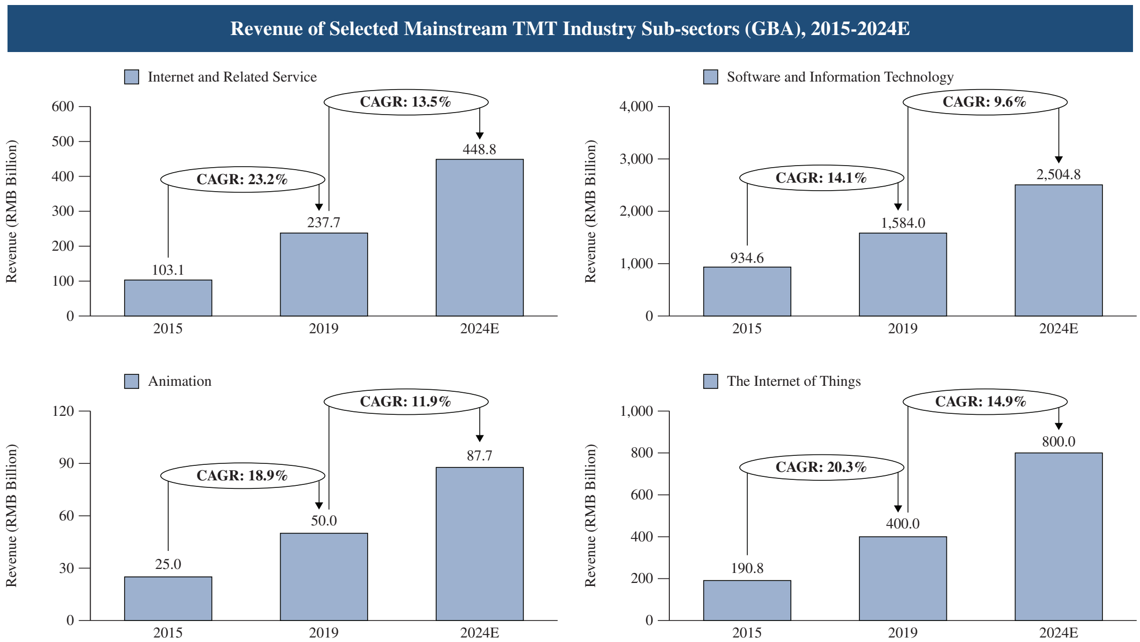


Source: *Ministry of Culture and Tourism of PRC, MIIT (Ministry of Industry and Information Technology of the PRC), Frost & Sullivan*

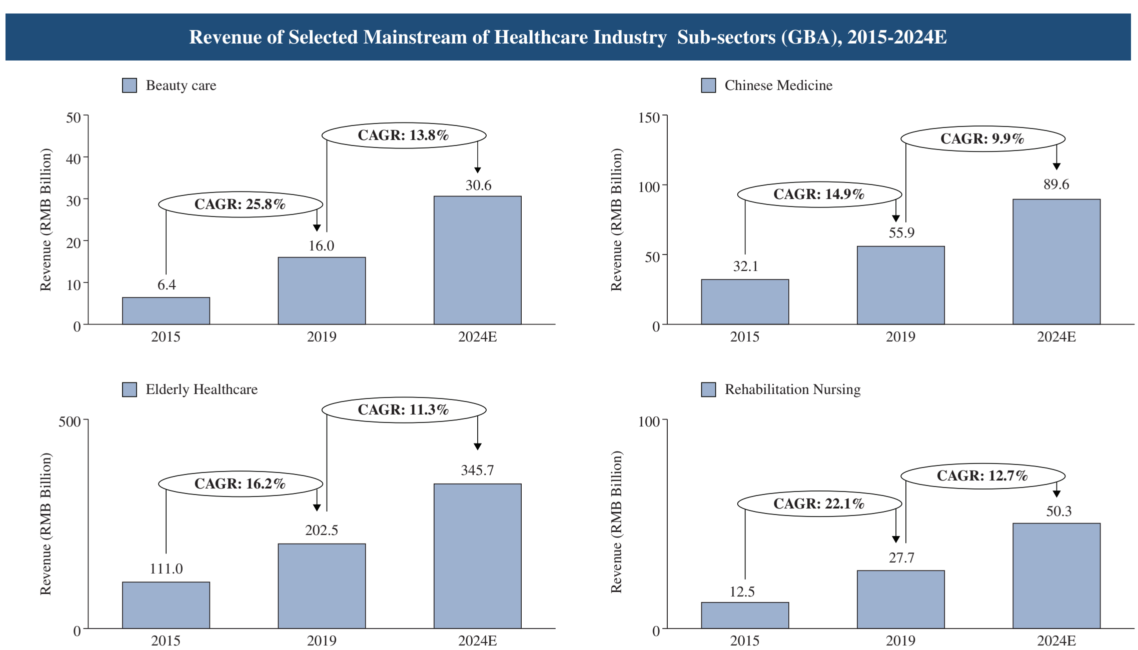


Source: *National Health and Family Planning Commission (NHFPC), National Bureau of Statistics, Frost & Sullivan*

According to the Frost & Sullivan Report, the following charts illustrate the market size of four selected mainstream TMT Industry and Healthcare Industry sub-sectors in terms of revenue in the Greater Bay Area from 2015 to 2019, and the forecast period from 2020 to 2024, respectively.



Source: Ministry of Industry and Information Technology, Frost & Sullivan



Source: National Health and Family Planning Commission (NHFPC), National Bureau of Statistics, Frost & Sullivan

Market Development Trend of the TMT Industry and the Healthcare Industry in the Greater Bay Area

According to the Frost & Sullivan Report, the following factors have led to the rapid development of the TMT Industry in the Greater Bay Area:

- ***Economic transition*** — China is in the period of economic transition, shifting from a economy driven by manufacturing to an increasingly service-based economy driven by technology and service. The TMT Industry complies with the new development trends in the new era and will continue to be one of the significant sectors of China's growing economy;

- ***Capital market*** — there were many successful investments in the TMT Industry in recent years. Consequently, the continuous capital market attention has become one of the key drivers for the development of the TMT Industry; and

- ***Favorable policies*** — the Chinese government emphasizes the importance of the TMT Industry and published a series favorable policies to support such industry. For example, in 2018, the Ministry of Industry and Information Technology and the National Development and Reform Commission jointly issued the "Expand and Upgrade the Three-year Plan for Information Consumption" (《擴大和升級信息消費三年行動計劃(2018-2020)》), supporting the consumption of the TMT-related services to reach RMB6 trillion in 2020 with a growth rate of 11%.

According to the Frost & Sullivan Report, the following factors have led to the rapid development of the Healthcare Industry in the Greater Bay Area:

- ***Aging population*** — the percentage of the population aged 65 or above in the Greater Bay Area has increased from approximately 9.3% in 2015 to 9.9% in 2019, with a population of approximately 7.2 million people in 2019;

- ***Acceleration of the prevalence of chronic diseases*** — the types of diseases that are the most prevalent and deadly in China and in the Greater Bay Area have changed drastically in recent years. For example, According to the NHFPC, cancer has been the leading cause of death for urban residents in China since 2000 and for rural residents in China since 2003. The increase in the prevalence of chronic diseases will further drive the growth of both healthcare services and healthcare services spending; and

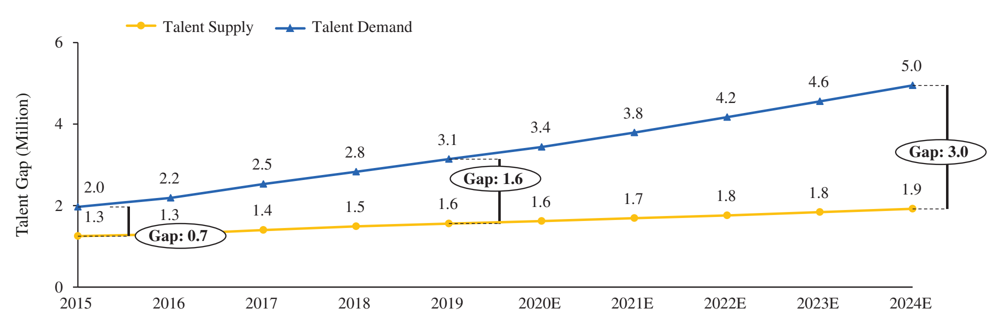
- ***Increasing industrialization and economic growth in the Greater Bay Area*** — as a result of the urbanization in the Greater Bay Area, together with higher disposable income and better insurance coverage, it is expected that the expenditure on healthcare will also increase.

Employment Market of the TMT Industry and Healthcare Industry in the Greater Bay Area

The talent gap for employees in the Information Transmission, Software and Information Technology Industry (the "IT Industry", an official industrial classification for National Economic Activities which accounted for more than one-third of the total revenue of the TMT Industry) in the Greater Bay Area has exhibited a significant increasing trend, increasing from 0.7 million in 2015 to 1.6 million in 2019, representing a CAGR of 21.7%. With increasing importance of the Greater Bay Area and the continuing development of the rising industries, the demand for top talents in the IT Industry continues to increase. The talent gap for employees in the IT Industry in the Greater Bay Area is likely to reach 3.0 million in 2024, representing a CAGR of 13.9% from 2019 to 2024, according to the Frost & Sullivan Report. The following chart illustrates the talent gap in the TMT Industry in the Greater Bay Area from 2015 to 2019 and the forecast period from 2020 to 2024.

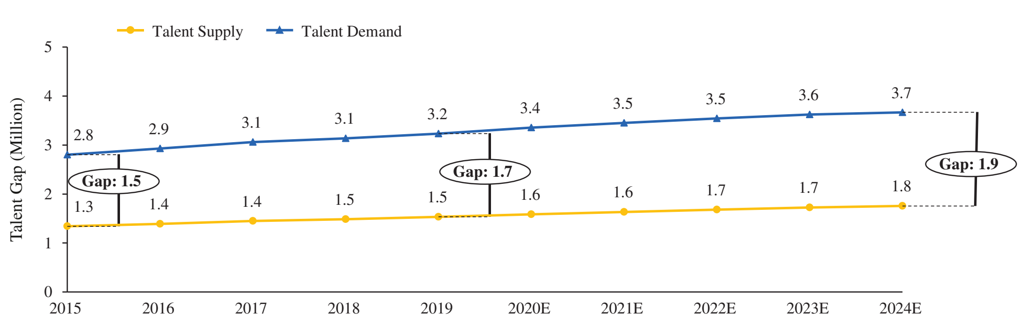
The talent gap for practitioners of the Healthcare Industry in the Greater Bay Area increased from 1.5 million in 2015 to 1.7 million in 2019, representing a CAGR of 3.8%. The talent gap for practitioners of the Healthcare Industry in the region is expected to further increase to 1.9 million in 2024, according to the Frost & Sullivan Report. The following charts illustrate the talent gap in the IT Industry and Healthcare Industry from 2015 to 2019, and the forecast period from 2020 to 2024.

Talent Gap in Information Transmission, Software and Information Technology Industry (GBA), 2015-2024E



Source: National Bureau of Statistics, Ministry of Industry and Information Technology, China Software Industry Association, Census and Statistics Department of Hong Kong SAR, Statistics and Census Service of Macao SAR, Frost & Sullivan

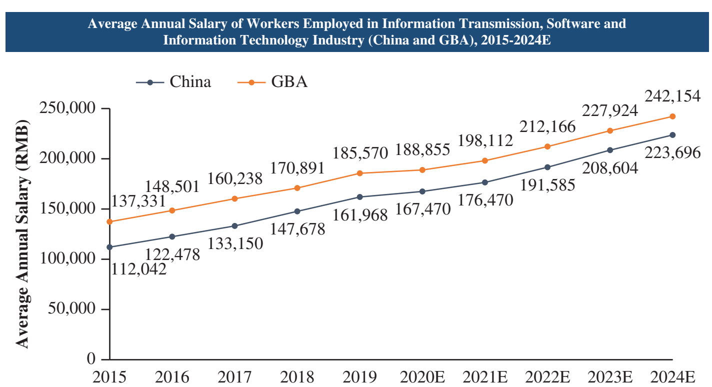
Talent Gap in the Healthcare Industry (GBA), 2015-2024E



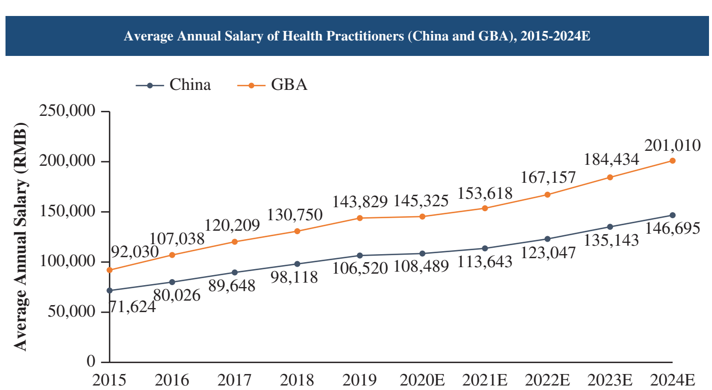
Source: National Health and Family Planning Commission (NHFPC), National Bureau of Statistics, Census and Statistics Department of Hong Kong SAR, Frost & Sullivan

Due to the booming demand for qualified workers in the TMT Industry, the average annual salary of employees in the IT Industry had remained at the highest level among all industries in the Greater Bay Area, which grew rapidly to RMB185,570 in 2019, representing CAGR of 7.8% from 2015 to 2019, according to the Frost & Sullivan Report. In the future, as enterprises are paying more to attract and retain talent, the average annual salary in TMT Industry in the Greater Bay Area is likely to further increase to RMB242,154 in 2024, representing CAGR of 5.5% from 2019, according to the Frost & Sullivan Report. The following chart illustrates the average annual salary of the workers employed in China and the Greater Bay Area from 2015 to 2019 and the forecast period from 2020 to 2024.

According to the Frost & Sullivan Report, the development of the Healthcare Industry in the Greater Bay Area was rapid, leading to the rapid growth of the average annual salary of health practitioners from RMB92,030 in 2015 to RMB143,829 in 2019, representing a CAGR of 11.8%. In the future, as the employment requirements become more stringent and the talent gap widens, health and wellness institutions may enhance salary levels to attract high-quality skilled talents. Thus, the average annual salary in the Healthcare Industry in the Greater Bay Area is likely to further increase to RMB201,010 in 2024, representing a CAGR of 6.9% from 2019 to 2024. The following charts illustrate the average annual salary of the workers employed in the IT Industry and Healthcare Industry from 2015 to 2019, and the forecast period from 2020 to 2024.



Source: *National Bureau of Statistics, Census and Statistics Department of Hong Kong SAR, Statistics and Census Service of Macao SAR, Frost & Sullivan*



Source: *National Bureau of Statistics, Census and Statistics Department of Hong Kong SAR, Statistics and Census Service of Macao SAR, Frost & Sullivan*

FOREIGN INVESTMENT IN EDUCATION IN THE PRC

The Negative List

On June 23, 2020, the NDRC and the MOFCOM jointly issued the Special Administrative Measures for the Access of Foreign Investment (Negative List) (《外商投資准入特別管理措施 (負面清單)》) (the "Negative List") with effect from July 23, 2020. The Negative List sets out the areas where foreign investment is prohibited, and the areas where foreign investment is restricted. Prior to investing in the restricted fields in the Negative List, foreign investor shall obtain foreign investment access permit. Unless otherwise provided in other laws, a foreign investment in areas not listed on the Negative List is unconditionally permitted and shall be treated in the same manner as domestic investment.

Furthermore, on June 23, 2020, the NDRC and the MOFCOM issued the Special Management Measures for Foreign Investment Access in Pilot Free-Trade Zones (《自由貿易試驗區外商投資准入特別管理措施(負面清單)(2020年版)》) (the "the 2020 FTZ Negative List"), which only applies to foreign investment in the pilot free trade zones. Since the relevant pilot free trade zones in Guangdong Province do not include areas at which Lingnan Institute of Technology and Lingnan Modern Technician College are located, and as such, the 2020 FTZ Negative List is not applicable to our schools.

Regulations on Foreign Investment

The Foreign Investment Law (《外商投資法》) was adopted by the NPC on March 15, 2019. It took effect on January 1, 2020 and simultaneously repealed the Sino-Foreign Equity Joint Venture Enterprise Law (《中外合資經營企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中外合作經營企業法》) and the Wholly Foreign-Owned Enterprise Law (《外資企業法》). It specifically provides that the PRC legally protects foreign investors' investment, earnings and other legitimate rights and interests in the PRC, and adopts an administration systems of pre-establishment national treatment and negative list for foreign investment, accompanied by a foreign investment information report system and a security review system. Under the said system, foreign investors shall abide by the rules for the prohibited and restricted fields as set out in the Negative List; while national treatment will be given to foreign investments falling outside the Negative List.

Apart from above, foreign invested enterprises incorporated before the enforcement of the Foreign Investment Law may keep their original organisational forms for five year after the enforcement of the Foreign Investment Law. Pursuant to Implementation Regulations on the Foreign Investment Law (《外商投資法實施條例》) promulgated by the State Council on December 26, 2019, which came into effect on January 1, 2020, if an existing foreign-invested enterprise fails to change their form of organisation and complete the filing for change of registration before January 1, 2025, the relevant market regulation departments shall not process the application for any other registration matter of this foreign-invested enterprise and may disclose the relevant information.

Pursuant to the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises (《外商投資企業設立及變更備案管理暫行辦法》), which was promulgated by the MOFCOM on October 8, 2016, amended on July 30, 2017 and June 29, 2018, establishment and modifications of foreign-invested enterprises that are not subject to the approval under the special entry management measures shall be filed with the delegated commercial authorities.

On December 30, 2019, the MOFCOM and SAMR jointly issued the Measures for Reporting of Foreign Investment Information (《外商投資信息報告辦法》) (the "Foreign Investment Information Measures"), which came into effect on January 1, 2020 and replaced the Interim Administrative Measures for the Record-filing of the Establishment and Modification of Foreign-invested Enterprises. With effect from January 1, 2020, when foreign investors carry out investment activities directly or indirectly in the PRC, foreign investors or foreign-invested enterprises shall submit information through the Enterprise Registration System and the National Enterprise Credit Information Publicity System operated by the SAMR. Specifically, foreign investors or foreign-invested enterprises shall report their establishments, modifications and cancellations and file their annual reports in accordance with the Foreign Investment Information Measures. Upon completion of filing, the relevant information will be shared between the competent market regulation department and the competent commercial department to avoid separate submission and increase efficiency.

Regulations on Sino-Foreign Cooperation in Operating Schools

Pursuant to the Negative List, higher education is a restricted industry for foreign investors, and foreign investors are only allowed to invest in higher education in cooperation with a domestic party. Further, the domestic party shall play a dominant role in the cooperation, which means the headmaster or other chief executive officer of the schools shall be a PRC national and representatives of the domestic party shall be at least half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution.

Sino-foreign cooperation in operating schools or training programs is specifically governed by the Regulations on Sino-Foreign Cooperation in Operating Schools in the PRC (《中華人民共和國中外合作辦學條例》, the "Sino-Foreign Regulation"), which was promulgated on March 1, 2003, become effective on September 1, 2003 and subsequently amended on July 18, 2013 and March 2, 2019, the Law for Promoting Private Education of the PRC and the Implementing Rules for the Regulations on Operating Sino-foreign Schools (《中華人民共和國中外合作辦學條例實施辦法》), (the "Implementing Rules"), which was promulgated on June 2, 2004 and become effective on July 1, 2004.

The Sino-Foreign Regulation and the Implementing Rules apply to the activities of educational institutions established in the PRC cooperatively by foreign educational institutions and Chinese educational institutions, the students of which are to be recruited primarily among PRC citizens and encourage substantive cooperation between overseas educational organizations with relevant qualifications and experience in providing high-quality education and PRC educational organizations to jointly operate various types of schools in the PRC, with such cooperation in the areas of higher education and occupational education being encouraged. The overseas educational organization must be a foreign educational institution with relevant qualifications and experience at the same level and in the same category of education. Sino-foreign cooperation schools are not permitted, however, to engage in compulsory education and military, police, political and other kinds of education that are of a special nature in the PRC. Any Sino-foreign cooperation school and cooperation program shall be approved by relevant education authorities and obtain the Permit for Sino-foreign Cooperation in Operating School. A Sino-foreign cooperation school established without the above approval or permit may be banned by the relevant authorities, be ordered to refund the fees collected from its students and be subject to a fine of no more than RMB100,000, while a Sino-foreign cooperation program established without such approval or permit may also be banned and be ordered to refund the fees collected from its students.

On June 18, 2012, the MOE issued the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Field of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》) to encourage private investment and foreign investment in the field of education. According to these opinions, the proportion of foreign capital in a Sino-foreign cooperative education institution shall be less than 50%.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On March 18, 1995, the NPC enacted the Education Law of the PRC (《中華人民共和國教育法》, the "Education Law") which was amended on August 27, 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising pre-school education, primary education, secondary education and higher education, a system of nine-year compulsory education, a national education examination system, and a system of education certificates. The Education Law stipulates that the government should formulate plans for the development of education and establishes and operates schools and other institutions of education and in principle, enterprises, social organizations and individuals are encouraged to establish and operate schools and other types of education institution in accordance with PRC laws and regulations. On December 27, 2015, the Standing Committee of the NPC (全國人民代表大會常務委員會) (the "NPC Standing Committee") published the Decision on Amendment of the Education Law, which became effective on June 1, 2016. The NPC Standing Committee narrowed the provision prohibiting the establishment or operation of schools or other educational institutions for profit to only restrict a school or other educational institution founded with governmental funds or donated assets in the amended Education Law.

The Education Law also stipulates that some basic requirements shall be fulfilled for the establishment of a school or any other education institution, and the establishment, modification or termination of a school or any other education institution shall, in accordance with the relevant PRC laws and regulations, undergo examination, verification, approval, registration or filing.

Regulations on Higher Education

According to the Higher Education Law of the PRC (《中華人民共和國高等教育法》), which was promulgated on August 29, 1998 and was subsequently amended on December 27, 2015 and December 29, 2018, higher education includes education for academic qualifications and education for non-academic qualifications. Higher education institutions are universities, independent colleges, and specialized higher education schools, including higher vocational schools and higher education schools for adults. The establishment of higher education institutions for regular course education and above shall be subject to examination and approval by the administrative department for education under the State Council, the ones for special course education shall be subject to examination and approval by the people's governments of provinces, autonomous regions and municipalities directly under the PRC Central Government and be filed with the administrative department of education under the State Council. The establishment of other higher education organizations shall be subject to examination and approval by the administrative department for education under the people's government of provinces, autonomous regions and municipalities directly under the PRC Central Government. Higher education for academic qualifications includes special course education, regular course education and graduate course education. Higher education shall be conducted by higher education institutions and other higher education organizations. Higher education institutions shall be established in accordance with State plans for the development of higher education and in keeping with the interests of the State and the public. Universities and independent colleges shall mainly conduct regular course education and education at a still higher level. Specialized higher education schools shall conduct special course education. With the approval of the administrative department for education under the State Council, research institutes may undertake the graduate program. Other higher education organizations shall conduct higher education for non-academic qualifications. Universities and independent colleges shall, in addition, have a stronger staff for teaching and research, a higher level of teaching and research, as well as a necessary size of the student body, in order that they can offer regular course education and education at a higher level. Moreover, universities shall offer at least three branches of learning designated by the State as the main courses.

In addition, the MOE issued the Several Provisions on the Administration of Non-state operated Colleges and Universities (《民辦高等學校辦學管理若干規定》) on February 3, 2007, which were amended on November 10, 2015, pursuant to which the conditions for running private colleges and universities shall comply with the establishment standards as prescribed by the state and the basic indicators for running regular colleges and universities. The investors of a private college or university shall, under the Law for Promoting Private Education of the PRC and its implementation rules timely and fully perform the capital contribution obligation. No private college or university may engage in educational and teaching activities in any place other than that as specified in the license for running private education, or establish any branch, or rent or lend to others its license for running private education. The principal of a private college or university shall satisfy the appointment requirements of the state and shall have 10 or more years of experience of administration of higher education and shall be less than 70 years old. The term of office of a principal shall be 4 years in principle.

Regulations on Vocational Education

According to the Vocational Education Law of the PRC (《中華人民共和國職業教育法》), which was promulgated on May 15, 1996 and became effective on September 1, 1996, vocational education includes elementary, secondary and higher vocational education. The elementary and secondary vocational school education shall be provided by elementary and secondary vocational schools. The higher vocational education shall be provided, where necessary and where conditions permit, either by higher vocational schools or by regular institutions of higher education. The Draft Revision of the Vocational Education Law of the PRC (《中華人民共和國職業教育法修訂草案》(徵求意見稿)) was announced by the MOE to seek public comments on December 5, 2019.

The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education

The Law for Promoting Private Education of the PRC became effective on September 1, 2003 and was subsequently amended on June 29, 2013, and further amended on November 7, 2016 and December 29, 2018, and the Implementation Rules for the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法實施條例》) (the "2004 Implementation Rules") became effective on April 1, 2004 and amended on May 14, 2021 with an effective date of September 1, 2021. According to these regulations, "private schools" are defined as schools established by social organizations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements provided for by the Education Law and relevant laws and regulations, and the standards for the establishment of private schools shall comply with those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, pre-school education, education for self-study examinations and other education shall be subject to approval by the education authorities at or above the county level, while private schools engaging in occupational qualification training and occupational skill training shall be subject to approvals from the authorities in charge of labor and social welfare at or above the county level. A duly approved private school will be granted a private school operating license (民辦學校辦學許可證), and shall be registered with the Ministry of Civil Affairs of the PRC (中華人民共和國民政部) (the "MCA") or its local counterparts as a private non-enterprise unit (民辦非企業單位).

Under the above regulations, private schools have the same status as public schools, though private schools are prohibited from providing military, police, political and other kinds of education which are of a special nature. Sponsors of private schools are not permitted to establish for-profit private school providing compulsory education. The operations of a private school are highly regulated. For example, a private school shall establish an executive council, a board of directors or any other form of the decision-making body and such decision-making body shall meet at least once a year. Furthermore, the text books selected by private elementary schools and middle schools for teaching state fundamental classes should be approved in accordance with related laws and regulations, and the curriculum arrangements of the teaching courses should conform to the provisions of the MOE. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions for the post as provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) and other relevant laws and regulations. There shall also be a definite number of full-time teachers in a private school, and in private schools offering academic qualifications education full-time teachers shall account for not less than one-third of the total number of the teachers.

According to the PRC laws and regulations, entities and individuals that establish private schools are commonly referred to as the "sponsors" instead of "owners" and "shareholders". The economic substance of "sponsorship" with respect of private schools is substantially similar to that of ownership with regard to legal, regulatory and tax matters. A sponsor of a private school is under the obligations to make capital contributions to the school in a timely manner. The contributed capital can be in the form of tangible or non-tangible assets, such as materials in kind, land use rights or intellectual property rights. The capital contributed by the sponsor becomes an asset of the school and the school has independent legal person status. In addition, the sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of and controlling the composition of the school's decision making body. Specifically, the sponsor holds control over the private school's constitutional documents and is entitled to elect and replace the private school's decision making bodies, such as the school's board of directors, and therefore controls the private school's business and affairs.

Sponsor(s) of a private school are allowed to register and operate the school as a for-profit private school or a non-profit private school as long as a private school does not provide compulsory education. Sponsors of for-profit private schools are allowed to receive income from the operation of the school and the balance of running such school is permitted to be handled in accordance with the PRC Company Law and other relevant laws and administrative regulations. While sponsors of non-profit private schools are prohibited from receiving income from the operation of the school, the balance of running such schools shall be only used for the operation of the schools.

Furthermore, the remaining assets upon liquidation of the for-profit private schools are permitted to be handled in accordance with the relevant provisions of the PRC Company Law and that of the non-profit private schools shall only be used for the operation of other non-profit private Schools. The for-profit private schools are entitled to make their own decisions about the fees collection in accordance with the market situations, while the fees collection of the Non-Profit private schools shall be subject to concrete measures to be promulgated by the provincial, autonomous regional or municipal government. In addition, private schools are entitled to tax preferential policies and land policies in accordance with the PRC laws, with the emphasis that the non-profit private schools shall enjoy the tax preferential policies and land policies equivalent to those applicable to public schools. In addition, where an organization or individual establishes or operates a private school without authorization, it/he shall be ordered by the relevant administrative department of the government to cease operation of the school and return the fees collected, and shall be fined not less than one time but not more than five times of the illegal gains. If a sponsor's act is found to violate the administration of public security, the sponsor shall be subject to a penalty imposed by the public security authority according to the law. If a sponsor's act constitutes a crime, the sponsor shall be subject to criminal liabilities according to the law.

On May 14, 2021, the State Council released 2021 Implementation Rules, with an effective date of September 1, 2021, which made certain significant changes to certain provisions of the 2004 Implementation Rules that may affect private schools. See "Business — Potential Implications of the 2016 Decision and Related Implementation Rules" for more details.

Several Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education

According to the Several Opinions on Encouraging Private Entities and Individuals to Operate Schools and Promote the Healthy Development of Private Education (《關於鼓勵社會力量興辦教育促進民辦教育健康發展的若干意見》), which was issued by the State Council of the PRC on December 29, 2016, innovative institutional mechanisms shall be implemented in the field of private education, which include but are not limited to: (i) classification registration and management shall be applicable to private schools and the sponsors of private schools shall, at their own discretion, choose to run non-profit private schools or for-profit private schools; (ii) different government support policies shall be applicable to private schools. The people's government at all levels is responsible for formulating and perfecting support policies for non-profit private schools including but not limited to government subsidies, government procurement services, fund incentives and land allocation. At the same time, the people's government at all levels may support the development of for-profit private schools by ways including but not limited to government procurement services and preferential tax treatments in accordance with the economic and social development and the request for public service; and (iii) broaden the financing channels for private schools, encourage and attract private funds to enter into the field of private education. Financial institutions are encouraged to provide loans to private schools with the pledge of the schools' operating income in the future or intellectual property rights, while individual persons or entities are encouraged to make donation to non-profit private schools.

Local people's government at various levels should perfect support policies for private schools, which include but are not limited to: (i) implementing the same subsidy policies for private schools, such that students of private schools and public schools shall enjoy student loans, scholarships and other state funding policies equally; (ii) implementing incentive policies regarding taxes and fees for private schools. Private schools shall enjoy preferential tax treatments in accordance with national regulations while non-profit private schools enjoy the same tax preferential treatments as public schools. Private schools shall be entitled to the same price policies for use of electricity, water, gas and heat as public schools; and (iii) implementing different land supply policies. Non-profit private schools enjoy the same land policy as public schools and may get land by way of land allocation while for-profit private schools shall get land in accordance with national regulations and policies.

On May 4, 2018, the People's Government of Guangdong Province issued the Guangdong Opinion, which requires, among other things, that the local people's governments to encourage social forces to enter the education industry. The Guangdong Opinion also provides that departments of education, human resources, social security, civil affairs, compilation bureau and industry and commerce improve the system of classification and registration of private schools, refine the registration items and processes, and make clear the methods and regulations for the registration of private schools, and each local people's government shall increase its support to the private schools in terms of financial investment, financial support, autonomous policies, preferential tax treatments, land policies, fee policies, autonomous operation, and protection of teachers' and students' rights. In addition, the Guangdong Opinion provides that pre-existing private schools which elect to be registered as for-profit private schools shall deal with their remaining assets in accordance with the Company Law of the PRC after repaying their debts at termination.

Implementing Measures on Classification Registration of Private Schools

The Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "Classification Registration Rules") was jointly issued by the MOE, the Ministry of Human Resources and Social Security, the MCA, the State Commission Office of Public Sectors Reform and the State Administration for Industry and Commerce on December 30, 2016.

The Classification Registration Rules shall apply to private schools. Non-profit private schools which meet the requirements under the Interim Administrative Regulations on the Registration of Private Non-enterprise Entities (《民辦非企業單位登記管理暫行條例》) and other relevant regulations shall apply to the civil affairs department for registration as private non-enterprise entities. Non-profit private schools which meet the requirements under the Interim Regulations on the Administration of the Registration of Public Institutions (《事業單位登記管理暫行條例》) and other relevant regulations shall apply to the relevant administrative authority for registration as public institutions. For-profit private schools shall apply to the industry and commerce department for registration in accordance with the jurisdiction provisions set out by relevant laws and regulations.

Furthermore, if an existing private school chooses to register as a non-profit private school, it shall amend its articles of association in accordance with the relevant laws, continue its school operation, and complete the new registration formalities. If an existing private school chooses to register as a for-profit private school, it shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations with the consent of the relevant departments of the people's governments at or below the provincial level, pay relevant taxes and fees, obtain new private school operating license, carry out their re-registration and continue their school operation. The provincial people's government is responsible for formulating the detailed measures on the alteration of the registration of the private schools in accordance with national laws and the local circumstances.

According to the Guangdong Measures, which were issued jointly by five departments of the Guangdong provincial government(namely, the Education Department of Guangdong Province, Human Resources and Social Security Department of Guangdong Province, the Department of Civil Affairs of Guangdong Province, the Office of Organization Staffing Committee of CPC Guangdong Provincial Party Committee and the Market Supervision and Administration of Guangdong Province) on December 19, 2018, and came into effect on December 30, 2018, if an existing private school elects to be registered as a non-profit private school, it shall submit its registration application to the civil affairs department or the registration and administration authority of public institutions in charge in accordance with the relevant regulations after completion of the review of its property ownership and the revision of its bylaws, among other things. If an existing private school elects to be registered as a for-profit private school, it shall carry out financial settlement, which is a process to clarify the ownership and equity of the school's assets, in accordance with applicable PRC laws and regulations, clarify the ownership of its properties, including land and school buildings, with the relevant government authority, pay the relevant taxes and fees and obtain new school operating licenses, among other things. After the cancellation of registration formalities at the original Registration Administration with the new school operation license, it should register for establishment and obtain a business license at relevant Market Supervision and Administration Department. However, the Guangdong Measures do not specify a deadline for the existing private schools to elect to be registered as non-profit or for-profit private schools.

Implementing Measures for the Supervision and Administration of For-profit Private Schools

According to the Implementing Measures for the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》), which was issued jointly by the MOE, the Ministry of Human Resources and Social Security and the State Administration for Industry and Commerce on December 30, 2016, social organizations or individuals are permitted to run for-profit private colleges and universities and other higher education institutions, high schools and kindergartens, but are prohibited from running for-profit private schools implementing compulsory education.

According to the implementation regulations, a social organization or individual running a for-profit private school shall have the financial strength appropriate to the level, type and scale of the school, and their net assets or monetary funds shall be able to satisfy the costs of the school construction and development. Furthermore, the social organization running the for-profit private school shall be a legal person who is in good credit standing, and shall not be listed as an enterprise operating abnormally or be listed as an enterprise that is in material non-compliance with the laws or be dishonest. Individuals running for-profit private schools should be PRC citizens who reside in China, be in good credit standing without any criminal record and enjoy political rights and complete civil capacity of conduct.

For-profit private schools shall establish a board of directors, boards of supervisors (or supervisors), administrative organs, Committee of the Communist Party of China, an employee representatives' assembly as well as a labor union. The Secretary of the Communist Party of China shall be a member of the board of directors and of the administrative organs of the school and no less than one-third of the members of the board of supervisors of the school shall be the employee representatives.

For-profit private schools shall implement the financial and accounting policies required by the PRC Company Law and other relevant regulations and include all of their income into their bank accounts and issue legal invoices and other documents as required by tax authorities for such income. For-profit private schools enjoy legal person property rights and shall be entitled to manage and use all of their assets in accordance with applicable regulations in their duration. The sponsors of for-profit private schools shall neither withdraw his/her share of the registered capital nor mortgage the teaching facilities for loans or guarantees. The balance of the school operation could only be distributed upon the annual financial settlement.

For-profit private schools shall, in accordance with the Provisional Regulations on Enterprise Information Publicity, publicize their credit information such as annual report information, administrative license information and administrative penalty information through the national enterprise credit information publicity system. In addition to information that has been made public by the school, the social organizations or individuals could make a written application to the school for additional information.

Any division, merger, termination and other material changes of for-profit schools shall be subject to the approval of the board of directors of the schools, the approval of the relevant government authorities as well as the registration requirements set by the industry and commerce departments. Any division, merger, termination or change of name of for-profit private undergraduate colleges and universities shall be subject to the approval of the MOE while other alteration matters shall be approved by the relevant provincial government.

According to the Notice of the State Administration for Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of For-Profit Private Schools (《工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知》), which was issued jointly by the MOE and the State Administration for Industry and Commerce on August 31,2017 and became effective on September 1, 2017, for-profit private school shall registered as a limited liability company or a joint stock limited company according to the Company Law of the PRC and the Law for Promoting Private Education and its name shall comply with the relevant laws and regulations on company registration and education.

According to the Implementation Measures for the Supervision and Administration of For-Profit Private Schools (《關於營利性民辦學校監督管理實施辦法》), which were issued jointly by the Education Department of Guangdong Province, Department of Human Resources and Social Security of Guangdong Province and Department of Market Supervision and Administration of Guangdong Province on November 15, 2018, and came into effect on December 30, 2018, the establishment of for-profit private schools shall be examined and approved according to the following limits of authority: (i) higher vocational school offering technical education shall be examined and approved by the provincial governments and filed with the competent education department under the State Council for the record; and (ii) technical schools shall be examined and approved by the competent departments of human resources and social security at the provincial, prefectural or above-prefectural levels according to their respective powers.

Interim Measures for the Management of the Collection of Private Education Fees

The Interim Measures for the Management of the Collection of Private Education Fees (《民辦教育收費管理暫行辦法》) (the "Private Education Fees Collection Measures") was promulgated by the NDRC, the MOE and the Ministry of Labor and Social Security (currently known as the Ministry of Human Resources and Social Security (中華人民共和國人力資源和社會保障部) on March 2, 2005 and abolished on March 12, 2020. According to the Private Education Fees Collection Measures and the Implementation Rules for the Law for Promoting Private Education, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined by the education authorities or the labor and social welfare authorities and approved by the governmental pricing authority. A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly disclose such information. If a school raises its tuition levels without obtaining the proper approval or making the requisite filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through such raise and become liable for compensation of any losses caused to the students in accordance with relevant PRC laws.

According to the Notice regarding Cancellation of the Fee Charge Permit System and Strengthening the Supervision in process and afterwards (《國家發展改革委、財政部關於取消收費許可證制度加強事中事後監管的通知》) (the "Circular 36"), which was issued jointly by the NDRC and the Ministry of Finance on January 9, 2015, the fee charge permit system was cancelled nationwide from January 1, 2016.

On October 12, 2015, the State Council and the Central Committee of CPC jointly issued the Several Opinions of the Central Committee of the Communist Party of China and the State Council on Promoting the Price Mechanism Reform (《中共中央、國務院關於推進價格機制改革的若干意見》), which allows for-profit private schools to determine their prices on their own, while the tuition-collecting policies of non-profit private schools shall be determined by the provincial governments in a market-oriented manner and based on the local conditions.

On October 11, 2016, the Development and Reform Commission of Guangdong Province, Education Department of Guangdong Province and Human Resources and Social Security Department of Guangdong Province jointly issued the Circular on Issues Concerning the Cancellation of Record-filing of Academic Education Tuition and Approval of Accommodation Fee on Private Higher Schools and Private Secondary Vocational Schools (Yue Fagai Jiage [2016] No. 657) (《關於取消我省民辦高校和民辦中職學校學費備案以及住宿費核准有關問題的通知》) (粵發改價格[2016]657號). Under this circular, the record-filing of academic education tuition and the approval of accommodation fee on private higher schools and private secondary vocational schools are cancelled. Thus, private higher schools and private secondary vocational schools in Guangdong Province are no longer subject to any restriction on pricing and are entitled to determine their academic education tuition fee and boarding fee standards on their own by considering the market factors, the costs of the school, the conditions of running schools, the social tolerance and school development needs and other factors, and shall declare the fee charge publicly before execution.

Regulations on Safety and Health Protection of Schools

Pursuant to the Food Safety Law of the PRC (《中華人民共和國食品安全法》), which was amended on April 24, 2015 and further amended on December 29, 2018, collective canteens of the schools shall obtain licenses in accordance with the laws and strictly abide by the laws, regulations and food safety standards. Schools and kindergartens shall only order meals from off-site providers that have obtained the relevant food production licenses and shall conduct regular inspections on the meals provided.

According to Administrative Measures on License of Catering Industry (《餐飲服務許可管理辦法》), which was promulgated on March 4, 2010 and became effective on May 1, 2010, a licensing system for the catering industry is implemented. A catering service provider shall obtain food service license and take responsibility for the food safety in accordance with the laws. Pursuant to Administrative Measures for Food Operation Licensing (《食品經營許可管理辦法》) promulgated on August 31, 2015 and amended on November 17, 2017 with effect from the same day, a food operating license shall be obtained in accordance with the law to engage in food selling and catering services within the territory of the PRC. The principle of one license for one site shall apply to the licensing for food operation, and classified licensing for food operation according to food operators' types of operation and the degree of risk of their operation projects is implemented.

Pursuant to Administrative Measures for the Supervision of Food Safety in Catering Service (《餐飲服務食品安全監督管理辦法》), which was promulgated on March 4, 2010 and became effective on May 1, 2010, catering service providers shall carry out catering service activities in accordance with the laws, regulations, food safety standards and relevant requirements, be responsible for society and the general public, ensure food safety, accept social supervision, and take responsibilities for food safety in catering service.

According to the Regulations on the Management of Food Safety, Nutrition and Health (《學校食品安全與營養健康管理規定》) promulgated by the MOE, State Administration for Market Regulation and the National Health Commission on February 20, 2019 and came into force on April 1, 2019, the supply of food by the schools to students, teachers and employees through canteens or by take-out from off-site providers is regulated. Schools shall attach great importance to food safety and the principle of a school is responsible for the food safety. The school canteens shall obtain the license for food operations.

According to the Regulation on Sanitary Work of Schools (《學校衛生工作條例》), which was promulgated on June 4, 1990 and became effective on June 4, 1990, schools shall carry out sanitary work. The main tasks of the sanitary work include monitoring the health condition of students, carrying out health education among students, helping students to develop good health habits, improving the health environment and health conditions for teachers, strengthening prevention and treatment of infectious disease and common diseases among students.

REGULATIONS OVER REAL PROPERTY IN THE PRC

Pursuant to the Property Law of the PRC (《中華人民共和國物權法》, (the "Property Law") which was promulgated on March 16, 2007 and became effective on October 1, 2007, educational, medical and health and other public welfare facilities of institutions and social groups with the aim of benefiting the public such as schools, kindergartens, hospitals, and other properties that cannot be mortgaged as prescribed by law or administrative regulation may not be mortgaged.

According to the Property Law, transferable fund units and equity, property right in intellectual property rights of transferable exclusive trademark rights, patent rights, copyrights, etc., accounts receivable and other property rights that can be pledged as stipulated by any law or administrative regulation may be pledged.

On May 28, 2020, the PRC Civil Code (《中華人民共和國民法典》) was approved by the NPC and became effective on January 1, 2021. Upon the effective date, it abolished, among other laws, the Property Law, but the PRC Civil Code follows the current regulatory principles of the Property Law of the PRC in material respects.

REGULATIONS OVER INTELLECTUAL PROPERTY IN THE PRC

Copyright

Pursuant to the Copyright Law of the PRC (《中華人民共和國著作權法》, the "Copyright Law"), which was amended on February 26, 2010 and became effective on April 1, 2010 and amended on November 11, 2020. Copyrights include personal rights such as the right of publication and that of attribution as well as property rights such as the right of production and that of distribution. Reproducing, distributing, performing, projecting, broadcasting or compiling a work or communicating the same to the public via an information network without permission from the owner of the copyright therein, unless otherwise provided in the Copyright Law, shall constitute infringements of copyrights. The infringer shall, according to the circumstances of the case, undertake to cease the infringement, take remedial action, and offer an apology, pay damages, etc.

Trademark

Pursuant to the Trademark Law of the PRC (《中華人民共和國商標法》, the "Trademark Law"), which was revised on August 30, 2013 and April 23, 2019, and came into effect on November 1, 2019, the right to the exclusive use of a registered trademark shall be limited to trademarks which have been approved for registration and to goods for which the use of trademark has been approved. The period of validity of a registered trademark shall be ten years, counted from the day the registration is approved. According to the Trademark Law, using a trademark that is identical with or similar to a registered trademark in connection with the same or similar goods without the authorization of the owner of the registered trademark constitutes an infringement of the exclusive right to use a registered trademark. The infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Patent

Pursuant to the Patent Law of the PRC (《中華人民共和國專利法》, the "Patent Law"), which was revised on December 27, 2008 and became effective on October 1, 2009 and was further revised on October 17, 2020, after the grant of the patent right for an invention or utility model, except where otherwise provided for in the Patent Law, no entity or individual may, without the authorization of the patent owner, exploit the patent, that is, make, use, offer to sell, sell or import the patented product, or use the patented process, or use, offer to sell, sell or import any product which is a direct result of the use of the patented process, for production or business purposes. And after a patent right is granted for a design, no entity or individual shall, without the permission of the patent owner, exploit the patent, that is, for production or business purposes, manufacture, offer to sell, sell, or import any product containing the patented design. Where the infringement of patent is decided, the infringer shall, in accordance with the regulations, undertake to cease the infringement, take remedial action, and pay damages, etc.

Domain Name

Pursuant to Administrative Measures for Internet Domain Names 《互聯網域名管理辦法》, which was promulgated on August 24, 2017 and become effective on November 1, 2017, "domain name" shall refer to the character mark of hierarchical structure, which identifies and locates a computer on the internet and corresponds to the Internet protocol (IP) address of that computer. And the principle of "first come, first serve" is followed for the domain name registration service. After completing the domain name registration, the applicant becomes the holder of the domain name registered by him/it. Furthermore, the holder shall pay operation fees for registered domain names on schedule. If the domain name holder fails to pay the corresponding fees as required, the original domain name registrar shall write it off and notify the holder of the domain name in written form.

REGULATIONS OVER LABOR PROTECTION IN THE PRC

According to the Labor Law of the PRC (Order No. 28 of the President) (《中華人民共和國勞動法》, the "Labor Law"), which was promulgated by the Standing Committee of the NPC on July 5, 1994, came into effect on January 1, 1995, and was amended on August 27, 2009 and December 29, 2018, an employer shall develop and improve its rules and regulations to safeguard the rights of its workers. An employer shall develop and improve its labor safety and health system, stringently implement national protocols and standards on labor safety and health, conduct labor safety and health education for workers, guard against labor accidents and reduce occupational hazards. Labor safety and health facilities must comply with relevant national standards. An employer must provide workers with the necessary labor protection gear that complies with labor safety and health conditions stipulated under national regulations, as well as provide regular health checks for workers that are engaged in operations with occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications. An employer shall develop a vocational training system. Vocational training funds shall be set aside and used in accordance with national regulations and vocational training for workers shall be carried out systematically based on the actual conditions of the company.

The Labor Contract Law of the PRC (《中華人民共和國勞動合同法》), which was promulgated by the SCNPC on June 29, 2007, became effective on January 1, 2008, and was subsequently amended on December 28, 2012 and came into effect on July 1, 2013, and the Implementation Regulations on Labor Contract Law (Order No. 535 of the State Council) (《勞動合同法實施條例》, the "Labor Contract Law"), which was promulgated on September 18, 2008 and became effective on the same day, regulate both parties through a labor contract, namely the employer and the employee, and contain specific provisions involving the terms of the labor contract. It is stipulated under the Labor Contract Law and the Implementation Regulations on Labor Contract Law that a labor contract must be made in writing. An employer and an employee may enter into a fixed-term labor contract, an un-fixed term labor contract, or a labor contract that concludes upon the completion of certain work assignments, after reaching agreement upon due negotiations. An employer may legally terminate a labor contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labor contracts concluded prior to the enactment of the Labor Law and subsisting within the validity period thereof shall continue to be honored. With respect to a circumstance where a labor relationship has already been established but no formal contract has been made, a written labor contracts shall be entered into within one month from the effective date of the Labor Contract Law.

According to the Interim Regulations on the Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulations on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide benefit plans for their employees, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. An enterprise must provide social insurance by processing social insurance registration with local social insurance agencies, and shall pay or withhold relevant social insurance premiums for or on behalf of employees. The Law on Social Insurance of the PRC (《中華人民共和國社會保險法》), which was promulgated on October 28, 2010 and amended on December 29, 2018 has combined pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and has elaborated in detail the legal obligations and liabilities of employers who do not comply with relevant laws and regulations on social insurance.

According to the Interim Measures for Participation in the Social Insurance System by Foreigners Working within the Territory of China (《在中國境內就業的外國人參加社會保險暫行辦法》), which was promulgated by the Ministry of Human Resources and Social Security on September 6, 2011 and became effective on October 15, 2011, employers who employ foreigners shall participate in the basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, and maternity leave insurance in accordance with the relevant law, with the social insurance premiums to be contributed respectively by the employers and foreigner employees as required. In accordance with such Interim Measures, the social insurance administrative agencies shall exercise their right to supervise and exam the legal compliance of foreign employees and employers and the employers who do not pay social insurance premium in conformity with the laws shall be subject to the administrative provisions provided in the Social Insurance Law and the relevant regulations and rules mentioned above.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council), which was promulgated and became effective on April 3, 1999, and was subsequently amended on March 24, 2002 and March 24, 2019, housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall belong to the individual employee.

The employer shall timely pay up and deposit housing provident fund contributions in full amount and late or insufficient payments shall be prohibited. The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration center. With respect to companies who violate the above regulations and fail to process housing provident fund payment and deposit registrations or open housing provident fund accounts for their employees, such companies shall be ordered by the housing provident fund administration center to complete such procedures within a designated period. Those who fail to process their registrations within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When companies breach the regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration center shall order such companies to pay up within a designated period, and may further apply to the People's Court for mandatory enforcement against those who still fail to comply after the expiry of such period.

REGULATIONS OVER TAX IN THE PRC

Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》, the "EIT Law"), which was promulgated on March 16, 2007 and amended on December 29, 2018 and the Implementation Rules to the EIT Law of the PRC (《中華人民共和國企業所得稅法實施條例》, the "Implementation Rules"), which was promulgated on December 6, 2007 and amended on April 23, 2019 by the State Council, enterprises are divided into resident enterprises and non-resident enterprises. A resident enterprise shall pay EIT on its income deriving from both inside and outside China at the rate of EIT of 25%. A non-resident enterprise that has an establishment or place of business in the PRC shall pay EIT on its income deriving from inside China and obtained by such establishment or place of business, and on its income which derives from outside China but has actual relationship with such establishment or place of business, at the rate of EIT of 25%. A non-resident enterprise that does not have an establishment or place of business in China, or has an establishment or place of business in China but the income has no actual relationship with such establishment or place of business, shall pay EIT on its income deriving from inside China at the reduced rate of EIT of 10%.

According to Notice of the Ministry of Finance and the State Administration of Taxation on Tax Policies Relating to Education (《財政部、國家稅務總局關於教育稅收政策的通知》, the "Circular 39") and Notice of the Ministry of Finance and the State Administration of Taxation on Issues Concerning Strengthening the Administration over the Collection of Business Tax on Educational Services (《財政部、國家稅務總局關於加強教育勞務營業稅徵收管理有關問題的通知》, the "Circular 3"), schools shall be exempt from EIT on fees they have collected upon approval and have incorporated under the fiscal budget management or the special account management of the funds outside the fiscal budget. Schools shall be exempt from EIT on the financial allocations they have received and special subsidies they have obtained from their administrative departments or institutions at higher levels.

According to the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), private school enjoys the state preferential tax policies, while the non-profit private school enjoys the same preferential tax treatment as public schools.

Income Tax In Relation To Dividend Distribution

The PRC and the government of Hong Kong entered into the Arrangement between the Mainland of the PRC and Hong Kong for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income (《內地和香港特別行政區關於對所得避免雙重徵收和防止偷漏稅的安排》, the "Arrangement") on August 21, 2006 and implemented the Arrangement from January 1, 2007. According to the Arrangement, the withholding tax rate on dividends paid by a PRC resident to its shareholder, who is a Hong Kong resident and directly holds at least 25% of its equity, is 5%, and otherwise which is 10%, and vice versa.

Pursuant to the Circular of the State Administration of Taxation on Relevant Issues relating to the Implementation of Dividend Clauses in Tax Agreements (《國家稅務總局關於執行稅收協定股息條款有關問題的通知》),which was promulgated by the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局, the "SAT") which became effective on February 20, 2009. Pursuant to that, a taxpayer of the other party, who directly holds certain percentage (normally 25% or 10%) of equity interests of a PRC company, shall be entitled to the tax treatment specified in the tax agreements if all of the following requirements are satisfied: (i) such taxpayer obtaining dividends shall be a company; (ii) the equity interests and voting shares of a PRC company directly hold by such taxpayer shall reach the stipulated percentage; and (iii) the equity interests of a PRC resident enterprise directly owned by such taxpayer shall satisfy the stipulated percentage at any time during the 12 months prior to the obtainment of the dividends. Based on the Announcement on Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties (《國家稅務總局關於稅收協定中"受益所有人"有關問題的公告》), which was promulgated by the SAT on February 3, 2018 and became effective on April 1, 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Arrangement.

Value-added Tax

According to the Temporary Regulations on Value-added Tax (Order No. 538 of the State Council) (《增值稅暫行條例》), which was promulgated by the State Council on December 13, 1993, came into effect on January 1, 1994, and was amended on November 10, 2008, February 6, 2016 and November 19, 2017, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (Order No. 65 of the MOF)(《增值稅暫行條例實施細則》), which was promulgated by the MOF and came into effect on December 25, 1993, and was amended on December 15, 2008 and October 28, 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay VAT. The tax rate of 17% shall be levied on general taxpayers selling or importing various goods; the tax rate of 17% shall be levied on the taxpayers providing processing, repairing or replacement service; the applicable rate for the export of goods by taxpayers shall be nil, unless otherwise stipulated.

Furthermore, according to the Trial Scheme for the Conversion of Business Tax to Value-added Tax (《營業稅改徵增值稅試點方案》), which was promulgated by the MOF and the SAT on November 16, 2011 , the State began to launch taxation reforms in a gradual manner with effect from January 1, 2012, whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in regions showing significant radiating effects in economic development and providing outstanding reform examples, beginning with production service industries such as transportation and certain modern service industries.

Pursuant to the Circular on Comprehensively Promoting the Pilot Program of the Collection of Value-added Tax in Lieu of Business Tax (《關於全面推開營業稅改徵增值稅試點的通知》) (Cai Shui 2016 No. 36), which was promulgated by the MOF and the SAT on March 23, 2016 became effective on May 1, 2016 and was amended on July 1, 2017 and April 1, 2019. Upon approval of the State Council, the pilot program of the collection of VAT in lieu of business tax shall be promoted nationwide in a comprehensive manner as of May 1, 2016, and all taxpayers of business tax engaged in the building industry, the real estate industry, the financial industry and the life service industry shall be included in the scope of the pilot program with regard to payment of VAT instead of business tax. Formal educational services provided by the schools that offer such services are exempted from VAT.

Other Tax Exemptions

According to Circular 39 and Circular 3, the real properties and land used by schools, nurseries and kindergartens established by enterprises shall be exempt from house property tax and urban land use tax. Schools expropriating arable land upon approval shall be exempt from arable land use tax. Schools and education institutions established by any enterprises, government affiliated institutions, social groups or other social organizations or individuals and citizens with non-state fiscal funds for education and open to the public upon the approval of the administrative department for education or for labor of the relevant people's government at the county level or above which has also issued the relevant school running license, shall be exempted from deed tax on their ownerships of land and houses used for teaching activities.

REGULATIONS OVER FOREIGN EXCHANGE IN THE PRC

The principal regulation governing foreign currency exchange in China is the Foreign Exchange Administration Rules of the PRC (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Administration Rules"). The Foreign Exchange Administration Rules were promulgated by the State Council of the PRC on January 29, 1996 and became effective on April 1, 1996 and were subsequently amended on January 14, 1997 and August 5, 2008. Under these rules, Renminbi is generally freely convertible for payments of current account items, such as trade and service-related foreign exchange transactions and dividend payments, but not freely convertible for capital account items, such as capital transfer, direct investment, investment in securities, derivative products or loans unless the prior approval by the competent authorities for the administration of foreign exchange is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may purchase foreign exchange without the approval of the SAFE for paying dividends by providing certain evidencing documents (board resolutions, tax certificates, etc.), or for trade and services-related foreign exchange transactions by providing commercial documents evidencing such transactions. They are also allowed to retain foreign currency (subject to a cap approval by the SAFE) to satisfy foreign exchange liabilities. In addition, foreign exchange transactions involving overseas direct investment or investment and trading in securities, derivative products abroad are subject to registration with the competent authorities for the administration of foreign exchange and approval or filings with the relevant government authorities (if necessary).

According to the Circular on the Management of Foreign Exchange Involved in Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》, the "Circular No. 37"), which is promulgated on July 4, 2014 and with effect from the same day, before a domestic resident contributes its legally owned onshore or offshore assets and equity into an SPV, the domestic resident shall conduct foreign exchange registration for offshore investment with the local branch of the SAFE, and in the event of change of basic information such as the individual shareholder, name, operation term, or if there is a capital increase, decrease, equity transfer or swap, merge, spin-off or other amendment of the material items, the domestic resident shall complete foreign exchange alteration of the registration formality for offshore investment. The SPV is defined as "offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets and equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of investment and financing"; "Round Trip Investments" refer to "the direct investment activities carried out by a domestic resident directly or indirectly via an SPV, i.e., establishing a foreign invested enterprise or project within the PRC through a new entity, merger or acquisition and other ways, while obtaining ownership, control, operation and management and other rights and interests". In addition, according to the procedural guidelines as attached to the Circular No. 37, the principle of review has been changed to "the domestic individual resident is only required to register the SPV directly established or controlled (first level)".

Pursuant to Circular of the State Administration of Foreign Exchange on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (《關於進一步簡化和改進直接投資外匯管理政策的通知》), which was promulgated on February 13, 2015 and implemented on June 1, 2015 and amended on December 30, 2019, the initial foreign exchange registration for establishing or taking control of a SPV by domestic residents can be conducted with a qualified bank, instead of the local foreign exchange bureau.

SAFE Regulations on Employee Share Options

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Share Incentive Plans of Overseas Publicly-Listed Companies (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the "Share Option Rules"). Under the Share Option Rules, PRC residents, who participate in a share incentive plan in an overseas publicly-listed company are required to register with the SAFE or its local branches and complete certain other procedures as required by the authorities. Participants of a share incentive plan, who are PRC residents, must retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the share incentive plan on behalf of its participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of share options, the purchase and sale of corresponding shares or interests and fund transfers. In addition, the PRC agent is required to update the SAFE registration with respect to the share incentive plan if there is any material change to the share incentive plan, change in the PRC agent or the overseas entrusted institution or any other material changes.

Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors Under the Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009) (《關於外國投資者併購境內企業的規定》) (the "M&A Rules"), a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise via an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise. According to Article 11 of the M&A Rules, where a domestic company or enterprise, or a domestic natural person, through an overseas company established or controlled by it/him, acquires a domestic company which is related to or connected with it/him, approval from the MOFCOM is required.

REGULATIONS ON PRIVATE POSTSECONDARY EDUCATION IN THE STATE OF CALIFORNIA

California Private Postsecondary Education Act

The California Education Code establishes the structure of the school system in the State of California and governs the operations of both public and private educational institutions. As part of the California Education Code, on October 11, 2009, Assembly Bill 48, also known as the California Private Postsecondary Education Act of 2009 (as amended and supplemented from time to time, the "California Private Postsecondary Education Act"), was passed to regulate private postsecondary educational institutions in the State of California, the United States ("California").

Approval to Operate Private Postsecondary Educational Institution

The BPPE came into existence on January 1, 2010 following the passage of the California Private Postsecondary Education Act. BPPE was created primarily to regulate private postsecondary educational institutions operating in California.

Pursuant to the California Private Postsecondary Education Act, a private postsecondary educational institution in California must seek approval to operate from the BPPE by demonstrating that the educational institution has the capacity to satisfy the minimum operating standards prescribed by the BPPE under the applicable provisions of the California Code of Regulations promulgated pursuant to the California Private Postsecondary Education Act.

The applicable regulations provide that an institution must fulfill the minimum operating standards to reasonably ensure that: (i) the content of each education program can achieve its stated objective; (ii) the institution maintains specific written standards for student admissions for each education program and those standards are related to the particular education program; (iii) the facilities, instructional equipment, and materials are sufficient to enable students to achieve the education program's goals; (iv) the institution maintains a withdrawal policy and provides refunds; (v) the directors, administrators, and faculty are properly qualified; (vi) the institution is financially sound and capable of fulfilling its commitments to students; (vii) that, upon satisfactory completion of an education program, the institution gives students a document signifying the degree or diploma awarded; (viii) adequate records and standard transcripts are maintained and are available to students; and (ix) the institution is maintained and operated in compliance with the California Private Postsecondary Education Act and all other applicable regulations and laws.

Application for Approval to Operate for an Institution Non-Accredited

Formal application can be made to BPPE for approval to operate for a private postsecondary educational non-accredited. Such application process generally consists of two stages of review: completeness review and compliance review. After submission of an application to BPPE by an educational institution together with the required documentation and fees. If the application is incomplete, the BPPE will issue an intake review notice to the institution within 30 days requesting additional documents, upon the receipt of which the application will be deemed to be complete. After the BPPE is satisfied with the completeness of the application, the application will be reviewed by a licensing analyst of BPPE for compliance with statutes and regulations. During this stage of compliance review, BPPE will issue deficiency letter to the institution requesting items needed to comply with statutes and regulations. If all items on deficiency letter (if any) are submitted and compliant, if applicable, the application will then be submitted to the Quality of Education Unit ("QEU") to review the education programs for compliance with statutes and regulations. Once the QEU has completed its review, and the institution has properly addressed all deficiencies, the application will be recommended for approval. Upon approval is granted by the BPPE, the institution will receive written notification that the application has been approved.

Approval by Means of Accreditation

A person operating an institution that is accredited by an accrediting agency recognized by the United States Department of Education has the option to obtain an approval to operate from the BPPE by means of the institution's accreditation by submitting an application for approval to operate an accredited institution. Such approval process is abbreviated from the standard approval to operate process (i.e. application for approval to operate for an institution non-accredited). This application process should only be used, however, when the applicant is seeking BPPE approval for exactly and only the institutional locations, educational program offerings and approval dates for which the institution has been accredited. The institution's main, branch and satellite locations must be accredited to offer the same programs at each location, have the same term of accreditation, and have the same ownership structure.

Voluntary Non-Governmental Accreditation Process

In the U.S., accreditation is a voluntary review process involving non-governmental entities as well as federal and state government agencies, and an educational institution may apply to an accrediting body for accreditation. In the U.S., there are a limited number of national and regional accrediting bodies recognized by the U.S. Department of Education as reliable authorities concerning the quality of education or training offered by the educational institutions they accredit. For an educational institution, the eligibility criteria to become accredited depend on the specific rules as adopted by the relevant accrediting body.

The Accrediting Commission of Career Schools and Colleges ("ACCSC") is a national accrediting agency recognized by the U.S. Department of Education for its accreditation of postsecondary, non-degree-granting institutions and degree-granting institutions in the U.S. The accreditation process for ACCSC primarily involves the following progressive stages: (i) determination of eligibility, (ii) attendance of a mandatory pre-accreditation workshop organized by ACCSC, (iii) application for initial accreditation within six months after the pre-accreditation workshop, (iv) on-site evaluation to be carried out by a team of experienced professionals at ACCSC, (v) team summary report to be issued by ACCSC summarizing its observations of the school and the subsequent filing of a response by the applicant, and (vi) grant of initial accreditation in case ACCSC concluded that its accreditation standards and requirements are met by the applicant. In order to meet the eligibility criteria set by ACCSC, an applicant must be a private postsecondary institution with trade, occupational, or career-oriented educational objectives. In order to be eligible, the applicant must also have been operating for two consecutive years prior to the application for accreditation (except for regularly scheduled breaks and vacation periods), and demonstrate that it commits to operate continuously thereafter. In general, an initial accreditation status will be granted to an educational institution for a maximum of five years based on its demonstrated ability to maintain continuous compliance with ACCSC's accrediting standards before renewal. According to ACCSC, it typically takes an applicant between 18 months and two years to complete the initial accreditation process.

The Western Association of Schools and Colleges, Accrediting Commission for Community and Junior Colleges ("ACCJC") is a regional accrediting agency recognized by the U.S. Secretary of Education for its accreditation of postsecondary institutions that offer two-year education programs and award the associate degree in (among other regions) California. The ACCJC focuses on community colleges, career and technical colleges, and junior colleges, through the creation and application of standards of accreditation and related policies, and through a process of review by higher education professionals and public members. The accreditation process for the ACCJC involves three progressive stages: (i) eligibility, (ii) candidacy, and (iii) initial accreditation. An educational institution will be granted eligibility after review by the ACCJC that the educational institution meets the eligibility requirements set by ACCJC. The Commission staff, with the Chair of the Eligibility Committee of ACCJC will review the eligibility application and supporting documentation submitted by the institution and will then make the determination of eligibility. If the institution is determined to be eligible, the ACCJC will notify the institution in writing and develop a time frame for the institution's self-evaluation for candidacy. The ACCJC will also send a peer review team to visit the institution to review the its readiness for candidacy status. The ACCJC review team reviews the evidence submitted to verify how well the institution meets or exceeds the standards. Candidacy is a pre-accreditation formal affiliation status granted to institutions that have successfully undergone an eligibility review, as well as a comprehensive evaluation process using the accreditation standards of ACCJC. Candidacy is granted to the institution when it demonstrates its ability to fully meet all the accreditation standards and policies of ACCJC within the two-year candidate period. Candidacy is awarded for a period of two years, during which time the institution may apply for initial accreditation. Initial accreditation will be awarded to an educational institution that has met the ACCJC's standards at a substantial level. The institution may request an additional two years in candidacy status but may not extend this status beyond a total of four years. If an institution fails to achieve initial accreditation after four years in candidacy status, it must wait for two years before submitting a new eligibility application to ACCJC and begin the process anew. When initial accreditation is granted, the institution is typically placed on a seven-year cycle for reaffirmation.

The Western Association of Schools and Colleges, Senior Colleges and University Commission ("WSCUC") is one of the regional accrediting agencies recognized by the U.S. Secretary of Education for its accreditation and pre-accreditation of senior colleges and universities in (among other regions) California. The accreditation process for the WSCUC involves three progressive stages: (i) eligibility, (ii) pre-accreditation or candidacy, and (iii) initial accreditation. An educational institution will be granted a maximum of five years of eligibility after review by the WSCUC that the educational institution meets the eligibility criteria set by WSCUC. Pre-accreditation is a preliminary affiliation with the WSCUC awarded to an educational institution that meets all or nearly all the standard at a minimum level for a maximum of five years. Initial accreditation will be awarded to an educational institution that has met the WSCUC's standards at a substantial level for a maximum of six years before the next comprehensive review.

OUR HISTORY AND DEVELOPMENT

Overview

Our history can be traced back to 1993 when Lingnan Education was established by Mr. He Huishan, the chairman of the Board, our executive Director and one of our Controlling Shareholders, together with his mother, Ms. Zhang Limei, and Lingnan Culture and Technology School* (嶺南文化技術學校) of which Mr. He Huishan's father-in-law was the sole school sponsor. Mr. He Huishan and his mother acquired the entire equity interest held by Lingnan Culture and Technology School in Lingnan Education using their personal funds in 1996.

Our Lingnan Institute of Technology was established in May 2002 to provide diploma education and vocational training and our Lingnan Modern Technician College was established in July 2005 to provide vocational education and training.

Business Milestones

The following table illustrates our major business milestones:

Year	Event
1993	• Lingnan Education was established
2002	• Lingnan Institute of Technology was established to provide diploma education and vocational training
2005	• Lingnan Modern Technician College was established to provide vocational education and training
2007	• Our Lingnan Institute of Technology was recognized by the Chinese Association for Non-Government Education (中國民辦教育協會) as Private School of National Education Brand
2008	• Our Lingnan Modern Technician College was awarded the National Private Vocational Education Advanced Entity
2010	• Our Lingnan Institute of Technology was awarded the 2009 Most Well-known Private School
	• Our Lingnan Institute of Technology was awarded the Top 10 National Private School
	• Our Lingnan Institute of Technology and Lingnan Modern Technician College were recognized by the People's Government of Guangdong Province as the Guangdong Province Vocational and Technological Education Advancement Group

Year	Event
	• Our Lingnan Institute of Technology was awarded the National Vocational Education Advanced Entity
2014	• Our Lingnan Institute of Technology began to operate its Qingyuan Campus
2015	• Our Lingnan Institute of Technology was recognized by Education Department of Guangdong Province (廣東省教育廳) as the Guangdong Province Innovation and Entrepreneurship Education Model School
2016	• Our Lingnan Institute of Technology obtained the Innovation and Entrepreneurship Educational Service Award
2017	• Our Lingnan Institute of Technology obtained the 2017 Private Vocational School Talent and Innovation Award and the Guangdong Province Vocational Schools Technology Competition Contribution Award
2019	• Our Lingnan Modern Technician College has upgraded from a senior technical school to a technician college
2020	• Our Lingnan Modern Technician College obtained the "Chuangke Guangdong" Industrial E-commerce Innovation and Entrepreneurship Competition Outstanding Organizing Institution Award
	• Our Lingnan Modern Technician College was recognized by Human Resources and Social Security Department of Guangdong Province as Human Resources and Social Security Department of Guangdong Province Accredited Test Unit

HISTORY OF OUR SCHOOL SPONSOR AND SCHOOLS

Set out below are details of our school sponsor and schools:

Lingnan Education

Lingnan Education was established on September 6, 1993 with a registered capital of RMB450,000. At the time of its establishment, Lingnan Education was owned by Lingnan Culture and Technology School* (嶺南文化技術學校), Mr. He Huishan and Ms. Zhang Limei, mother of Mr. He Huishan, as to 81.11%, 14.44%, and 4.44%, respectively. Mr. He Huishan's father-in-law was the sole school sponsor of Lingnan Culture and Technology School. Lingnan Culture and Technology School, Mr. He Huishan and Ms. Zhang Limei contributed cash capital to Lingnan Education. After the subsequent increases in registered capital and transfers of equity interests in Lingnan Education to Mr. He Huishan and Ms. Zhang Limei by Lingnan Culture and Technology School from 1995 to 1999, Mr. He Huishan owned 80% equity interest in Lingnan Education while Ms. Zhang Limei owned the remaining 20%.

The registered capital of Lingnan Education was increased from RMB1 million to RMB11 million on December 21, 2006 through cash contributions by each of Mr. He Huishan and Ms. Zhang Limei, and new shareholders, Ms. He Huifen, Ms. He Huifang and Ms. Zhou Lanqing. Thereafter, each of Mr. He Huishan, Ms. Zhang Limei, Ms. He Huifen, Ms. He Huifang and Ms. Zhou Lanqing owned 20% equity interest in Lingnan Education. Ms. He Huifen and Ms. He Huifang are sisters of Mr. He Huishan. Ms. Zhou Lanqing is the spouse of Mr. He Huishan.

On November 2, 2009, Mr. Zhong Yanfeng, a director of each of our schools, acquired 2% equity interests in Lingnan Education from each of the shareholders and after such acquisitions, Lingnan Education was owned by each of Mr. He Huishan, Ms. Zhang Limei, Ms. He Huifen, Ms. He Huifang and Ms. Zhou Lanqing as to 18% and Mr. Zhong Yanfeng as to 10%.

Ms. Zhou Lanqing contributed RMB19 million to the registered capital of Lingnan Education by cash on September 18, 2013 and thereafter owned approximately 69.93% of equity interest in Lingnan Education while each of the equity interest of Mr. He Huishan, Ms. Zhang Limei, Ms. He Huifen and Ms. He Huifang in Lingnan Education was diluted to approximately 6.6% and that of Mr. Zhong Yanfeng to approximately 3.67%.

In 2016, there were further transfers of equity interests in Lingnan Education. On July 13, 2016, Ms. Zhou Lanqing transferred her approximately 49.93% equity interest to Mr. He Huishan, while Ms. Zhang Limei and Mr. Zhong Yanfeng transferred their respective entire equity interests of approximately 6.6% and 3.67% to Mr. He Huishan. On September 29, 2016, Mr. He Huishan transferred 13.4% equity interest in Lingnan Education to each of Ms. He Huifen and Ms. He Huifang and thereafter, Lingnan Education was owned by Mr. He Huishan, Ms. Zhou Lanqing, Ms. He Huifen and Ms. He Huifang as to approximately 40%, 20%, 20% and 20%, respectively.

On December 4, 2018, Ms. Zhou Lanqing transferred her 20% equity interest in Lingnan Education to Mr. He Huishan at the consideration of RMB6 million, which was determined after arm's length negotiations between the parties by reference to the respective proportion of the amount of registered capital of Lingnan Education. Thereafter, Lingnan Education was owned by Mr. He Huishan, Ms. He Huifen and Ms. He Huifang as to 60%, 20% and 20%, respectively.

As of the Latest Practicable Date, Lingnan Education was the sole school sponsor of our Lingnan Institute of Technology and our Lingnan Modern Technician College.

Lingnan Institute of Technology

Lingnan Institute of Technology was a private education institution jointly established by Yuan Yi Chang, an Independent Third Party, and Lingnan Education, with a capital of RMB6 million contributed solely by Lingnan Education to provide diploma education and vocational training. It was registered as a private non-enterprise unit in Guangdong on May 24, 2002 and commenced operations thereafter.

On March 23, 2005, the capital of Lingnan Institute of Technology was increased by Lingnan Education to RMB19.49 million and on April 12, 2012, the capital was further increased by Lingnan Education to RMB34.49 million.

Pursuant to the private school operating license (民辦學校辦學許可證) issued by the People's Government of Guangdong Province (廣東省人民政府) on August 5, 2020 with a validity period of four years, Lingnan Education is the sole school sponsor of Lingnan Institute of Technology.

On August 28, 2020, with the assistance of our PRC Legal Advisors, we consulted the Education Department of Guangdong Province, being the competent authority as advised by our PRC Legal Advisors to confirm the matters relating to the school sponsor of Lingnan Institute of Technology. We were advised by a section deputy chief of the Development and Planning Office (發展規劃處) of the Education Department of Guangdong Province that, to their knowledge, the school sponsor of Lingnan Institute of Technology had always been Lingnan Education since it was established and there had never been any change of school sponsor in the past.

To rectify the inconsistence of historical records of the school sponsor, a confirmation letter was issued by Yuan Yi Chang on September 18, 2018 and an agreement was entered into between Yuan Yi Chang and Lingnan Education on August 26, 2019, according to which the parties confirmed Lingnan Education was the sole school sponsor of Lingnan Institute of Technology since its establishment. Further, on December 19, 2019, the Education Department of Guangdong Province approved the change of school sponsor of Lingnan Institute of Technology from Lingnan Education and Yuan Yi Chang to Lingnan Education.

Lingnan Modern Technician College

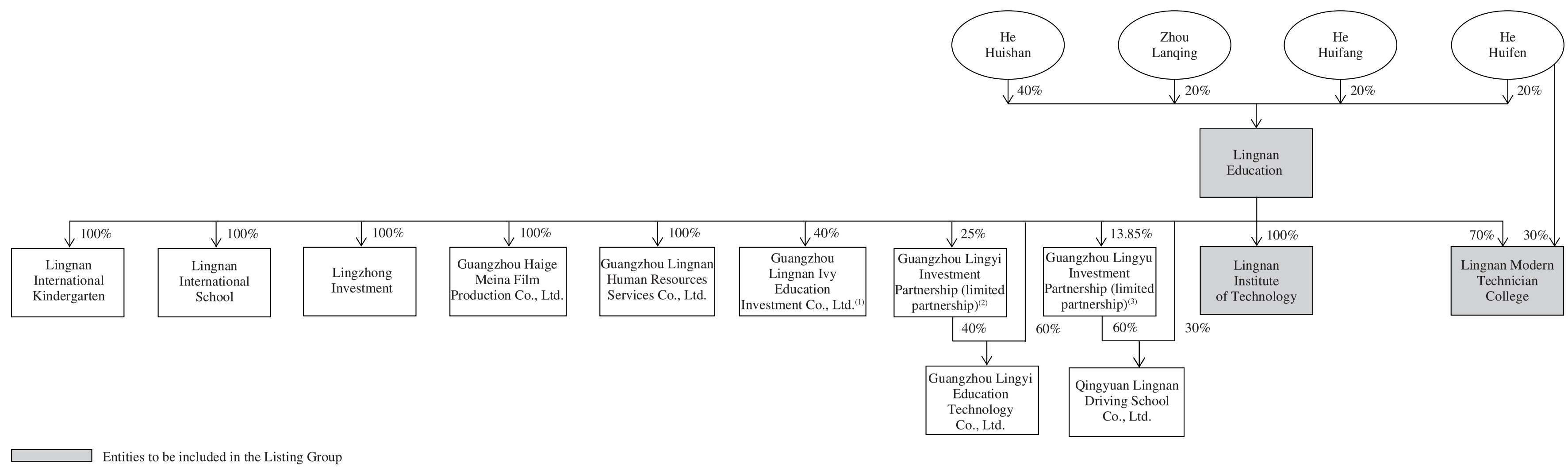
Lingnan Modern Technician College, previously known as Guangdong Lingnan Modern Manufacturing Technical School* (廣東嶺南現代製造技工學校), Guangdong Lingnan Modern Technical School* (廣東嶺南現代技工學校) and Guangdong Lingnan Modern Senior Technical School* (廣東嶺南現代高級技工學校), was a private education institution established with a capital of RMB6 million to provide full-time mid-level technician education and short-term vocational training. At the time of its establishment, the capital of Lingnan Modern Technician College was contributed as to 35%, 48.67%, 13.33%, and 3% by Lingnan Education, Ms. He Huifen, Guangzhou Jinming Technology Limited* (廣州市今明科技有限公司) ("Jinming Technology") and Mr. Wen Zhihong, respectively. Mr. Wen Zhihong is our former employee, an Independent Third Party, and Jinming Technology is a company owned as to 29.4% by Ms. He Huifen. Lingnan Modern Technician College was registered as a private non-enterprise unit in Guangdong Province on July 22, 2005 and commenced students recruitment and operations in September 2005. Pursuant to the approval for the upgrade of Lingnan Modern Senior Technical School to Lingnan Modern Technician College (關於同意廣東嶺南現代高級技工學校升格為廣東嶺南現代技師學院的批復) issued by the People's Government of Guangdong Province on January 21, 2019, Lingnan Modern Technician College was upgraded from a senior technical school to a technician college.

The school underwent a series of transfers of the school sponsor's interests from 2008 to 2011. In June 2008, Mr. Wen Zhihong transferred his entire school sponsor's interest of 3% in Lingnan Modern Technician College to Ms. He Huifen and Ms. He Huifen transferred her school sponsor's interest of approximately 21.67% in Lingnan Modern Technician College to Jinming Technology. Upon the transfer, the capital of Lingnan Modern Technician College was contributed as to 35%, 35% and 30% by Lingnan Education, Jinming Technology, and Ms. He Huifen, respectively. In January 2011, Jinming Technology transferred its entire school sponsor's interest of 35% in Lingnan Modern Technician College to Lingnan Education. After the transfer and prior to the Corporate Reorganization, the capital of RMB6 million of Lingnan Modern Technician College was contributed by Lingnan Education and Ms. He Huifen as to 70% and 30%, respectively.

Pursuant to a school sponsor's interest transfer agreement dated January 1, 2020 and a supplemental agreement thereto dated June 25, 2020 between Ms. He Huifen and Lingnan Education, Ms. He Huifen transferred her entire 30% school sponsor's interest in Lingnan Modern Technician College to Lingnan Education at a consideration of RMB77,401,000 (inclusive of withholding tax), which was determined after arm's length negotiations between the parties by reference to the market value of the 30% school sponsor's interest in Lingnan Modern Technician College as of December 31, 2019 accordingly to an appraisal report dated July 16, 2020 and issued by an independent professional valuer. Such change of school sponsor of Lingnan Modern Technician College was approved by the Human Resource and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) on November 6, 2020 and Lingnan Education became the sole school sponsor of Lingnan Modern Technician College. As of the Latest Practicable Date, Lingnan Modern Technician College was in the process of renewing its private non-enterprise registration certificate for such change of school sponsor which was expected to be completed before the end of December 2020. According to an interview with the Department of Civil Affairs of Guangdong Province (廣東省民政廳) on November 11, 2020, we were advised that there is no substantial legal impediment for the renewal of such registration. As of the Latest Practicable Date, the consideration for such transfer has not been settled yet, and pursuant to the supplemental agreement between the parties, it was agreed that the consideration would be settled before April 30, 2021 or one month prior to the Listing, whichever is earlier.

CORPORATE REORGANIZATION

The following chart sets forth our corporate structure immediately prior to the commencement of the Corporate Reorganization.



Notes:

(1) Holders of the remaining 60% interest in Guangzhou Lingnan Ivy Education Investment Co., Ltd. comprise Chen Wei and Lv Youning, both Independent Third Parties.

(2) Holders of the remaining 75% interest in Guangzhou Lingyi Investment Partnership (limited partnership)* comprise the directors of our schools and our employees.

(3) Holders of the remaining 86.15% interest in Guangzhou Lingyu Investment Partnership (limited partnership)* comprise Mr. Du Wenyu, the spouse of Ms. He Huifang, directors of our schools and our employees.

1. Corporate Reorganization of Lingnan Education

Disposal of Entities/Interests Not Related to Our Principal Business

Prior to the Corporate Reorganization, Lingnan Education held several entities and interests not related to the higher vocational education programs we provide. In order to streamline the business and assets of our Group and focus our resources on our higher vocational education business prior to the Listing, we disposed a number of entities and interests to rationalize our corporate structure.

Disposal of Lingnan International Kindergarten

Lingnan International Kindergarten is a private kindergarten registered on July 11, 2001 and principally engaged in the provision of education to children aged below six.

In 2018, Lingnan Education had agreed to transfer its school sponsor's interest in Lingnan International Kindergarten to Mr. He Huishan with effect from September 30, 2018, at a consideration to be determined based on the net asset value of Lingnan International Kindergarten. Since then we ceased to have management control over Lingnan International Kindergarten. Due to an adjustment in our strategic priorities in late 2018, the formal documentation and implementation of such transfer were delayed until 2020. On June 22, 2020, Lingnan Education entered into a school sponsor's interest transfer agreement with Mr. He Huishan, pursuant to which it was confirmed and acknowledged by the parties that (i) Lingnan Education transferred its entire 100% school sponsor's interest in Lingnan International Kindergarten to Mr. He Huishan on September 30, 2018, and (ii) such transfer was at the consideration of RMB15,452,658, which was determined after arm's length negotiations between the parties by reference to the audited net asset value of Lingnan International Kindergarten as of March 31, 2020 indicated in the Liquidation Audit Report (Sui Da Shi Zhuan Zi (2020) No. 107) dated June 23, 2020 and issued by an independent professional consultant, a report required for the application of change of school sponsor of Lingnan International Kindergarten in accordance with the relevant PRC laws and regulations. Upon approvals from the relevant government authorities on September 2, 2020, Mr. He Huishan became the sole school sponsor of Lingnan International Kindergarten. As of the Latest Practicable Date, the consideration for such transfer has been fully settled.

Disposal of Lingnan International School

Lingnan International School is a private school registered on December 17, 2001 and principally engaged in the provision of full range of primary education to students from first grade to six grade.

In 2018, Lingnan Education had agreed to transfer its school sponsor's interest in Lingnan International School to Ms. He Huifang with effect from September 30, 2018, at a consideration to be determined based on the net asset value of Lingnan International School. Since then, we ceased to have management control over Lingnan International School. Due to an adjustment in our strategic priorities in late 2018, the formal documentation and implementation of such transfer were delayed until 2020. On July 24, 2020 Lingnan Education entered into a school sponsor's interest transfer agreement with Ms. He Huifang, pursuant to which it was confirmed and acknowledged by the parties that (i) Lingnan Education transferred its entire 100% school sponsor's interest in

Lingnan International School to Ms. He Huifang on September 30, 2018, and (ii) such transfer was at the consideration of RMB4,488,136, which was determined after arm's length negotiations between the parties by reference to the audited net asset value of Lingnan International School as of March 31, 2020 indicated in the Liquidation Audit Report (Sui Da Shi Zhuan Zi) (2020) No. 119) dated June 23, 2020 and issued by an independent professional consultant, a report required for the application of change of school sponsor of Lingnan International School in accordance with the relevant PRC laws and regulations. Upon approvals from the relevant government authorities on September 29, 2020, Ms. He Huifang became the sole school sponsor of Lingnan International School. As of the Latest Practicable Date, the consideration for such transfer has been fully settled.

Disposal of Lingzhong Investment and Other Disposed Entities and Disposed Interests

Lingnan Education had owned certain entities and interests which were intended to serve as a corporate incubator that helped entrepreneurs, including students and graduates of our schools, launch new businesses. In order to streamline the business and assets of our Group, our Group determined to dispose of such group of entities and interests comprising investment holding companies, service providers and equity interests held in investee companies, which were dormant or did not have any substantial business prior to the disposal (the "Disposed Incubator Group").

We disposed of the Disposed Incubator Group to Ms. Xie Jiehua ("Ms. Xie") and Lingzhong Investment through a series a disposal transactions conducted at arm's length and at consideration primarily determined by the amount of paid-up capital invested into the relevant companies. Ms. Xie was a friend of Mr. He Huishan and a former supervisor of Lingnan Modern Technician College from April 2018 to March 2019, and is currently an Independent Third Party. Lingzhong is owned as to 51% by Ms. Xie and 49% by Ms. He Jinkai (何金開). Ms. He Jinkai is a business partner of Ms. Xie Jiehua and an Independent Third Party. Ms. He became a shareholder of Lingzhong Investment on August 6, 2018 by way of a capital increase in Lingzhong Investment, and has not been involved in its day-to-day business operation. Ms. Xie, as the majority shareholder and decision-maker involved in the day-to-day operation of Lingzhong Investment, was interested in operating a corporate incubator and thus agreed to acquire the Disposed Incubator Group from our Group.

As of the Latest Practicable Date, the consideration for all of these disposals has been fully settled and we ceased to own any equity interests in any company in the Disposed Incubator Group. Set out below is a summary of the transactions pursuant to which the companies and equity interests in the Disposed Incubator Group were disposed of. Among the Disposal Incubator Group, Lingzhong Investment, Guangzhou Haige Meina Film Production Co., Ltd., Guangzhou Lingnan Human Resources Services Co., Ltd. and Guangzhou Lingyi Education Technology Co., Ltd. are recognized as Discontinued Operations for the purpose of our Company's consolidated financial statements. See "Financial Information — Key Components of Our Results of Operations — Discontinued Operations" in this prospectus for further details.

Date of Agreement	Name of Disposed Entities	Date of Establishment	Profit/(loss) of Disposed Entities during the Financial Year/Period Immediately Preceding Their Respective Disposals[3]	Percentage of Interests Disposed of	Transferor	Transferee	Consideration	Paid up capital by the Transferee Immediately Prior to Disposal	Role in the Disposed Incubator Group
August 6, 2018	Lingzhong Investment	February 6, 2016	*(January 1, 2017 – December 31, 2017)* RMB(315) *(January 1, 2018 – July 31, 2018)* RMB(108)	100	Lingnan Education	Ms. Xie	Nil	RMB10,000	Investment holding
August 27, 2018.	Guangzhou Haige Meina Film Production Co., Ltd* (廣州海格梅納影視製作有限公司)	August 12, 2009	*(January 1, 2017 – December 31, 2017)* RMB(348,460) *(January 1, 2018 – August 31, 2018)* RMB225,402	100	Lingnan Education	Lingzhong Investment	RMB5,000,000	RMB5,000,000	Provides branding and marketing support services

Date of Agreement	Name of Disposed Entities	Date of Establishment	Profit/(loss) of Disposed Entities during the Financial Year/Period Immediately Preceding Their Respective Disposals[3]	Percentage of Interests Disposed of	Transferor	Transferee	Consideration	Paid up capital by the Transferee Immediately Prior to Disposal	Role in the Disposed Incubator Group
August 27, 2018.	Guangzhou Lingnan Human Resources Services Co., Ltd.* (廣州市嶺南人力資源服務有限公司)	December 30, 2003	*(January 1, 2017 – December 31, 2017)* RMB154,050 *(January 1, 2018 – August 31, 2018)* RMB36,136	100	Lingnan Education	Lingzhong Investment	RMB2,000,000	RMB2,000,000	Provides human resource services
September 29, 2018. . .	Guangzhou Lingyi Education Technology Co., Ltd.* (廣州嶺藝教育科技有限公司)	January 29, 2018	*(January 29, 2018 – September 30, 2018)* RMB(333,810)	60	Lingnan Education	Lingzhong Investment	Nil	Nil	Provides design services, such as industrial design and multi-media design

Date of Agreement	Name of Disposed Entities	Date of Establishment	Profit/(loss) of Disposed Entities during the Financial Year/Period Immediately Preceding Their Respective Disposals[3]	Percentage of Interests Disposed of	Transferor	Transferee	Consideration	Paid up capital by the Transferee Immediately Prior to Disposal	Role in the Disposed Incubator Group
November 29, 2018. . .	Guangzhou Lingnan Ivy Education Investment Co., Ltd.* (廣州嶺南長青藤教育投資有限公司)	April 23, 2013	*(January 1, 2017 – December 31, 2017)* RMB(478,387) *(January 1, 2018 – November 30, 2018)* RMB(228,704)	40	Lingnan Education	Lingzhong Investment	RMB6,000,000	RMB6,000,000	Investee company primarily engaged in events planning and organization
November 18, 2018. . .	Guangzhou Lingyi Investment Partnership (limited partnership)* (廣州嶺藝投資合夥企業(有限合夥)) ("Lingyi Partnership")	January 2, 2018	*(January 2, 2018 – November 30, 2018)* RMB(316)	25	Lingnan Education[1]	Lingzhong Investment[1]	RMB300,000[1]	RMB300,000	Investee company primarily engaged in project investment, including elderly care projects and sports projects

Date of Agreement	Name of Disposed Entities	Date of Establishment	Profit/(loss) of Disposed Entities during the Financial Year/Period Immediately Preceding Their Respective Disposals[3]	Percentage of Interests Disposed of	Transferor	Transferee	Consideration	Paid up capital by the Transferee Immediately Prior to Disposal	Role in the Disposed Incubator Group
December 5, 2018. . . .	Guangzhou Lingyu Investment Partnership (limited partnership)* (廣州市嶺馭投資合夥企業(有限合夥)) ("Lingyu Partnership")	August 23, 2016	*(January 1, 2017 – December 31, 2017)* RMB663 *(January 1, 2018 – November 30, 2018)* RMB100	13.85	Lingnan Education[(2)]	Lingzhong Investment[(2)]	RMB360,000[(2)]	RMB360,000	Investee company primarily engaged in the provision of drivers' training and other automobile related services such as automobile leasing, repair and maintenance
December 24, 2018 . . .	Qingyuan Lingnan Driving School Co., Ltd.* (清遠嶺南有家汽車培訓有限公司)	October 18, 2016	*(January 1, 2017 – December 31, 2017)* RMB177,350 *(January 1, 2018 – September 30, 2018)* RMB1,322,338	30	Lingnan Education	Lingzhong Investment	RMB900,000	RMB900,000	Investee company primarily engaged in the provision of drivers training services and automobile leasing, repair and maintenance

Date of Agreement	Name of Disposed Entities	Date of Establishment	Profit/(loss) of Disposed Entities during the Financial Year/Period Immediately Preceding Their Respective Disposals[3]	Percentage of Interests Disposed of	Transferor	Transferee	Consideration	Paid up capital by the Transferee Immediately Prior to Disposal	Role in the Disposed Incubator Group
April 20, 2020.	Guangzhou Linghang Education Technology Development Co., Ltd.* (廣州嶺航教育科技發展有限公司)	March 22, 2019	*(March 22, 2019 – December 31, 2019)* RMB15,896	100	Lingnan WFOE	Lingzhong Investment	Nil	Nil	Provides corporate advisory services
April 23, 2020.	Guangzhou Lingchuang E-commerce Technology Co., Ltd.* (廣州嶺創電商科技有限公司)	March 27, 2019	*(March 27, 2019 – December 31, 2019)* RMB(588,994)	100	Lingnan WFOE	Lingzhong Investment	RMB1,000,000	RMB1,000,000	Provides Internet e-commerce operation services and computer hardware/software development services

Date of Agreement	Name of Disposed Entities	Date of Establishment	Profit/(loss) of Disposed Entities during the Financial Year/Period Immediately Preceding Their Respective Disposals[3]	Percentage of Interests Disposed of	Transferor	Transferee	Consideration	Paid up capital by the Transferee Immediately Prior to Disposal	Role in the Disposed Incubator Group
April 24, 2020.	Guangzhou Lingxian Venture Incubator Co., Ltd.* (廣州嶺先創業孵化器有限公司)	March 27, 2019	*(March 27, 2019 – December 31, 2019)* RMB(35,937)	100	Lingnan WFOE	Lingzhong Investment	Nil	Nil	Provides corporate advisory services

Notes:

(1) Pursuant to the change in partnership agreement among all the existing partners of Lingyi Partnership and Lingzhong Investment dated November 18, 2018, Lingnan Education exited Lingyi Partnership and Lingzhong Investment joined Lingyi Partnership as a limited partner with its total subscribed capital amount of RMB300,000.

(2) Pursuant to the change in partnership agreement among all the existing partners of Lingyu Partnership and Lingzhong Investment dated December 5, 2018, Lingnan Education exited Lingyu Partnership and Lingzhong Investment joined Lingyu Partnership as a limited partner with its total subscribed capital amount of RMB360,000.

(3) Based on unaudited management accounts of the respective disposed entities within the Disposed Incubator Group.

2. Incorporation of our Company

Our Company, which is the listing vehicle of our Group, was incorporated as an exempted company with limited liability in the Cayman Islands on August 15, 2018, with an authorized share capital of HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each. On the same date, one subscriber Share was issued to an Independent Third Party incorporator and transferred from the Independent Third Party incorporator to Zhihui Guang. On the same date, our Company allotted one Share to each of China Foreign Education and Fangyuan Education. Immediately subsequent to the above allotment, our Company was owned as to 33.33% by Zhihui Guang, 33.33% by China Foreign Education and 33.33% by Fangyuan Education.

3. Incorporation of Offshore Group Companies

Lingnan Education BVI

Lingnan Education BVI was incorporated under the laws of the BVI on August 22, 2018 with one share issued to the Company as fully-paid at nil par value. Lingnan Education BVI is an investment holding company.

SCV Education HK

SCV Education HK was incorporated as a limited liability company in Hong Kong on September 4, 2018 with one share issued to Lingnan Education BVI. SCV Education HK is an investment holding company.

Lingnan Education USA

Lingnan Education USA was registered as a corporation under the laws of the State of California, the United States, on October 9, 2018. On October 9, 2018, 10,000 shares with no par value of Lingnan Education USA were allocated and issued to SCV Education HK.

4. Transfer of Equity Interests in Lingnan Education

Ms. Zhou Lanqing transferred her entire 20% equity interest in Lingnan Education to Mr. He Huishan at a consideration of RMB6 million, which was determined after arm's length negotiations between the parties by reference to the respective proportion of the amount of registered capital of Lingnan Education, pursuant to an equity transfer agreement dated November 15, 2018. Such equity transfer was completed on December 4, 2018. Following such transfer, Lingnan Education was owned as to 60% by Mr. He Huishan, 20% by Ms. He Huifen and 20% by Ms. He Huifang, respectively.

5. Establishment of Lingnan WFOE

Lingnan WFOE was incorporated under the laws of the PRC on December 27, 2018 as a wholly foreign owned enterprise with a registered capital of US$30,000,000, and was wholly-owned by SCV Education HK.

6. Transfer of the School Sponsor's Interest in Lingnan Modern Technician College

Pursuant to a school sponsor's interest transfer agreement dated January 1, 2020 and a supplemental agreement thereto dated June 25, 2020 between Ms. He Huifen and Lingnan Education, Ms. He Huifen transferred her entire 30% school sponsor's interest in Lingnan Modern Technician College to Lingnan Education at a consideration of RMB77,401,000 (inclusive of withholding tax), which was determined after arm's length negotiations between the parties by reference to the market value of the 30% school sponsor's interest in Lingnan Modern Technician College as of December 31, 2019 accordingly to an appraisal report dated July 16, 2020 and issued by an independent professional valuer. Such change of school sponsor of Lingnan Modern Technician College was approved by the Human Resource and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) on November 6, 2020 and Lingnan Education became the sole school sponsor of Lingnan Modern Technician College. As of the Latest Practicable Date, Lingnan Modern Technician College was in the process of renewing its private non-enterprise registration certificate for such change of school sponsor which was expected to be completed before the end of December 2020. According to an interview with the Department of Civil Affairs of Guangdong Province (廣東省民政廳) on November 11, 2020, we were advised that there is no substantial legal impediment for the renewal of such registration. As of the Latest Practicable Date, the consideration for such transfer has not been settled yet, and pursuant to the supplemental agreement between the parties, it was agreed that the consideration shall be settled before the Listing.

7. Disposal of Entities/Interests not Related to Our Principal Business

After our disposal of the then established companies in the Disposed Incubator Group in 2018, we endeavored to create a new corporate incubator platform in early 2019 with a smaller scale and set up three companies, namely, Guangzhou Lingchuang E-commerce Technology Co., Ltd.* (廣州嶺創電商科技有限公司), Guangzhou Linghang Education Technology Development Co., Ltd.* (廣州嶺航教育科技發展有限公司), Guangzhou Lingxian Venture Incubator Co., Ltd.* (廣州嶺先創業孵化器有限公司), for this purpose. In early 2020, in contemplation of the Listing, we decided to dispose of these companies to Lingzhong Investment in order to rationalize our corporate structure and focus our resources on our education business. See "— Disposal of Lingzhong Investment and Other Disposed Entities and Disposed Interests" in this prospectus for details of these companies and their disposals.

8. Allotment of Shares by the Company

On October 15, 2020, 569,999 Shares, 189,999 Shares, 189,999 Shares and 50,000 Shares were allotted and issued to Zhihui Guang, China Foreign Education, Fangyuan Education and Good Booming, respectively, at par value of HK$0.01. Upon completion of the allotment, our Company was owned as to 57% by Zhihui Guang, 19% by China Foreign Education, 19% by Fangyuan Education and 5% by Good Booming.

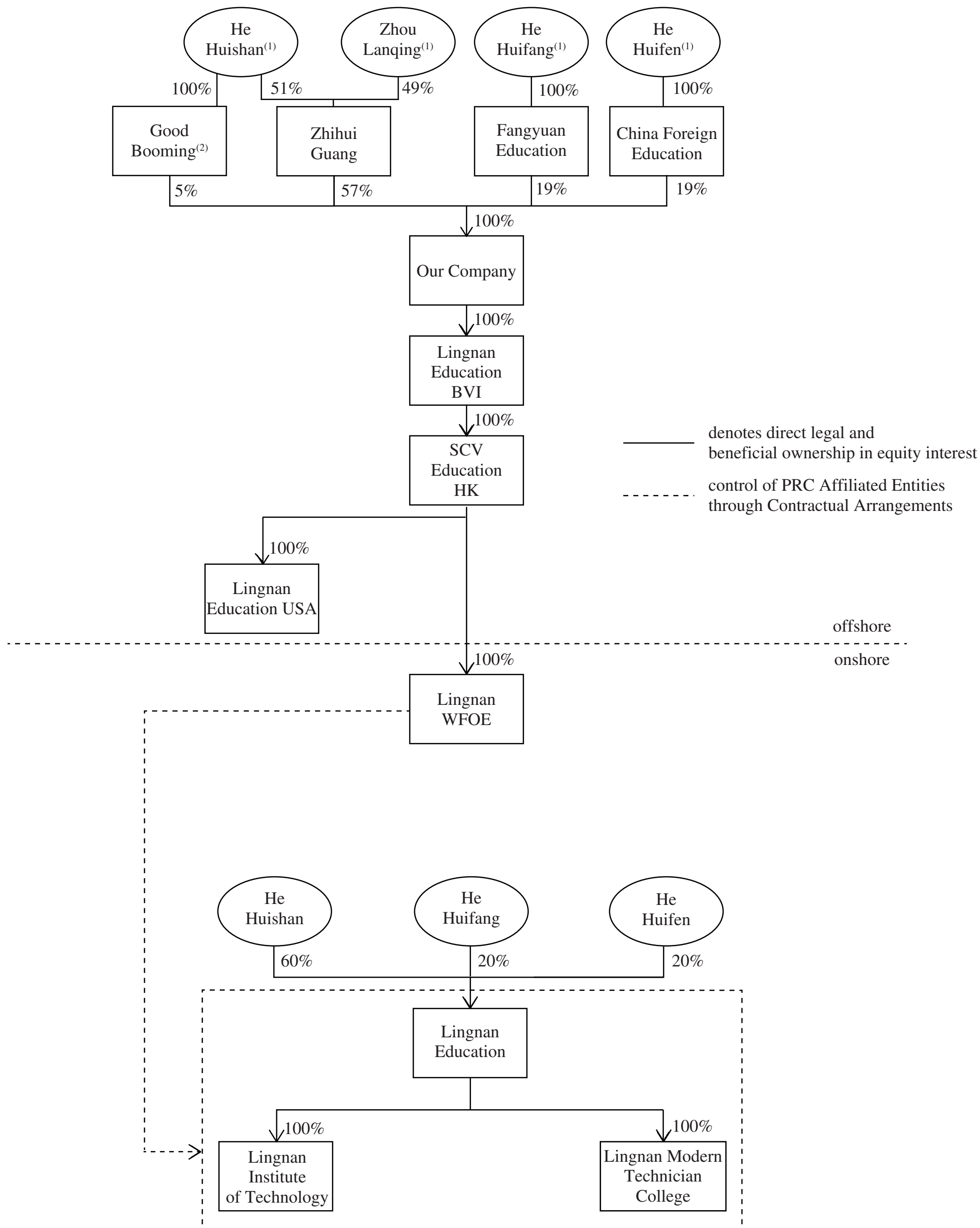
9. Entering into the Contractual Arrangements to Control Our PRC Affiliated Entities by Lingnan WFOE

On November 21, 2020, Lingnan WFOE entered into various agreements with our PRC Affiliated Entities under which all economic benefits arising from the business of our PRC Affiliated Entities are transferred to Lingnan WFOE by means of service fees payable by our PRC Affiliated Entities to the Lingnan WFOE.

For further details of the Contractual Arrangements, please see "Contractual Arrangements" in this Prospectus.

GROUP STRUCTURE UPON COMPLETION OF THE CORPORATE REORGANIZATION

The following chart sets forth our corporate structure after the Corporate Reorganization and immediately prior to the Listing:



Notes:

(1) Mr. He Huishan, Ms. Zhou Lanqing, Ms. He Huifen and Ms. He Huifang, our Controlling Shareholders, are parties acting in concert pursuant to a concert party agreement dated November 19, 2020, pursuant to which, Mr. He Huishan, Ms. Zhou Lanqing, Ms. He Huifen and Ms. He Huifang confirmed that they have been acting in concert since the time when each of them first became a shareholder of our Group and, for the avoidance of doubt, from January 1, 2017, and agreed that they will continue to act in concert in the management, operation and decision-making on both shareholder's level and director's level of our Group.

(2) Good Booming is a limited liability company incorporated under the laws of the BVI on August 20, 2018 and is wholly-owned by Mr. He Huishan. Mr. He Huishan is also the sole director of Good Booming.

The Shares held by Good Booming represent Shares contributed by each of other Controlling Shareholders as a pool of Shares to be awarded to our employees for the purposes of recognizing their respective contributions and retaining and motivating them to strive for the future development of our Group. Such Shares will be awarded to employees as selected by Good Booming subject to such terms and conditions as Good Booming may determine in its sole and absolute discretion. As of the Latest Practicable Date, no Share was awarded by Good Booming to any employee of the Group.

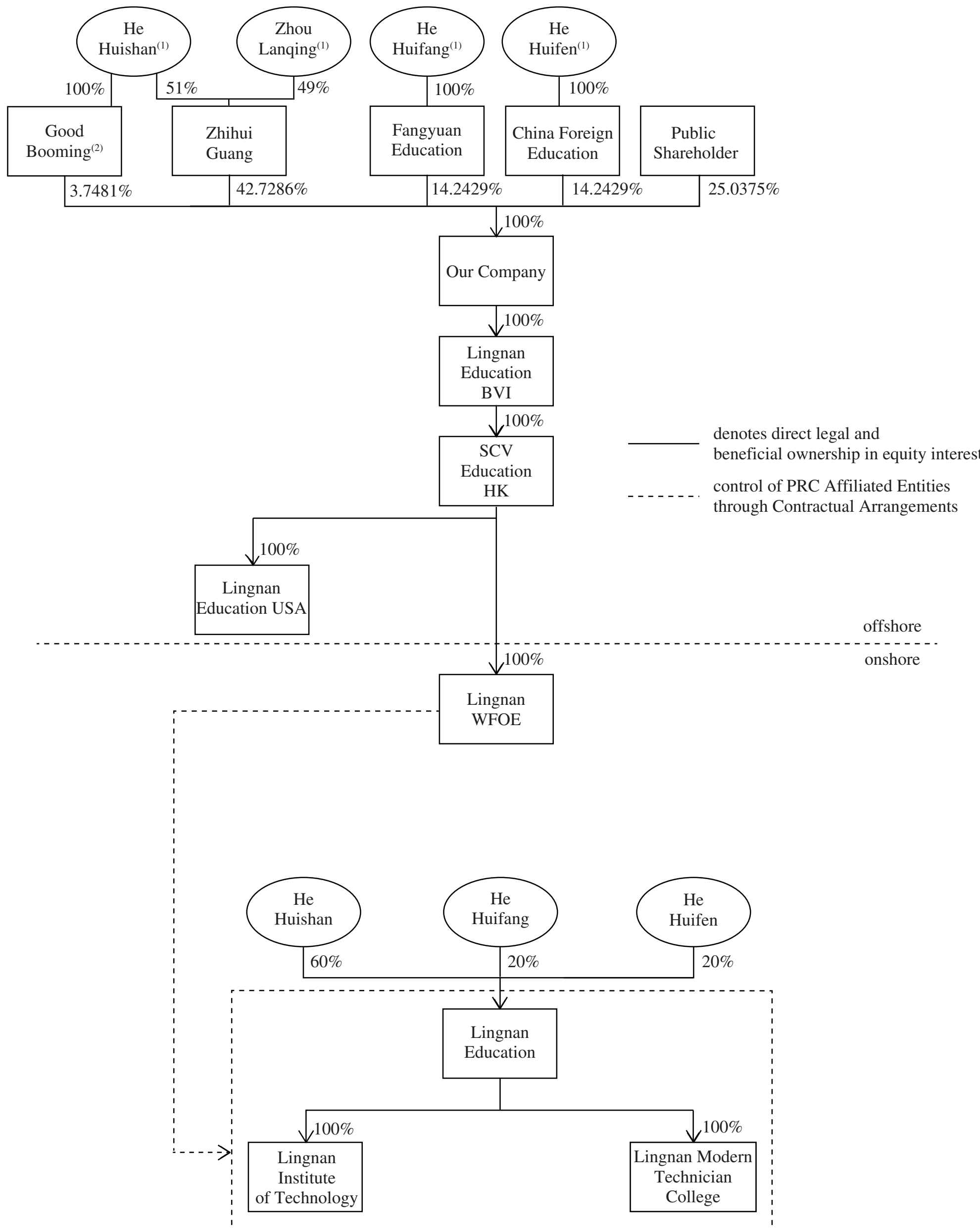
COMPLIANCE WITH PRC LAWS AND REGULATIONS

Our PRC Legal Advisors confirmed that the Corporate Reorganization was in compliance with all applicable PRC laws and regulations in all material respects, and save for the fact that Lingnan Modern Technician College is in the process of renewing private non-enterprise registration certificate for its change of sponsor, all necessary approvals, permits and licenses required under the PRC laws and regulations in connection with the Corporate Reorganization in all material respects have been obtained.

In addition, we have been advised by the Education Department of Guangdong Province and the Human Resources and Social Security Department of Guangdong Province, being the competent authorities relevant to our PRC Affiliated Entities as advised by our PRC Legal Advisors, that (i) no illegal or irregular operations have ever been carried out by our PRC Operating Entities; (ii) none of our PRC Operating Entities has ever been inspected, complained or has received any major administrative penalties; and (iii) our PRC Operating Entities have consecutively passed their annual inspections.

GROUP STRUCTURE UPON LISTING

The following chart sets forth our corporate structure upon Listing, assuming the Over-allotment Option is not exercised:



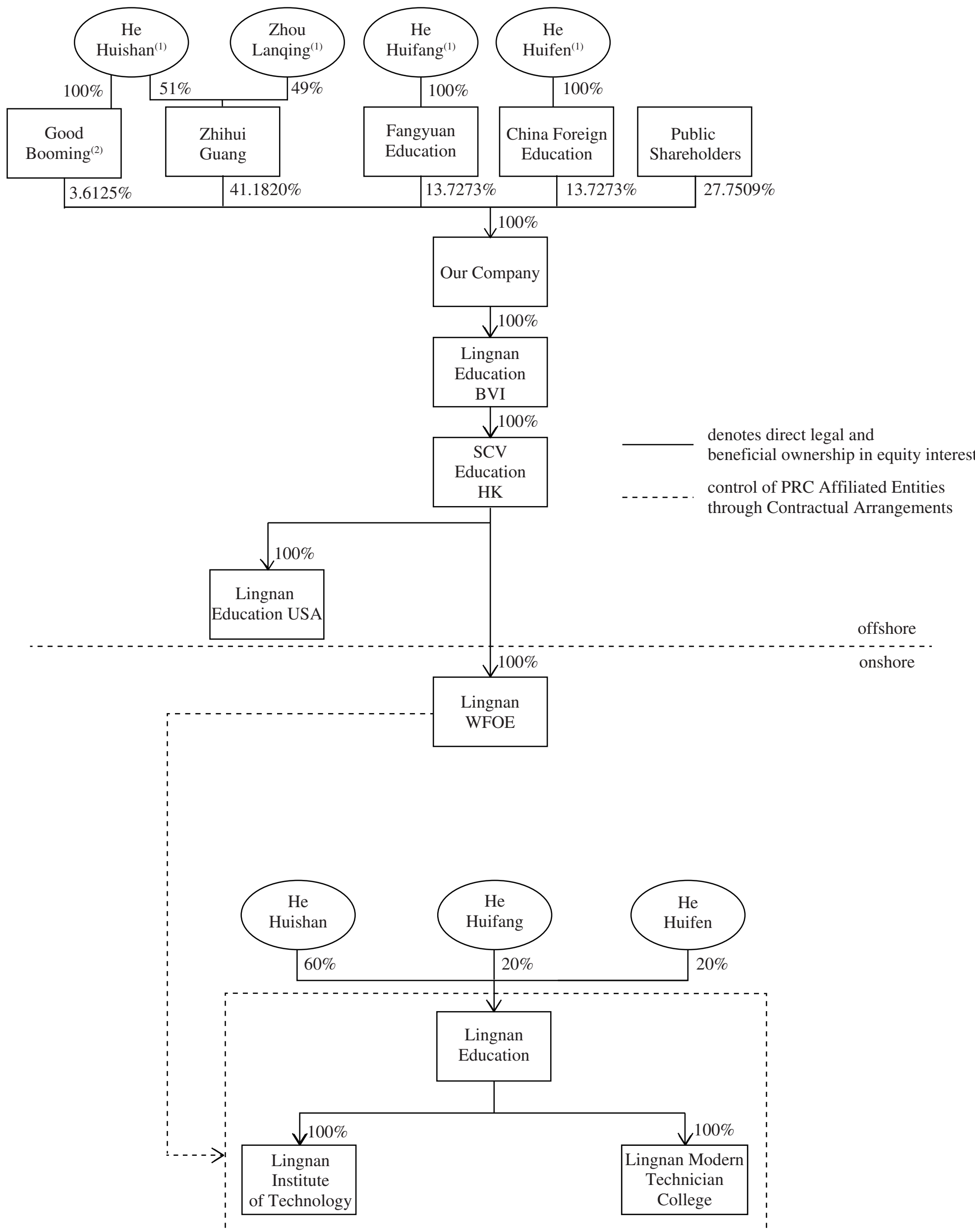
Notes:

(1) Mr. He Huishan, Ms. Zhou Lanqing, Ms. He Huifen and Ms. He Huifang, our Controlling Shareholders, are parties acting in concert pursuant to a concert party agreement dated November 19, 2020, pursuant to which, Mr. He Huishan, Ms. Zhou Lanqing, Ms. He Huifen and Ms. He Huifang confirmed that they have been acting in concert since the time when each of them first became a shareholder of our Group and, for the avoidance of doubt, from January 1, 2017, and agreed that they will continue to act in concert in the management, operation and decision-making on both shareholder's level and director's level of our Group.

(2) Good Booming is a limited liability company incorporated under the laws of the BVI on August 20, 2018 and is wholly-owned by Mr. He Huishan. Mr. He Huishan is also the sole director of Good Booming.

The Shares held by Good Booming represent Shares contributed by each of other Controlling Shareholders as a pool of Shares to be awarded to our employees for the purposes of recognizing their respective contributions and retaining and motivating them to strive for the future development of our Group. Such Shares will be awarded to employees as selected by Good Booming subject to such terms and conditions as Good Booming may determine in its sole and absolute discretion. As of the Latest Practicable Date, no Share was awarded by Good Booming to any employee of the Group.

The following chart sets forth our corporate structure upon Listing, assuming the Over-allotment Option is exercised in full:



Notes:

(1) Mr. He Huishan, Ms. Zhou Lanqing, Ms. He Huifen and Ms. He Huifang, our Controlling Shareholders, are parties acting in concert pursuant to a concert party agreement dated November 19, 2020, pursuant to which, Mr. He Huishan, Ms. Zhou Lanqing, Ms. He Huifen and Ms. He Huifang confirmed that they have been acting in concert since the time when each of them first became a shareholder of our Group and, for the avoidance of doubt, from January 1, 2017, and agreed that they will continue to act in concert in the management, operation and decision-making on both shareholder's level and director's level of our Group.

(2) Good Booming is a limited liability company incorporated under the laws of the BVI on August 20, 2018 and is wholly-owned by Mr. He Huishan. Mr. He Huishan is also the sole director of Good Booming.

The Shares held by Good Booming represent Shares contributed by each of other Controlling Shareholders as a pool of Shares to be awarded to our employees for the purposes of recognizing their respective contributions and retaining and motivating them to strive for the future development of our Group. Such Shares will be awarded to employees as selected by Good Booming subject to such terms and conditions as Good Booming may determine in its sole and absolute discretion. As of the Latest Practicable Date, no Share was awarded by Good Booming to any employee of the Group.

SAFE REGISTRATION

Pursuant to the Circular on the Management of Offshore Investment and Financing and Round Trip Investment By Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知) (the "SAFE Circular No. 37"), promulgated by the SAFE and which became effective on July 14, 2014, (a) a PRC resident must register with the local the SAFE branch before he or she contributes assets or equity interests in an overseas special purpose vehicle (the "Overseas SPV") that is directly established or indirectly controlled by the PRC resident for the purpose of conducting investment or financing, and (b) following the initial registration, the PRC resident is also required to register with the local SAFE branch for any major change, in respect of the Overseas SPV, including a change of Overseas SPV's PRC resident shareholder(s), the name of the Overseas SPV, terms of operation, or any increase or reduction of the Overseas SPV's capital, share transfer or swap, and merger or division. Pursuant to the SAFE Circular No. 37, failure to comply with these registration procedures may result in penalties.

Pursuant to the Circular of the SAFE on Further Simplification and Improvement in Foreign Exchange Administration on Direct Investment (關於進一步簡化和改進直接投資外匯管理政策的通知) (the "SAFE Circular No. 13"), promulgated by SAFE and which became effective on June 1, 2015, the power to accept the SAFE registration was delegated from the local SAFE to local banks where the assets or interest in the domestic entity was located.

As advised by our PRC Legal Advisors, all our PRC beneficial owners who are PRC residents, namely Mr. He Huishan, Ms. He Huifen, Ms. He Huifang and Ms. Zhou Lanqing, have completed the registration under the SAFE Circular No. 13 and the SAFE Circular No. 37 on October 31, 2018.

M&A RULES

On August 8, 2006, six PRC regulatory agencies, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration of Taxation, the SAIC, the CSRC and the SAFE, jointly issued the M&A Rules, which became effective on September 8, 2006, and was amended on June 22, 2009. Pursuant to the M&A Rules, a foreign investor is required to obtain necessary approvals when (i) a foreign investor acquires equity in a domestic non-foreign invested enterprise thereby converting it into a foreign-invested enterprise, or subscribes for new equity in a domestic enterprise through an increase of registered capital thereby converting it into a foreign-invested enterprise; or (ii) a foreign investor establishes a foreign-invested enterprise which purchases and operates the assets of a domestic enterprise, or which purchases the assets of a domestic enterprise and injects those assets to establish a foreign-invested enterprise (the "Regulated Activities").

Given that (i) Lingnan WFOE was established as a wholly foreign-owned enterprise by means of direct investment rather than by merger or acquisition by our Company under the M&A Rules, and (ii) no Regulated Activities were involved in the Corporate Reorganization under the M&A Rules, as advised by our PRC legal advisors, the establishment of Lingnan WFOE and the Corporate Reorganization are not subject to the M&A Rules, and the Listing of our Company does not require approvals from CSRC and MOFCOM under the M&A Rules.

BACKGROUND OF THE CONTRACTUAL ARRANGEMENTS

We currently conduct our education business through our PRC Affiliated Entities in the PRC as PRC laws and regulations generally restrict foreign ownership in the private education industry in the PRC. PRC laws and regulations and regulatory practice currently restrict the operation of higher education institutions to Sino-foreign cooperation, in addition to imposing qualification requirements on the foreign owners. We do not hold any equity interest in our PRC Affiliated Entities. The Contractual Arrangements, through which we obtain control over and derive the economic benefits from our PRC Affiliated Entities, have been narrowly tailored to achieve our business purpose and minimize the potential conflict with relevant PRC laws and regulations. We had entered into the Contractual Arrangements for the existing PRC Affiliated Entities and expect to enter into contractual arrangements for the schools to be newly established or invested in, the terms and conditions of which shall be the same as the existing Contractual Arrangements in all material aspects.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP IN THE EDUCATION INDUSTRY

Higher Education and Secondary Vocational Education

Pursuant to the Negative List, the provision of higher education in the PRC falls within the "restricted" category. In particular, the Negative List explicitly restricts higher education to Sino-foreign cooperation, which means the foreign investor shall operate higher education in the PRC through cooperation with a PRC educational institution in compliance with the Sino-Foreign Regulation. In addition, the Negative List also provides that the domestic party shall play a dominant role in the Sino-foreign cooperation, meaning that (a) the principal or other chief executive officer of the schools shall be a PRC national; and (b) the representatives of the domestic party shall account for no less than half of the total members of the board of directors, the executive council or the joint administration committee of the Sino-foreign cooperative educational institution (the "Foreign Control Restriction"). Lingnan Institute of Technology had fully complied with the Foreign Control Restriction on the basis that (a) the principals and the chief executive officers of the aforementioned school are all PRC nationals; and (b) all the members of the board of directors or council members of the aforementioned school are PRC nationals.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Sino-Foreign Regulation, if we were to apply for Lingnan Institute of Technology to be reorganized as a Sino-foreign joint venture private school for PRC students at a higher education institution (a "Sino-Foreign Joint Venture Private School"), the foreign investor in the Sino-Foreign Joint Venture Private School must be a foreign educational institution with relevant qualification and that provides high quality education (the "Qualification Requirement I"). Furthermore, pursuant to the Implementation Opinions of the MOE on Encouraging and Guiding the Entry of Private Capital in the Fields of Education and Promoting the Healthy Development of Private Education (《教育部關於鼓勵和引導民間資金進入教育領域促進民辦教育健康發展的實施意見》), the foreign portion of the total investment in a Sino-Foreign Joint Venture Private School should be below 50% (the "Foreign Ownership Restriction"). In addition, pursuant to the Sino-Foreign Regulation, the establishment of Sino-Foreign Joint Venture Private School is subject to approval of education authorities at the provincial or national level. Pursuant to the Sino-foreign Vocational Skills

Training Measures (《中外合作職業技能培訓辦學管理辦法》), the foreign investor in a Sino-foreign technical school (a "Sino-Foreign Joint Venture Private Technical School") must be a foreign education institution or a foreign vocational skills training institution with relevant qualification and high quality (the "Qualification Requirement II"). If we were to apply for Lingnan Modern Technician College to be reorganized as a Sino-Foreign Joint Venture Private Technical School for PRC students at a technical school, it shall abide by the Qualification Requirement II.

Our PRC Legal Advisors confirmed that, according to the applicable PRC laws and regulations, schools with different foreign investment requirements/accessibility are categorized by their education levels (辦學層次), rather than the education programs (課程) they provide. In this regard, Lingnan Institute of Technology is a higher education school and the foreign investment in higher education falls within the "restricted" category pursuant to the Negative List, while Lingnan Modern Technician College is a secondary vocational education school and foreign investment in secondary vocational education falls within the "permitted" category under the Negative List, regardless of the specific education programs these two schools may provide.

With the assistance of our PRC Legal Advisors, we consulted the Education Department of Guangdong Province on August 28, 2020 and the Human Resources and Social Security Department of Guangdong Province on November 11, 2020, being the competent authorities as advised by our PRC Legal Advisors to confirm the matters relating to the Sino-Foreign Joint Venture Private Schools and Sino-Foreign Joint Venture Private Technical School relevant to us in Guangdong Province. We were advised by a section deputy chief of the Cooperation and Exchange Office (交流合作處) and a section deputy chief of the Development and Planning Office (發展規劃處) of the Education Department of Guangdong Province that:

(i) the Foreign Ownership Restriction and Qualification Requirement I apply to Sino-Foreign Joint Venture Private School in Guangdong Province;

(ii) other than the Notice forwarded by the Office of Guangdong Government regarding the opinion of the Education Department of Guangdong Province on introducing world-famous universities to set up independent higher education institutions through joint sponsorship in Guangdong Province (Yuefuban [2013] No. 23) (廣東省人民政府辦公廳轉發省教育廳關於引進世界知名大學來粵合作舉辦獨立設置高等學校意見的通知(粵府辦[2013]23號)), no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation to provide quantitative or specific standards on the Qualification Requirement I in Guangdong Province;

(iii) the Education Department of Guangdong Province will not approve any Sino-Foreign Joint Venture Private School if the foreign investor is not a school, or the educational resources provided by the foreign investor thereof are inferior or in low quality;

(iv) no application had been approved for the establishment of a Sino-Foreign Joint Venture Private School providing junior college programs as an independent legal entity in Guangdong Province;

(v) as a matter of policy, no Sino-Foreign Joint Venture Private School in junior college education (as separate legal person) had been approved in Guangdong Province since the Sino-Foreign Regulation became effective; and

(vi) the execution of the Contractual Arrangements does not require approval from the education authorities.

We were advised by a deputy chief of the Vocational Education and Management Office (技工教育管理處) of the Human Resources and Social Security Department of Guangdong Province, being the competent authority as advised by our PRC Legal Advisors to confirm such matters, the office responsible for drafting the development planning, management rules and policies of technical schools, drafting the appraisal and examination system of technical schools and organizing the implementation thereof, undertaking relevant work of the examination and approval of the establishment of the technical schools, that:

(i) the Foreign Ownership Restriction and Qualification Requirement II apply to Sino-Foreign Joint Venture Private Technical School in Guangdong Province;

(ii) no implementing measures or specific guidance were promulgated pursuant to the Sino-foreign Vocational Skills Training Measures on the Qualification Requirement II in Guangdong Province;

(iii) no application had been received or approved in respect of establishing Sino-Foreign Joint Venture Private Technical School that offers secondary vocational programs and/or post-secondary vocational programs in Guangdong Province since the Sino-foreign Vocational Skills Training Measures became effective;

(iv) as a matter of policy, no application to convert PRC private technical school into Sino-Foreign Joint Venture Private Technical School would generally be approved in Guangdong Province; and

(v) the execution of the Contractual Arrangements does not require approval from the labor authorities.

Our PRC Legal Advisors are of the view that the aforesaid officers are competent to provide the confirmation.

Given that, as of the Latest Practicable Date and as advised by our PRC Legal Advisors, we do not meet the Qualification Requirement I and/or Qualification Requirement II as we have no experience in operating a school outside of the PRC, and as there are no implementing measures or specific guidance on the Qualification Requirement I and/or Qualification Requirement II, (i) according to our consultation with the Cooperation and Exchange Office of the Education Department of Guangdong Province, for Lingnan Institute of Technology, it is not practicable for us to seek to apply to reorganize or convert Lingnan Institute of Technology and schools to be newly established or invested by us which are similar to Lingnan Institute of Technology into Sino-Foreign Joint Venture Private Schools if the educational resources provided by us as a foreign investor are deemed to be inferior or in low quality and if Lingnan Institute of Technology makes the aforementioned application regarding Sino-Foreign Joint Venture Private School at present, Education Department of Guangdong Province will not approve; and (ii) according to our consultation with the Vocational Education and Management Office of the Human Resources and Social Security Department of the Guangdong Province, for Lingnan Modern Technician College, it is not practicable for us to seek to apply to reorganize or convert Lingnan Modern Technician

College and schools to be newly established or invested by us which are similar to Lingnan Modern Technician College into Sino-Foreign Joint Venture Private Technical Schools and if Lingnan Modern Technician College makes the aforementioned application regarding Sino-Foreign Joint Venture Private Technical School at present, Human Resources and Social Security Department of the Guangdong Province will not approve.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to expend genuine efforts and financial resources to do so. We have undertaken to make periodic inquiries of relevant educational authorities to understand any regulatory developments, including whether there will be any change in policy for approving any Sino-Foreign Joint Venture Private School and Sino-Foreign Joint Venture Private Technical School in Guangdong Province, and assess whether we are qualified to meet the Qualification Requirement, with a view to terminating the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See "— PRC Laws and Regulation relating to Foreign Ownership in the Education Industry — Circumstances in which We Will Terminate the Contractual Arrangements" and "— PRC Laws and Regulation relating to Foreign Ownership in the Education Industry — Plan to Comply with the Qualification Requirement" in this section of this prospectus for details.

As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Contractual Arrangements and the financial results of our PRC Affiliated Entities are combined to those of our Group. Our PRC Legal Advisors have opined that each of our PRC Affiliated Entities has been legally established and except for those disclosed under "— Legality of the Contractual Arrangements — PRC Legal Opinions" under this section and "Risk Factors — Risks Relating to Our Contractual Arrangements" of this prospectus, the Contractual Arrangements in relation to the operation of our education business are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Advisors, under the PRC laws and regulations, the failure to meet the Qualification Requirement and the adoption of the Contractual Arrangements to operate our education business do not render our education business as illegal operations in the PRC. As disclosed above, we have obtained confirmation from the Education Department of Guangdong Province and the Human Resources and Social Security Department of Guangdong Province during our consultations with them that the Contractual Arrangements do not require approval from the education authority or labor authority. However, no positive regulatory assurance has been obtained from the relevant PRC regulatory authorities with respect to the use of the Contractual Arrangements in the education industry, and it is impracticable to obtain such assurance, as no relevant PRC regulatory authorities have ever issued any regulations, rules or notices to prohibit the use of Contractual Arrangements in the education industry.

Circumstances in which We Will Terminate the Contractual Arrangements

Under the Negative List and the MOE Opinions, foreign investment in higher education in the PRC is required to be in the form of cooperation between PRC educational institutions and foreign educational institutions and subject to the Foreign Ownership Restriction and the Foreign Control Restriction, a foreign investor can only hold less than 50% interest in a Sino-Foreign Joint Venture Private School and not less than 50% of the governing body of the institute offering high education must be appointed by the Chinese investors. Under the Sino-foreign Vocational Skills Training Measures, foreign investment in technical schools in the PRC is required to be in the form of cooperation between domestic educational institutions and foreign educational institutions. As confirmed by Cooperation and Exchange Office of the Education Department and the Vocational Education and Management Office of the Human Resources and Social Security Department of Guangdong Province, the private schools and technical schools are subject to the Foreign Control Restriction and the Foreign Ownership Restriction.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement and there is a change in policy, but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain, or (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed, or (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains, or (d) both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed, as permitted by the applicable PRC laws and regulations at the relevant time:

- in circumstance (a), our Company will partially terminate the Contractual Arrangements and directly hold an equity interest of less than 50% in the relevant school (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School and a Sino-Foreign Joint Venture Private Technical School up to no more than 50%. However, our Company will not be able to control such school without the Contractual Arrangements in place with respect to the domestic interests. Accordingly, if the Foreign Ownership Restriction and the Foreign Control Restriction remain, regardless of whether the Qualification Requirement is removed or met our Company will still rely on contractual arrangements to establish control over the schools. Our Company will also acquire rights to appoint members to the board of directors who together shall constitute less than 50% of the board of directors of the relevant school. We will then control the voting power of the other members of the board of directors appointed by the domestic interest holder(s) by way of the Contractual Arrangements;

- in circumstance (b), we will partially terminate the Contractual Arrangements and directly hold an equity interest of less than 50% in the relevant school (such as a 49.99% equity interest) as our Company or any of its subsidiaries, as a foreign investor, can only hold a portion of the total investment in a Sino-Foreign Joint Venture Private School and a Sino-Foreign Joint Venture Private Technical School up to no more than 50%. However, our Company will not be able to control such school without the Contractual Arrangements in place with respect to the domestic interests. Our Company will also acquire rights to appoint all members of the board of directors of the school;

- in circumstance (c), notwithstanding we will be able to hold majority interests in Sino-Foreign Joint Venture Private Schools and Sino-Foreign Joint Venture Private Technical Schools, the Sino-Foreign Regulation still dictates that there be a domestic interest in the school and we are ineligible to operate the schools by ourselves. Under such circumstances, we will acquire rights to appoint members of the board of directors who together shall constitute less than 50% of the board of directors of the relevant school. We will then control the voting power of such members appointed by the domestic interest holder(s) by way of the Contractual Arrangements. We also plan to hold the maximum percentage of equity interests permissible by the relevant laws and regulations in the relevant schools directly, subject to the approval of the relevant government authorities. As for the remaining minority domestic interests which our Company intends to consolidate, we will then control them pursuant to the Contractual Arrangements; and

- in circumstance (d), our Company would be allowed to directly hold 100% of the interests in the schools and our Company will fully terminate the Contractual Arrangements and directly hold all equity interests in the schools. Our Company will also acquire rights to appoint all members of the board of directors of the schools.

In addition, Lingnan WFOE has also undertaken in the Contractual Arrangements that, if the PRC regulatory environment changes and all of the Qualification Requirement, the Foreign Ownership Restriction and the Foreign Control Restriction are removed (and assuming there are no other changes in the relevant PRC laws and regulations), it will exercise the Equity Call Option to purchase or designate its designated person to purchase such amount of equity interest in the PRC Affiliated Entities to the extent permitted under the then prevailing PRC laws and regulations and terminate the Contractual Arrangements accordingly. See "— Termination of the Contractual Arrangements" in this section of this prospectus for further details.

Plan to Comply with the Qualification Requirement

We have adopted a specific plan and begun to take the following concrete steps which we reasonably believe are meaningful endeavors to demonstrate compliance with the Qualification Requirement. According to the consultation with the Cooperation and Exchange Office (交流合作處) and the Development and Planning Office (發展規劃處) of the Education Department of Guangdong Province, other than the Notice forwarded by the Office of Guangdong Government regarding the opinion of the Education Department of Guangdong Province on introducing world-famous universities to set up independent higher education institutions through joint sponsorship in Guangdong Province (Yuefuban [2013] No. 23) (廣東省人民政府辦公廳轉發省教育廳關於引進世界知名大學來粵合作舉辦獨立設置高等學校意見的通知(粵府辦[2013]23號)), no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation to provide quantitative or specific standards on the Qualification Requirement in Guangdong Province, and as a matter of policy, no Sino-Foreign Joint Venture Private School in junior college education (as separate legal person) had been approved in Guangdong Province since the Sino-Foreign Regulation became effective. According to the consultation with the Vocational Education and Management Office (技工教育管理處) of the Human Resources and Social Security Department of Guangdong Province, no implementing measures or specific guidance were promulgated pursuant to the Sino-Foreign Regulation and Sino-foreign Vocational Skills Training Measures on the Qualification Requirement in Guangdong Province, and as a matter of policy, no application to convert PRC private technical school into Sino-Foreign Joint Venture Private Technical School would generally be approved in Guangdong Province. Our PRC Legal Advisors are of the view that based on the above, although it is subject to the discretion of the relevant competent PRC authorities to determine whether our Group has fulfilled the Qualification Requirement if we apply to convert any existing schools or schools to be newly established into Sino-Foreign Joint Venture Private Schools or Sino-Foreign Joint Venture Private Technical Schools at this stage and in the foreseeable future, the following steps taken by us to demonstrate compliance with the Qualification Requirements are reasonable and appropriate.

As of the Latest Practicable Date, we had taken the following concrete steps to implement our plan:

- on October 9, 2018, we incorporated an operating entity in the State of California, the United States, namely Lingnan Education USA, which is wholly-owned by SCV Education HK;

- on May 7, 2020, we entered into a consulting agreement with an independent education consultant with extensive experience and background in private post-secondary education in the State of California, the United States, pursuant to which the consultant shall provide consultation and adviser services in relation to the application for approval to operate for an institution to be submitted to the BPPE in California, which include a description of the proposed school and its programs;

- In November 2020, Lingnan Education USA submitted an application with the BPPE for offering two degree educational programs, namely, a bachelor of arts degree program in business administration (BABA) and an associate in arts degree program in business administration (AABA). We expect that the review of our application by BPPE will take at least six months;

- We have prepared the relevant documents and applied for the establishment of a new school in the State of California, the United States. The new school will be a college offering both on-campus and online courses. Lingnan Education USA will be responsible for the daily operation and management of the new school to be established. We submitted application for BPPE's approval in November 2020. We have incurred approximately US$31,156 in connection with establishment of Lingnan Education USA and the degree educational programs application to BPPE as of the Latest Practicable Date. We currently anticipate that the new school will initially offer two degree programs, namely, a bachelor of arts degree program in business administration and an associate in arts degree program in business administration. We expect that the new school will commence operation and its first school year subsequent to the grant of approval by BPPE which we currently expect will be in the first quarter of 2022.

For details, please see "Business — Our Expansion Plans" in this prospectus. For details of Lingnan Education USA, please see "History and Corporate Structure — Corporate Reorganization — 3. Incorporation of Offshore Group Companies" in this prospectus. For details of the regulatory environment in California for the operation of a private school, see "Regulatory Overview — Regulations on Private Postsecondary Education in the State of California" in this prospectus.

In the opinion of our PRC Legal Advisors, based on the consultation with the Education Department of Guangdong Province and the Human Resources and Social Security Department of Guangdong Province, if both of the Foreign Ownership Restriction and the Foreign Control Restriction are removed but the Qualification Requirement remains and assuming the new school to be operated by Lingnan Education USA or another foreign educational institution established by us gains a level of foreign experience sufficient to demonstrate compliance with the Qualification Requirement and obtains the approval of the relevant authorities for the establishment of a Sino-Foreign Joint Venture Private School or a Sino-Foreign Joint Venture Private Technical School in the future (provided that the then PRC laws and regulations do not impose new requirements, restrictions, or prohibitions in relation to the establishment of the Sino-Foreign Joint Venture Private Schools or Sino-Foreign Joint Venture Private Technical Schools), we will be able to operate our schools in the PRC through establishing Sino-Foreign Joint Venture Private Schools or Sino-Foreign Joint Venture Private Technical Schools by the new school to be operated by Lingnan Education USA or such other foreign educational institution subject to the approval from the competent authorities.

Furthermore, we have undertaken to the Stock Exchange that we will:

(i) under the guidance of our PRC Legal Advisors, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and

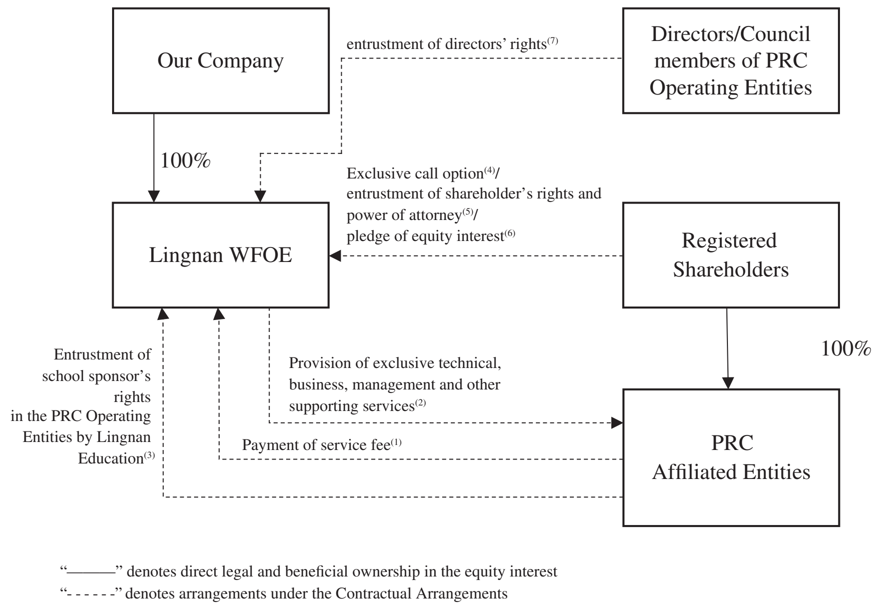
(ii) provide periodic updates in our annual and interim reports after Listing to inform our Shareholders of our efforts and actions undertaken with the Qualification Requirement.

OPERATION OF THE CONTRACTUAL ARRANGEMENTS

In order to comply with the PRC laws and regulations as set out above while availing ourselves of international capital markets and maintaining effective control over all of our operations, on November 21, 2020, our wholly-owned subsidiary, Lingnan WFOE, entered into various agreements that constitute the Contractual Arrangements with our PRC Affiliated Entities, under which all economic benefits arising from the business of our PRC Affiliated Entities are transferred to Lingnan WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by our PRC Affiliated Entities to Lingnan WFOE.

Registered Shareholders are also parties to certain agreements which constitute the Contractual Arrangements to ensure that the Registered Shareholders' rights as shareholders of Lingnan Education are actually controlled by Lingnan WFOE.

The following simplified diagram illustrates the flow of economic benefits from our PRC Affiliated Entities to our Group stipulated under the Contractual Arrangements.



Notes:

(1) Payment of service fees. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreement" in this prospectus for details.

(2) Provision of exclusive technical and management consultancy services. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (2) Exclusive Technical Service and Management Consultancy Agreement" in this prospectus for details.

(3) Entrustment of school sponsor' rights in our PRC Operating Entities by Lingnan Education. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (5) School Sponsor's Powers of Attorney" in this prospectus for details.

(4) Exclusive call option to acquire all or part of the equity interest in and assets of our School Sponsor. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement" in this prospectus for details.

(5) Entrustment of shareholders' rights including shareholders' power of attorney. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (7) Shareholders' Rights Entrustment Agreement" and "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (8) Shareholders' Powers of Attorney" in this prospectus for details.

(6) Pledge of equity interest by the Registered Shareholders of their equity interest in Lingnan Education. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (10) Equity Pledge Agreement" in this prospectus for details.

(7) Entrustment of directors' rights. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" in this prospectus for details.

(8) According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "school sponsors" instead of "owners" or "shareholders." See "Regulatory Overview" in this prospectus for further details.

Lingnan Education, or the School Sponsor, is a holding company to hold the school sponsor interests in our PRC Operating Entities and it is not engaged in any other business. Under the Contractual Arrangements, each of our PRC Affiliated Entities entered into the Exclusive Technical Service and Management Consultancy Agreement with Lingnan WFOE, pursuant to which each of our PRC Affiliated Entities will be directly bound by and be subject to the terms and conditions thereof. Accordingly, for any services provided by Lingnan WFOE to any of our PRC Affiliated Entities, the respective service fee will be paid by such PRC Affiliated Entities to Lingnan WFOE directly.

In addition, in order to prevent the leakage of assets and values of our PRC Affiliated Entities, the Registered Shareholders and our PRC Affiliated Entities have undertaken that, without the prior written consent of Lingnan WFOE, our PRC Affiliated Entities shall not distribute any return or other interest or benefit to the Registered Shareholders. For further details, see "— Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement" in this section.

Summary of the Material Terms of the Contractual Arrangements

A description of each of the specific agreements that comprise the Contractual Arrangements is set out below.

(1) Business Cooperation Agreement

Pursuant to the Business Cooperation Agreement, Lingnan WFOE shall provide technical services, management support and consulting services necessary for the private education business, and in return, our PRC Affiliated Entities shall make payments accordingly.

To ensure the due performance of the Contractual Arrangements, each of our PRC Affiliated Entities agreed to comply with, and procure any of its subsidiaries to comply with, and the Registered Shareholders agreed to procure our PRC Affiliated Entities or their subsidiaries to comply with the obligations as prescribed under the Business Cooperation Agreement set forth as follows:

(a) to carry out its private education operations in a prudent and efficient manner in accordance with good financial and business standards while maintaining the asset value of our PRC Affiliated Entities or their subsidiaries and the quality and standard of private education;

(b) to prepare school development plans and annual working plans in accordance with the instructions of Lingnan WFOE;

(c) to carry out its private education activities and other relevant business under the assistance of Lingnan WFOE;

(d) to carry out and manage its daily operations and financial management in accordance with the recommendations, advice, principles and other instructions of Lingnan WFOE;

(e) to execute and act upon the recommendations of Lingnan WFOE in terms of employment and removal of senior management and staff;

(f) to adopt the advice, guidance and plans given by Lingnan WFOE in relation to their respective strategic development;

(g) to carry out its business operations and renew and maintain its respective necessary licenses; and

(h) to provide its business operation and financial information upon request by Lingnan WFOE and promptly inform Lingnan WFOE of the circumstances which have or may have material adverse effect on our business operation, as well as make every effort to prevent such circumstances and/or the expansion of losses.

In addition, pursuant to the Business Cooperation Agreement,

(a) each of Registered Shareholders undertakes to Lingnan WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect the exercise of his/her direct or indirect equity interest in Lingnan Education, he shall have made all necessary arrangement and sign all necessary documents such that his respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights shall not prejudice or hinder the enforcement of the Contractual Arrangements;

(b) in the event of the dissolution, liquidation, bankruptcy or reorganization of Lingnan WFOE, (i) the Registered Shareholders and our PRC Affiliated Entities unconditionally agree that, other persons designated by our Company shall inherit the rights and obligations of Lingnan WFOE under the Contractual Arrangements, and sign all necessary documents in addition to all necessary measures to make sure all the aforementioned rights and obligations can be taken over smoothly by the designated persons; (ii) the Registered Shareholders agree that, the Registered Shareholders shall sell or deposit their direct or indirect interest in our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other persons designated by our Company; or (iii) the Registered Shareholders agree that, the Registered Shareholders shall sell or deposit part or all assets of our PRC Affiliated Entities in accordance with the instructions of our Company and transfer all receivable at nil consideration to our Company or other persons designated by our Company;

(c) the Registered Shareholders undertake that, in the event of the dissolution or liquidation of our PRC Affiliated Entities, (i) Lingnan WFOE and/or its designated person shall have the right to exercise all shareholders' rights on behalf of our Registered Shareholders and school sponsor's right on behalf of the School Sponsor (including but not limited to, deciding to dissolve and liquidate our PRC Affiliated Entities, instructing and delegating the liquidation group and/or its agent of our PRC Affiliated Entities, as well as approving liquidation plan and report); (ii) the Registered Shareholders and/or the School Sponsor shall transfer all assets received or receivable in its capacity as shareholders of our School Sponsor/as School Sponsor of our PRC Operating Entities as a result of the dissolution or liquidation of our PRC Affiliated Entities to Lingnan WFOE or other persons designated by our Company at nil consideration, and instruct all of our PRC Affiliated Entities to transfer such assets directly to Lingnan WFOE or other persons designated by our Company before such dissolution or liquidation; (iii) if consideration is required for such transfer under the then applicable PRC laws, the School Sponsor and/or the Registered Shareholders shall compensate Lingnan WFOE or the person as designated by our Company the amount and guarantee that Lingnan WFOE or other persons as designated by our Company does not suffer any loss; and

(d) our PRC Affiliated Entities agreed that, without the prior written consent of Lingnan WFOE, our PRC Affiliated Entities shall not declare or pay to the Registered Shareholders any reasonable return or other interest or benefit. In the event that the Registered Shareholders receive any reasonable return or other interest or benefit, the Registered Shareholders shall unconditionally and without compensation transfer such amount to Lingnan WFOE;

(e) without the consent of Lingnan WFOE, the Registered Shareholders shall not increase the registered capital of Lingnan Education, while the Registered Shareholders shall agree and confirm that, the Registered Shareholders will pledge the corresponding increased equity interest to Lingnan WFOE to perform their respective obligations and guarantees in respect of any debt under these Contractual Arrangements. Each of the parties has undertaken that, each parties shall prepare all necessary documents before the aforesaid capital increase and sign the Equity Pledge Agreement on the date of completion of the capital increase registration.

In order to prevent the leakage of assets and values of our PRC Affiliated Entities, the Registered Shareholders and our PRC Affiliated Entities have undertaken that, without the prior written consent of Lingnan WFOE or its designated party, the Registered Shareholders and our PRC Affiliated Entities shall not conduct or cause to conduct any activity or transaction which may have any actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Affiliated Entities or (ii) on the ability of the Registered Shareholders and each of our PRC Affiliated Entities to perform the obligations under the Contractual Arrangements. Such activities and transactions include, without limitation:

(a) establishment of any subsidiary or entity by our PRC Affiliated Entities or establishment of any other business or subsidiary by our PRC Affiliated Entities;

(b) conduct of any activity by any of our PRC Affiliated Entities and/or their subsidiaries which are outside the ordinary course of business or change the mode of operations of our PRC Affiliated Entities or their subsidiaries;

(c) consolidation, subdivision, change of form of corporate organization, dissolution or liquidation of our PRC Affiliated Entities and/or their subsidiaries;

(d) providing any borrowing, loan or guarantee in respect of any debt to, or obtaining any borrowing and loan from, our PRC Affiliated Entities and/or their subsidiaries;

(e) providing any borrowing, loan or guarantee in respect of any debt, or obtaining any borrowing and loan by our PRC Affiliated Entities or their subsidiaries to any third party, except in the ordinary course of business and provided that the amount of such debt is less than RMB500,000;

(f) change or removal of any director, supervisor or senior management (including but not limited to manager, deputy manager, chief financial officer, chief technical officer, principal, and dean) of any of our PRC Affiliated Entities or their subsidiaries, increase or decrease of their remuneration package, or change of their appointment terms and conditions;

(g) sale, transfer, lending or authorizing the use or disposal of any assets or rights (including but not limited to domain, trademark, intellectual property and exclusive technology) of any of our PRC Affiliated Entities or their subsidiaries to any third party other than Lingnan WFOE or its designated party, or purchase from any third party any assets or rights, except in the ordinary course of business and provided that the transaction amount is less than RMB500,000;

(h) sale of any equity interest or school sponsor rights in any of our PRC Affiliated Entities or its subsidiaries to any third party other than Lingnan WFOE or its designated party, or increase or reduction of the registered capital or change of the structure of the equity or school sponsor's interest of any of our PRC Affiliated Entities or its subsidiaries;

(i) providing security over equity interest and/or school sponsor's interest in or assets or rights of, or creating encumbrance over equity and/or school sponsor's interest in or assets of any of our PRC Affiliated Entities or its subsidiaries to third parties other than to Lingnan WFOE or its designated party;

(j) altering, amending or revoking any permits of any of our PRC Affiliated Entities or its subsidiaries;

(k) amending the articles of association or scope of business of any of our PRC Affiliated Entities or its subsidiaries;

(l) change of any normal business procedures or amendment of any internal procedures and system of any of our PRC Affiliated Entities or its subsidiaries;

(m) entering into any business contracts outside the ordinary course of business except pursuant to the plan or suggestion of Lingnan WFOE or us;

(n) distribution of dividend, reasonable return or other payments to our School Sponsor, or the shareholder of our School Sponsor or any of its subsidiaries;

(o) carrying out any activity which has or may have an adverse effect on the daily operations, business or assets of any of our PRC Affiliated Entities or its subsidiaries or its ability to make any payment to Lingnan WFOE;

(p) entering into any transaction which has or may have an adverse effect on the transactions contemplated under the Contractual Arrangements; and

(q) transfer of his/her/its rights and obligations under the Contractual Arrangements to any third party other than Lingnan WFOE or its designated party, or establishment and commencement of any cooperation or business relationship similar to that under the Contractual Arrangements with any third party by the Registered Shareholders, any of our PRC Affiliated Entities or its subsidiaries.

Furthermore, each of Registered Shareholders undertakes to Lingnan WFOE that, unless with the prior written consent of Lingnan WFOE, the Registered Shareholders (severally or jointly) shall not (i) directly or indirectly engage, participate in, conduct, acquire or hold any business or activities which compete or may potentially compete with any of our PRC Affiliated Entities and its subsidiaries ("Competing Business"), (ii) use information obtained from any of our PRC Affiliated Entities or its subsidiaries for the Competing Business, and (iii) obtain any benefit from any Competing Business. Each of the Registered Shareholders further consents and agrees that, in the event that the Registered Shareholders (severally or jointly) directly or indirectly engage, participate in or conduct any Competing Business, Lingnan WFOE and/or other entities as designated by our Company shall be granted an option to require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements. If Lingnan WFOE does not exercise such option, the Registered Shareholders shall cease the operation of the Competing Business within a reasonable time.

(2) Exclusive Technical Service and Management Consultancy Agreement

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, Lingnan WFOE agreed to provide exclusive technical services to our PRC Affiliated Entities, including but not limited to, (a) design, development, update and maintenance of educational software for computer and mobile devices; (b) design, development, update and maintenance of webpages and websites necessary for the education activities of our PRC Affiliated Entities; (c) design, development, update and maintenance of management information systems necessary for the education activities of our PRC Affiliated Entities; (d) provision of other technical support necessary for the education activities of our PRC Affiliated Entities; (e) provision of technical consulting services; (f) provision of technical training; (g) engaging technical staff to provide on-site technical support; and (h) providing other technical services reasonably requested by our PRC Affiliated Entities.

Furthermore, Lingnan WFOE agreed to provide exclusive management consultancy services to our PRC Affiliated Entities, including but not limited to, (a) design of curriculum; (b) preparation, selection and/or recommendation of course materials; (c) provision of teacher and staff recruitment and training support and services; (d) provision of student recruitment support and services; (e) provision of public relation services; (f) preparation of long term strategic development plans and annual working plans; (g) development of financial management systems and recommendation and optimization on annual budget; (h) advising on design of internal structures and internal management; (i) provision of administrative staff management and consultancy training; (j) conduct of market research; (k) preparation of market development plan; (l) building of online and offline marketing network; and (m) providing other management technical services reasonably requested by our PRC Affiliated Entities.

In consideration of the technical and management consultancy services provided by Lingnan WFOE, each of our PRC Affiliated Entities agreed to pay Lingnan WFOE a service fee equal to all of their respective amount of surplus from operations (after deducting all costs, taxes, and other fees to be reserved or deducted as required by the relevant PRC laws and regulations) which shall be determined by Lingnan WFOE with reference to factors including (i) complexity and difficulty of technologies involved in the services provided by Lingnan WFOE; (ii) resources invested and time spent by employees of Lingnan WFOE for the provision of relevant services; (iii) content and commercial value of the services provided; (iv) market price of services provided; and (v) business operation of our PRC Affiliated Entities as the service recipients.

Pursuant to the Exclusive Technical Service and Management Consultancy Agreement, unless otherwise prescribed under the PRC laws and regulations, Lingnan WFOE shall have exclusive proprietary rights to any technology and intellectual property developed and materials prepared in the course of the provision of research and development, technical support and services by Lingnan WFOE to our PRC Affiliated Entities, and any intellectual property in the products developed, including any other rights derived thereunder, in the course of performance of obligations under the Exclusive Technical Service and Management Consultancy Agreement and/or any other agreements entered into between Lingnan WFOE and other parties. To the extent prescribed under the PRC laws and regulations, the intellectual properties, which are restricted or prohibited from owning by Lingnan WFOE, shall be owned by our PRC Affiliated Entities until permissible under the PRC laws and regulations. Our PRC Affiliated Entities shall transfer the aforesaid intellectual properties at the lowest consideration permissible under the PRC laws and regulations to Lingnan WFOE in addition to assist with the registration procedures.

Without the written consent of Lingnan WFOE, our PRC Affiliated Entities shall not make (i) any disposal of material assets and (ii) changes to the current ownership structure of our PRC Affiliated Entities. Our PRC Affiliated Entities shall not enter into transactions, which may materially affect their assets, responsibilities, business operation, ownership structures, equity interest held by third parties and other legal rights, outside their ordinary course of business without the prior disclosure and written consent of Lingnan WFOE.

(3) Exclusive Call Option Agreement

Under the Exclusive Call Option Agreement, the Registered Shareholders have irrevocably granted Lingnan WFOE or its designated purchaser the right to purchase all or part of the school sponsor's direct or indirect interest of our School Sponsor in our PRC Operating Entities and direct or indirect equity interest in our School Sponsor ("Equity Call Option"). The purchase price payable by Lingnan WFOE in respect of the transfer of such school sponsor's interest or equity interest upon exercise of the Equity Call Option shall be the lowest price permitted under the PRC laws and regulations. Lingnan WFOE or its designated purchaser shall have the right to purchase such proportion of the school sponsor's interest in our PRC Operating Entities and/or equity interest in our School Sponsor as it decides at any time.

In the event that PRC laws and regulations allow Lingnan WFOE or other foreign-owned entities designated by our Company to directly hold all or part of the school sponsor's interest in our PRC Operating Entities and equity interest in our School Sponsor and operate private education business in the PRC, Lingnan WFOE shall issue the notice of exercise of the Equity Call Option as soon as practicable, and the percentage of school sponsor's interest and/or equity interest purchased upon exercise of the Equity Call Option shall not be lower than the maximum percentage then allowed to be held by Lingnan WFOE or other foreign-owned entities designated by our Company under PRC laws and regulations.

The Registered Shareholders have further undertaken to Lingnan WFOE that, it:

(a) shall not sell, assign, transfer or otherwise dispose of or create encumbrance over its school sponsor's direct and/or indirect interest in our PRC Operating Entities and/or equity interest in our School Sponsor without the prior written consent of Lingnan WFOE;

(b) shall not increase or reduce or agree to the increase or reduction of capital investment as school sponsor of our PRC Operating Entities and/or capital investment in our School Sponsor without the prior written consent of Lingnan WFOE;

(c) shall not agree to or procure any of our PRC Affiliated Entities to divide into or merge with other entities without the prior written consent of Lingnan WFOE;

(d) shall not dispose of or procure the management of our PRC Affiliated Entities to dispose of any of the assets of our PRC Affiliated Entities without the prior written consent of Lingnan WFOE, except in the ordinary course of business and provided that the value of such assets so disposed shall not exceed RMB5,000,000;

(e) shall not terminate or procure the management of our PRC Affiliated Entities to terminate any material contract (which includes any agreement under which the amount involved exceeds RMB5,000,000, the Contractual Arrangements and any agreement of similar nature or content to the Contractual Arrangements) or enter into any other contracts which may contradict such material contracts without the prior written consent of Lingnan WFOE;

(f) shall not procure any of our PRC Affiliated Entities to enter into any transactions which may have an actual impact on the assets, liabilities, operations, equity structures or other legal rights of our PRC Affiliated Entities without the prior written consent of Lingnan WFOE, save for transactions which are in the ordinary course of business of our PRC Affiliated Entities with the amount involved not more than RMB5,000,000, or transactions which have been disclosed to Lingnan WFOE and approved by Lingnan WFOE;

(g) shall not agree to or procure any of our PRC Affiliated Entities to declare or in substance distribute any distributable reasonable return or agree to such distribution without the prior written consent of Lingnan WFOE;

(h) shall not agree to or procure any of our PRC Affiliated Entities to amend its articles of association without the prior written consent of Lingnan WFOE;

(i) shall ensure that any of our PRC Affiliated Entities does not provide or obtain loans or provide any guarantees or otherwise undertake any other action to guarantee, or undertake any material obligations (including obligations under which the amount payable by our PRC Affiliated Entities exceeds RMB5,000,000, obligations which restrict or hinder the due performance of obligations under the Contractual Arrangements by our PRC Affiliated Entities, obligations which restrict or prohibit the financial or business operations of our PRC Affiliated Entities, or any obligations which may result in change of the structure of the school sponsor's interest in our PRC Operating Entities and/or the equity interest in our School Sponsor) outside its ordinary course of business without the prior written consent of Lingnan WFOE;

(j) shall use its best endeavors to develop the business of any of our PRC Affiliated Entities and ensure compliance with laws and regulations by our PRC Affiliated Entities, and shall not take or fail to take any action which may prejudice the assets, goodwill or the effectiveness of operational licenses of our PRC Affiliated Entities;

(k) shall, prior to the transfer of its school sponsor's interest or shareholders' interest to Lingnan WFOE or its designated purchaser and without prejudice to our Shareholders' Rights Entrustment Agreement and School Sponsor's and Directors' Rights Entrustment Agreement and, execute all documents necessary for holding and maintaining the ownership of its school sponsor's interest in our PRC Operating Entities and its equity interest in our School Sponsor;

(l) shall sign all documents and take all necessary actions to facilitate transfer of its school sponsor's interest in our PRC Operating Entities and/or its equity interest in our School Sponsor to Lingnan WFOE or its designated purchaser;

(m) shall take all such actions to facilitate our PRC Affiliated Entities in their performance of its obligations under the Exclusive Call Option Agreement if such performance requires any action be taken by Lingnan Education on behalf of the interest owner of our PRC Affiliated Entities;

(n) shall, in its capacity as a school sponsor of our PRC Operating Entities and/or shareholders of our School Sponsor and without prejudice to the Contractual Arrangements, procure directors nominated by it to exercise all rights to enable any of our PRC Affiliated Entities to perform its rights and obligations under the Exclusive Call Option Agreement, and shall replace any director or council member who fails to do so; and

(o) in the event that the consideration paid by Lingnan WFOE or its designated purchaser for the transfer of all or part of the school sponsor's interest in our PRC Operating Entities and/or equity interest in our School Sponsor exceeds RMB0, shall pay such excess amount to Lingnan WFOE or its designated entity.

(4) School Sponsor's and Directors' Rights Entrustment Agreement

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor has irrevocably authorized and entrusted Lingnan WFOE to exercise all its rights as school sponsor of our PRC Operating Entities to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to appoint and/or elect directors or council members of our PRC Operating Entities; (b) the right to appoint and/or elect supervisors of our PRC Operating Entities; (c) the right to understand the operation and financial situation of our PRC Operating Entities; (d) the right to review the resolutions and records of the board of directors and financial statements and reports of our PRC Operating Entities; (e) the right to acquire residue assets upon liquidation of our PRC Operating Entities in accordance with the laws and the articles of association of our PRC

Operating Entities; (f) the right to transfer school sponsor's interest in accordance with the laws; (g) the right to choose to register our PRC Operating Entities as a for-profit or non-profit school pursuant to PRC laws and regulations; (h) the right to exercise the voting rights of our School Sponsor upon bankruptcy, liquidation, dissolution or termination of our PRC Operating Entities; (i) the right to handle the legal procedures of registration, approval, licensing and filing of our PRC Operating Entities, as the case maybe at the education department, the department of civil affairs or other government regulatory departments, and to submit any documents submitted by our School Sponsor to relevant government regulatory departments; and (j) other school sponsor's rights pursuant to applicable PRC laws and regulations and the articles of association of our PRC Operating Entities as amended from time to time.

Pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement, three directors of our PRC Operating Entities (the "**Appointees**"), namely Mr. He Huishan, Ms. He Huifen and Ms. He Huifang, have irrevocably authorized and entrusted Lingnan WFOE to exercise all their rights as directors of our PRC Operating Entities to the extent permitted by PRC laws. These rights include, but are not limited to: (a) the right to attend meetings of the board of directors as representatives of the Appointees; (b) the right to exercise voting rights of the Appointees in respect of all matters discussed and resolved at the board meeting of our PRC Operating Entities; (c) the right to propose to convene interim board meetings of our PRC Operating Entities; (d) the right to sign all board minutes, board resolutions and other legal documents which the Appointees have authority to sign in their capacities as directors of our PRC Operating Entities; (e) the right to instruct the legal representative and financial and business responsible persons of our PRC Operating Entities to act in accordance with the instruction of Lingnan WFOE; (f) the right to exercise all other rights and voting rights of directors as prescribed under the articles of association of our PRC Operating Entities; (g) the right to handle the legal procedures of registration, approval and licensing of our PRC Operating Entities at the education department, the department of civil affairs or other government regulatory departments; (h) the right to exercise the voting rights of directors of our PRC Operating Entities upon bankruptcy, liquidation, dissolution or termination of our PRC Operating Entities; and (i) other directors' rights pursuant to applicable PRC laws and regulations and the articles of association of our PRC Operating Entities as amended from time to time.

In addition, each of our School Sponsor and the Appointees has irrevocably agreed that (i) Lingnan WFOE may delegate its rights under the School Sponsor's and Directors' Rights Entrustment Agreement to the directors of Lingnan WFOE or its designated person, without prior notice to or approval by our School Sponsor and the Appointees; and (ii) any person as successor of civil rights of Lingnan WFOE or liquidator by reason of subdivision, merger, liquidation of Lingnan WFOE or other circumstances shall have authority to replace Lingnan WFOE to exercise all rights under the School Sponsor's and Directors' Rights Entrustment Agreement.

(5) School Sponsor's Powers of Attorney

Pursuant to the School Sponsor's Powers of Attorney executed by School Sponsor in favor of Lingnan WFOE, our School Sponsor authorized and appointed Lingnan WFOE, the sole director of which is Ms. He Huifen, as its agent to act on its behalf to exercise or delegate the exercise of all its rights as school sponsor of our PRC Operating Entities. For details of the rights granted, see

"Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" of this prospectus.

Lingnan WFOE shall have the right to further delegate the rights so delegated to the sole director of Lingnan WFOE or other designated person. The School Sponsor irrevocably agreed that the authorization appointment in the School Sponsor's Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of the School Sponsor' subdivision, merger, winding up, consolidation, liquidation or other similar events. The School Sponsor's Powers of Attorney shall constitute a part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(6) Directors' Powers of Attorney

Pursuant to the Directors' Powers of Attorney executed by each of the Appointees in favor of Lingnan WFOE, each of the Appointees authorized and appointed Lingnan WFOE, the sole director of which is Ms. He Huifen, as his/her agent to act on his/her behalf to exercise or delegate the exercise of all of his/her rights as directors of our PRC Operating Entities. For details of the rights granted, see "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" of this prospectus.

Lingnan WFOE shall have the right to further delegate the rights so delegated to the sole director of Lingnan WFOE or other designated person. Each of the Appointees irrevocably agreed that the authorization appointment in the Directors' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his/her loss of or restriction on capacity, death or other similar events. The Directors' Powers of Attorney shall constitute a part and incorporate terms of the School Sponsor's and Directors' Rights Entrustment Agreement.

(7) Shareholders' Rights Entrustment Agreement

Pursuant to the Shareholders' Rights Entrustment Agreement, each of the Registered Shareholders has irrevocably authorized and entrusted Lingnan WFOE to exercise all of his/their respective rights as shareholders of our School Sponsor to the extent permitted by the PRC laws. These rights include, but are not limited to: (a) the right to attend shareholders' meetings of our School Sponsor, as the case may be; (b) the right to exercise voting rights in respect of all matters discussed and resolved at the shareholders' meeting of our School Sponsor, as the case may be; (c) the right to propose to general meetings of our School Sponsor, as the case may be; (d) the right to sign all shareholders' resolutions and other legal documents which the Registered Shareholders have authority to sign in his capacity as shareholders of our School Sponsor, as the case may be; (e) the right to instruct the directors and legal representative of our School Sponsor, as the case may be to act in accordance with the instruction of Lingnan WFOE; (f) the right to exercise all other rights and voting rights of shareholders as prescribed under the articles of association of our School Sponsor, as the case may be; (g) the right to handle the legal procedures of registration, approval, licensing and filing of the our School Sponsor, as the case may be at the Administration of Industrial and Commerce department or other government regulatory departments; (h) the right to transfer or dispose in other ways the equity interest held by the Registered Shareholders in our School Sponsor; and (i) other shareholders' rights pursuant to applicable PRC laws and regulations and the articles of association of our School Sponsor as amended from time to time.

In addition, each of the Registered Shareholders has irrevocably agreed that (i) Lingnan WFOE may delegate its rights under the Shareholders' Rights Entrustment Agreement to the directors of Lingnan WFOE or its designated person, without prior notice to or approval by the Registered Shareholders; and (ii) any person as successor of civil rights of Lingnan WFOE or liquidator by reason of subdivision, merger, liquidation of Lingnan WFOE or other circumstances shall have authority to replace Lingnan WFOE to exercise all rights under the Shareholders' Rights Entrustment Agreement.

(8) Shareholders' Powers of Attorney

Pursuant to the Shareholders' Powers of Attorney executed by each of the Registered Shareholders in favor of Lingnan WFOE, each of the Registered Shareholders authorized and appointed Lingnan WFOE, as agent to act on his behalf to exercise or delegate the exercise of all his rights as shareholders of the our School Sponsor. For details of the rights granted, see "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (7) Shareholders' Rights Entrustment Agreement" in this prospectus.

Lingnan WFOE shall have the right to further delegate the rights so delegated to its directors or other designated person. Each of the Registered Shareholders irrevocably agreed that the authorization appointment in the Shareholders' Powers of Attorney shall not be invalid, prejudiced or otherwise adversely affected by reason of his loss of or restriction on capacity, death or other similar events. The Shareholders' Powers of Attorney shall constitute a part and incorporate terms of the Shareholders' Rights Entrustment Agreement.

(9) Spouse Undertakings

Pursuant to the Spouse Undertakings, the respective spouse of each of the Registered Shareholders has irrevocably undertaken that:

(a) the spouse has full knowledge of and has consented to the entering into of the Contractual Arrangements by the respective Registered Shareholders, Lingnan WFOE and our PRC Affiliated Entities, and in particular, the arrangement as set out in the Contractual Arrangements in relation to the restrictions imposed on the direct or indirect equity interest in our School Sponsor and/or school sponsor's interest in our PRC Operating Entities, pledge or transfer the direct or indirect equity interest in our School Sponsor and/or school sponsor' interest in our PRC Operating Entities, or the disposal of the direct or indirect equity interest in our School Sponsor and/or school sponsor' interest in our PRC Operating Entities in any other forms;

(b) the spouse has not participated, is not participating and shall not in the future participate in the operation, management, liquidation, dissolution and other matters in relation to our PRC Affiliated Entities;

(c) the spouse authorizes the respective Registered Shareholder or his authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the spouse's direct or indirect equity interest in our School Sponsor and/or school sponsor' interest in our PRC Operating Entities in order to safeguard the interest of Lingnan WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures;

(d) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by any increase, decrease, consolidation or other similar events relating to the direct or indirect equity interest in our School Sponsor and/or school sponsor' interest in our PRC Operating Entities;

(e) any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events; and

(f) all undertakings, confirmations, consents and authorizations under the Spouse Undertakings shall continue to be valid and binding until otherwise terminated by both Lingnan WFOE and the spouse of the respective Registered Shareholder in writing.

The Spouse Undertakings shall have the same term as and incorporate the terms of the Business Cooperation Agreement.

(10) Equity Pledge Agreement

Pursuant to the Equity Pledge Agreement, each of the Registered Shareholders unconditionally and irrevocably pledged and granted first priority security interests over all of his or its equity interest in Lingnan Education, accordingly, together with all related rights thereto to Lingnan WFOE as security for performance of the Contractual Arrangements and all direct, indirect or consequential damages and foreseeable loss of interest incurred by Lingnan WFOE as a result of any event of default on the part of the Registered Shareholders and our PRC Affiliated Entities and all expenses incurred by Lingnan WFOE as a result of enforcement of the obligations of the Registered Shareholders and our PRC Affiliated Entities under the Contractual Arrangements (the "Secured Indebtedness").

Pursuant to the Equity Pledge Agreement, without the prior written consent of Lingnan WFOE, the Registered Shareholders shall not transfer the equity interest or create further pledge or encumbrance over the pledged equity interest. Any unauthorized transfer shall be invalid, and the proceeds of any transfer of the equity interest shall be first used in the payment of the Secured Indebtedness or deposited to such third party as agreed to by Lingnan WFOE. The Registered Shareholders also waived any pre-emptive rights upon enforcement and agreed to any transfer of the pledged equity pursuant to the equity pledge agreement.

Pursuant to the Equity Pledge Agreement, each party has undertaken that, if the registration authorities require to define the amount of the principal claim upon the pledge range in the equity pledge registration, the amount of claims under the Contractual Arrangements shall be registered as the principal, RMB30,000,000 and any other amount in the event of default and compensation under the Contractual Arrangements.

Any of the following events shall constitute an event of default under the Equity Pledge Agreement:

(a) any of the Registered Shareholders and our PRC Affiliated Entities commits any breach of any obligations under the Contractual Arrangements;

(b) any representations or warranties or information provided by any of the Registered Shareholders and our PRC Affiliated Entities under the Contractual Arrangements is proved incorrect or misleading; or

(c) any provision in the Contractual Arrangements becomes invalid or incapable of performance due to changes in PRC laws and regulations or promulgation of new laws and regulations in the PRC, and the parties have not agreed on any alternative arrangement.

Upon the occurrence of an event of default as described above, Lingnan WFOE shall have the right to enforce the Equity Pledge Agreement by written notice to the Registered Shareholders in one or more of the following ways:

(a) to the extent permitted under PRC laws and regulations, Lingnan WFOE may request the Registered Shareholders to transfer all or part of his equity interest in our School Sponsor to any entity or individual designated by Lingnan WFOE at the lowest consideration permissible under the PRC laws and regulations, while the Registered Shareholders irrevocably undertake that in the event that the consideration paid by Lingnan WFOE or its designated purchaser for the transfer of all or part of the equity interest in our School Sponsor exceeds RMB0, shall pay such excess amount to Lingnan WFOE or its designated entity;

(b) sell the pledged equity interest by way of auction or at a discount and have priority in the entitlement to the sales proceeds;

(c) dispose of the pledged equity interest in other manner subject to applicable laws and regulations.

Under the Contractual Arrangements, there is no equity pledge arrangement between Lingnan WFOE and our School Sponsor over the school sponsor's interest in our PRC Operating Entities held by our School Sponsor. As advised by our PRC Legal Advisors, if we were to make an equity pledge arrangement with our School Sponsor where our School Sponsor pledge their school sponsor' interest in our PRC Operating Entities in favor of us, such arrangement would be unenforceable under PRC laws and regulations given that school sponsor' interests in schools are not pledgeable under PRC laws and any equity pledge arrangements with respect to our School Sponsor' interests in our PRC Operating Entities cannot be registered with the relevant PRC regulatory authorities.

Nevertheless, we have implemented various measures which shall remain in place before the Contractual Arrangements being unwound, with the aim of further enhancing our control over our PRC Affiliated Entities, in particular:

(a) as disclosed above, pursuant to the Business Cooperation Agreement, the Registered Shareholders and our PRC Affiliated Entities have undertaken that, without prior written consent of Lingnan WFOE or its designated party, he/it shall not conduct or cause to conduct any activity or transaction which may have an actual impact (i) on the assets, business, staff, obligations, rights or operations of our PRC Affiliated Entities or (ii) on the ability of the Registered Shareholders and our PRC Affiliated Entities to perform the obligations under the Contractual Arrangements. See "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement" in this prospectus for details.

(b) as disclosed above, pursuant to the Exclusive Call Option Agreement, the Registered Shareholders have further undertaken to Lingnan WFOE that it shall not sell, assign, transfer or otherwise dispose of or create any encumbrance over its school sponsor' interest in any of our PRC Operating Entities and/or equity interest in our School Sponsor without prior written consent of Lingnan WFOE. See "Contractual Arrangements — Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (3) Exclusive Call Option Agreement" in this prospectus for details.

(c) our Company has taken measures to ensure that the company seals of our PRC Affiliated Entities are properly secured, are within the full control of our Company and cannot be used by our PRC Affiliated Entities or the Registered Shareholders without our permission. Such measures include arranging for the company seals of our PRC Affiliated Entities to be kept in the safe custody of the finance department of Lingnan WFOE and setting up lines of authority for using the company seals, financial chops and business registration certificates such that the company seals, financial chops and business registration certificates can only be used under direct authorization of our Company or Lingnan WFOE.

DISPUTE RESOLUTION

Each of the Contractual Arrangements provides that:

(a) any dispute, controversy or claim arising out of or in connection with the performance, interpretation, breach, termination or validity of the Contractual Arrangements shall be resolved through negotiation after one party delivers to the other parties a written negotiation request setting out the specific statements of the disputes or claims;

(b) if the parties are unable to settle the dispute within 30 days of delivery of such written negotiation request, any party shall have the right to refer the dispute to and have the dispute finally resolved by arbitration administered by Guangzhou Arbitration Commission located in Guangzhou, Guangdong Province, the PRC under the prevailing effective arbitration rules thereof. The seat of the arbitration is in Guangzhou, Guangdong Province. The language of the arbitration shall be Chinese. The results of the arbitration shall be final and binding on all relevant parties;

(c) the arbitration commission shall have the right to award remedies over the equity interest, school sponsor interest, property interest and other assets of each of our PRC Affiliated Entities, injunctive relief (for the conduct of business or to compel the transfer of assets), or order the winding up of our PRC Affiliated Entities; and

(d) as permissible under the PRC laws and regulations and the effective arbitration rules, the courts of competent jurisdictions shall have the power to grant interim remedies in support of the arbitration pending formation of the arbitral tribunal or in appropriate cases. The courts of PRC, Hong Kong, the Cayman Islands and the place where the principal assets of our Company, our PRC Affiliated Entities are located shall be considered as having jurisdiction for the above purposes.

In connection with the dispute resolution method as set out in the Contractual Arrangements and the practical consequences, we are advised by our PRC Legal Advisors that:

(a) under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order for the purpose of protecting assets of or School Sponsor interest in our PRC Operating Entities or equity interest in our School Sponsor in case of disputes. As such, these remedies may not be available to our Group under PRC laws;

(b) further, under the PRC laws, courts or judicial authorities in the PRC generally would not award remedies over the shares and/or assets of School Sponsor or our PRC Operating Entities, injunctive relief or winding-up of School Sponsor or each of our PRC Operating Entities or our School Sponsor as interim remedies, before there is any final outcome of arbitration or judgment;

(c) however, the PRC laws do not disallow the arbitral body to give award of transfer of assets of or an equity interest in School Sponsor and School Sponsor interest in each of our PRC Operating Entities at the request of arbitration applicant. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support such award of the arbitral body when deciding whether to take enforcement measures;

(d) in addition, interim remedies or enforcement orders granted by overseas courts such as Hong Kong and the Cayman Islands may not be recognizable or enforceable in the PRC; therefore, in the event we are unable to enforce the Contractual Arrangements, we may not be able to exert effective control over School Sponsor and each of our PRC Operating Entities, and our ability to conduct our business may be negatively affected; and

(e) even if the above-mentioned provisions may not be enforceable under PRC laws, the remaining provisions of the dispute resolution clauses are legal, valid and binding on the parties to the agreement under the Contractual Arrangements.

As a result of the above, in the event that any of our PRC Operating Entities, School Sponsor or the Registered Shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, or at all, and our ability to exert effective control over our PRC Operating Entities and/or our School Sponsor and conduct our business could be materially and adversely affected. See "Risk Factors — Risks Relating to our Contractual Arrangements" in this prospectus for details.

PROTECTION IN THE EVENT OF DEATH, BANKRUPTCY OR DIVORCE OF THE REGISTERED SHAREHOLDERS

As disclosed above, pursuant to the Spouse Undertakings, the spouse of the relevant Registered Shareholders has irrevocably undertaken that the spouse authorizes the respective Registered Shareholders and/or their respective authorized person to execute all necessary documents and perform all necessary procedures from time to time for and on behalf of the spouse in relation to the direct and indirect equity interest of the Registered Shareholders in Lingnan Education in order to safeguard the interest of Lingnan WFOE under the Contractual Arrangements and give effect to the fundamental purposes thereunder, and confirms and agrees to all such documents and procedures and any undertaking, confirmation, consent and authorization under the Spouse Undertakings shall not be revoked, prejudiced, invalidated or otherwise adversely affected by death, loss of or restriction on capacity of the spouse, divorce or other similar events. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (9) Spouse Undertakings" in this prospectus for details.

In addition, as disclosed above, pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertakes to Lingnan WFOE that, in the event of death, loss of or restriction on capacity, divorce or other circumstances which may affect their respective equity interest in Lingnan Education (where applicable), (1) his or her respective successor shall observe all the rights and assume all the obligations contemplated under the Business Cooperation Agreement; (2) unless prior consent has been obtained from Lingnan WFOE, the Business Cooperation Agreement shall prevail over any testaments, divorce agreements, loan agreements or other legal documents executed in whatever form after the execution of the Business Cooperation Agreement; and (3) they shall ensure their respective successor, guardian, spouse, and any other person which may as a result of the above events obtain the equity interest or relevant rights not to commence any lawsuits, arbitration applications or legal proceedings and not to terminate the Contractual Arrangements. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement" in this prospectus for details.

PROTECTION IN THE EVENT OF DISSOLUTION OR LIQUIDATION OF OUR PRC OPERATING ENTITIES AND/OR SCHOOL SPONSOR

Pursuant to the School Sponsor's Rights Entrustment Agreement and the Shareholders' Power of Attorney, in the event of the dissolution or liquidation of our PRC Operating Entities and/or our School Sponsor or its subsidiaries, the Registered Shareholders undertake that Lingnan WFOE and/or its designee shall have the right to exercise all school sponsor's rights on behalf of Lingnan Education and/or to exercise all shareholders' rights on behalf of the Registered Shareholders. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement" and "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (8) Shareholders' Power of Attorney" in this prospectus for details.

Furthermore, Lingnan WFOE has been irrevocably authorized and entrusted to exercise the rights of our School Sponsor as school sponsor of our PRC Operating Entities pursuant to the School Sponsor's and Directors' Rights Entrustment Agreement and rights of Registered Shareholders as shareholders of Lingnan Education pursuant to the Shareholders' Rights Entrustment Agreement and the Shareholders' Powers of Attorney. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (4) School Sponsor's and Directors' Rights Entrustment Agreement", "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (7) Shareholders' Rights Entrustment Agreement" and "— Operation of the Contractual Arrangements — Summary of Material Terms of the Contractual Arrangements — (8) Shareholders' Powers of Attorney" in this prospectus for details.

LOSS SHARING

In the event that our PRC Operating Entities and/or our School Sponsor incur any loss or encounters any operational crisis, Lingnan WFOE may, but is not obliged to, provide financial support to our PRC Operating Entities and/or our School Sponsor.

None of the agreements constituting the Contractual Arrangements provide that our Company or its wholly-owned PRC subsidiary, Lingnan WFOE, is obligated to share the losses of our PRC Operating Entities and/or our School Sponsor or provide financial support to our PRC Operating Entities and/or our School Sponsor. Further, our PRC Operating Entities and/or our School Sponsor shall be solely liable for its own debts and losses with assets and properties owned by it.

Under PRC laws and regulations, our Company or Lingnan WFOE, is not expressly required to share the losses of our PRC Operating Entities and/or our School Sponsor or provide financial support to our PRC Operating Entities and/or our School Sponsor. Despite the foregoing, given that our PRC Operating Entities and our School Sponsor's financial condition and results of operations are consolidated into our Group's financial condition and results of operations under the applicable accounting principles, our Company's business, financial condition and results of operations would be adversely affected if our PRC Operating Entities or our School Sponsor suffer losses. However, due to the restrictive provisions contained in the Contractual Arrangements as disclosed in the respective sections headed "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual Arrangements — (1) Business Cooperation Agreement" and "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual

Arrangements — (3) Exclusive Call Option Agreement" above, the potential adverse effect on Lingnan WFOE and our Company in the event of any loss suffered from our PRC Operating Entities and/or our School Sponsor can be limited to a certain extent.

TERMINATION OF THE CONTRACTUAL ARRANGEMENTS

Each of the Contractual Arrangements provides that: (a) each of the Contractual Arrangements shall be terminated upon the completion of the purchase of all the equity interest and school sponsor's interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsor and our PRC Operating Entities by Lingnan WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option Agreement, save for the Equity Pledge Agreement which shall continue to be in force until all obligations thereunder have been performed or all Secured Indebtedness has been repaid in full; (b) Lingnan WFOE shall have the right to terminate the Contractual Arrangements by serving 30-day prior notice; and (c) each of our PRC Operating Entities, our School Sponsor and the Registered Shareholders shall not be entitled to unilaterally terminate the Contractual Arrangements in any situation other than prescribed by the laws.

In the event that PRC laws and regulations allow Lingnan WFOE or us to directly hold all or part of the School Sponsor's interest in our PRC Operating Entities and/or all or part of the equity interest in our School Sponsor and operate education business in the PRC, Lingnan WFOE shall exercise the Equity Call Option as soon as practicable and Lingnan WFOE or its designated party shall purchase such amount of equity interest or School Sponsor interest to the extent permissible under the PRC laws and regulations, and upon exercise in full of the Equity Call Option and the acquisition of all the equity interest and school sponsor's interest that the Registered Shareholders (directly and indirectly) hold in our School Sponsor and our PRC Operating Entities by Lingnan WFOE or another party designated by our Company pursuant to the terms of the Exclusive Call Option and Equity Interest Entrustment Agreement, each of the Contractual Arrangements shall be automatically terminated.

INSURANCE

Our Company does not maintain any insurance policy to cover the risks relating to the Contractual Arrangements.

ARRANGEMENT TO ADDRESS POTENTIAL CONFLICT OF INTEREST

We have in place arrangements to address the potential conflicts of interest between the Registered Shareholders on the one hand, and our Company on the other hand. Pursuant to the Business Cooperation Agreement, each of the Registered Shareholders undertakes to Lingnan WFOE that, unless with the prior written consent of Lingnan WFOE, the Registered Shareholders shall not directly or indirectly engage, participate in, conduct, acquire or hold any Competing Business and Lingnan WFOE is granted an option to (i) require the entity engaging in the Competing Business to enter into an arrangement similar to that of the Contractual Arrangements; or (ii) require the entity engaging in the Competing Business to cease operation. See "— Operation of the Contractual Arrangements — Summary of the Material Terms of the Contractual

Arrangements — (1) Business Cooperation Agreement" in this prospectus for details. Our Directors are of the view that the measures we have adopted are sufficient to mitigate the risks associated with the potential conflicts of interest between the Registered Shareholders on the one hand, and our Company on the other hand.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

PRC Legal Opinions

Based on the above, our PRC Legal Advisors are of the opinion that:

(a) each of our PRC Operating Entities and our School Sponsor was duly incorporated and is validly existing and their respective establishment is valid, effective and complies with the relevant PRC laws and regulations. Each of our PRC Operating Entities and our School Sponsor has also obtained all material approvals and finished all material registration as required by PRC laws and regulations and has the capacity to carry out business operations in accordance with its licenses and approvals;

(b) the Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements are legal, valid and binding on the parties thereto and the Contractual Arrangements do not violate the provisions of "malicious collusion is conducted to damage others' legitimate rights and interests" as stipulated in Civil Code of the PRC (中華人民共和國民法典), except that the Contractual Arrangements provide that the arbitral body may award remedies over the shares and/or assets of our PRC Operating Entities and/or our School Sponsor, injunctive relief and/or winding up of our PRC Operating Entities and/or School Sponsor, and that courts of competent jurisdictions are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, while under PRC laws, an arbitral body has no power to grant injunctive relief and may not directly issue a provisional or final liquidation order for the purpose of protecting the assets of or equity interest in our PRC Operating Entities and/or our School Sponsor in case of disputes. In addition, interim remedies or enforcement orders granted by overseas courts such as the courts of Hong Kong and the Cayman Islands may not be recognizable or enforceable in China;

(c) each of the Contractual Arrangements is not in violation of provisions of the articles of association of our PRC Operating Entities and our School Sponsor and Lingnan WFOE;

(d) entering into and the performance of the Contractual Arrangements are not required to obtain any approvals or authorizations from the PRC governmental authorities, except that: (i) the pledge of any equity interest in Lingnan Education in favor of Lingnan WFOE is subject to registration requirements with relevant Administration of Industry and Commerce; (ii) the transfer of the school sponsor's interests in our PRC Operating Entities contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable PRC laws; (iii) the transfer of equity interest in our School Sponsor contemplated under the Contractual Arrangements is subject to applicable approval and/or registration requirements under the then applicable laws; (iv) any arbitral awards or foreign rulings and/or judgments in relation to the performance of the Contractual Arrangements are subject to applications to competent PRC courts for recognition and enforcement; and (v) under PRC laws on arbitral body does not have the power to grant injunctive relief or to order an entity to wind up; and

(e) the Contractual Arrangements do not violate the M&A Rules.

For details in relation to the risks involved in the Contractual Arrangements, see "Risk Factors — Risks Relating to Our Contractual Arrangements" in this prospectus.

Directors' Views on the Contractual Arrangements

We believe that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are only used to enable our Group to consolidate the financial results of our PRC Operating Entities and our School Sponsor which engage or will engage in the operation of education business, which are subject to foreign investment restriction in accordance with applicable PRC laws and our consultation with the Education Department of Guangdong Province and the Human Resources and Social Security Department of Guangdong Province.

As of the date of this prospectus, we have not encountered any interference or encumbrance from any governing bodies in our plan to adopt the Contractual Arrangements so that the financial results of the operation of our PRC Operating Entities and our School Sponsor can be consolidate to those of our Group, and based on the advice of our PRC Legal Advisors, the Directors are of the view that the Contractual Arrangements are enforceable under the PRC laws and regulations, except for relevant arbitration provisions, as disclosed in the paragraph headed "Dispute Resolution" in this section.

The transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon the Listing and it is impracticable and unduly burdensome for them to be subject to the relevant requirements under the Listing Rules as our Directors are of the view that the transactions contemplated under the Contractual Arrangements are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. See "Connected Transactions" in this prospectus.

CONSOLIDATION OF FINANCIAL RESULTS OF OUR PRC OPERATING ENTITIES AND OUR SCHOOL SPONSOR

According to HKFRSs 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it 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. Although our Company does not directly or indirectly own our PRC Operating Entities and our School Sponsor, the Contractual Arrangements as mentioned above enable our Company to exercise control over our PRC Operating Entities and our School Sponsor. The basis of combining the results of our PRC Operating Entities and our School Sponsor is disclosed in note 2.1 to the Accountants' Report. Our Directors consider that our Company can combine the financial results of our PRC Operating Entities and our School Sponsor as if they were our Group's subsidiaries.

DEVELOPMENT IN THE PRC LEGISLATION ON FOREIGN INVESTMENT

Background of the Foreign Investment Law

On March 15, 2019, the Foreign Investment Law was formally passed by the 13th National People's Congress and took effect on January 1, 2020. The Foreign Investment Law replaced the Law on Sino-Foreign Equity Joint Ventures, the Law on Sino-Foreign Contractual Joint Ventures and the Law on Foreign-Capital Enterprises to become the legal foundation for foreign investment in the PRC. On December 26, 2019, the State Council promulgated the Implementation Regulations on the Foreign Investment Law (外商投資法實施條例), which came into effect on January 1, 2020.

Impact and Potential Consequences of the Foreign Investment Law and its implementation regulations on our Contractual Arrangements

Conducting operations through contractual arrangements has been adopted by many PRC-based companies, including us, to obtain and maintain necessary licenses and permits in the industries that are currently subject to foreign investment restrictions or prohibitions in China. The Foreign Investment Law does not explicitly stipulate the contractual arrangements as a form of foreign investment. The Implementation Regulations on the Foreign Investment Law are also silent on whether foreign investment includes contractual arrangements. As advised by our PRC Legal Advisors, since contractual arrangements are not specified as foreign investment under the Foreign Investment Law, and if the future laws, regulations and rules do not incorporate contractual arrangements as a form of foreign investment, our Contractual Arrangements as a whole and each of the agreements comprising the Contractual Arrangements will not be affected and will continue to be legal, valid and binding on the parties.

For the details of risks relating to the Foreign Investment Law, please see "Risk Factors — Risks relating to our Contractual Arrangements — Significant uncertainties exist in relation to the interpretation and implementation of the Foreign Investment Law and how it may impact the viability or sustainability of our current corporate structure, corporate governance and business operations" in this prospectus.

The Potential Impact to Our Company in the Worst Scenario that the Contractual Arrangements Are not Treated as a Domestic Investment

If the operation of educational institutions is no longer in the Negative List and our Group is allowed to operate the education business under PRC Laws without using the Contractual Arrangements, Lingnan WFOE will exercise the Equity Call Option under the Exclusive Call Option and Equity Interest Entrustment Agreement to acquire the school sponsor's interest of our PRC Operating Entities and/or the equity interest in our School Sponsor and terminate the Contractual Arrangements subject to re-approval by the relevant authorities.

If the operation of educational institution is in the Negative List, the Contractual Arrangements may be viewed as restricted foreign investment. Although contractual arrangements are not specified as foreign investment under the Foreign Investment Law, the Contractual Arrangements may be regarded as invalid and illegal if the future laws, administrative regulations or provisions prescribed by the State Council define contractual arrangements as a form of foreign investment and the operation of higher education is still in the Negative List. As a result, our Group would not be able to operate our PRC Affiliated Entities through the Contractual Arrangements and we would lose our rights to receive the economic benefits of our PRC Operating Entities and our School Sponsor. As a result, the financial results of our PRC Operating Entities and our School Sponsor would no longer be consolidated into our Group's financial results and we would have to derecognize their assets and liabilities according to the relevant accounting standards. An investment loss would be recognized as a result of such derecognition.

Nevertheless, considering that a number of existing conglomerates are operating under contractual arrangements and some of which have obtained listing status abroad and contractual arrangements are not specified as foreign investment under the Foreign Investment Law, our Directors are of the view that it is unlikely that the relevant regulations will take retrospective effect to require the relevant enterprises to remove the contractual arrangements.

COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group has adopted the following measures to ensure the effective operation of our Group with the implementation of the Contractual Arrangements and our compliance with the Contractual Arrangements:

(a) major issues arising from the implementation and compliance with the Contractual Arrangements or any regulatory enquiries from government authorities will be submitted to our Board, if necessary, for review and discussion on an occurrence basis;

(b) our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;

(c) our Company will disclose the overall performance and compliance with the Contractual Arrangements in its annual reports and interim reports to update the Shareholders and potential investors;

(d) our Company and our Directors undertake to provide periodic updates in our annual and interim reports regarding the Qualification Requirement and our status of compliance with the Foreign Investment Law as stipulated under the section headed "Contractual Arrangements — Background of the Contractual Arrangements" and the latest development of Foreign Investment Law as disclosed under the section headed "Contractual Arrangements — Development in the PRC Legislation on Foreign Investment", including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the Qualification Requirement; and

(e) our Company will engage external legal advisors or other professional advisors, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of Lingnan WFOE and our PRC Operating Entities and/or our School Sponsor to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, notwithstanding that our executive Directors, each of Mr. He Huishan, Ms. He Huifen and Ms. He Huifang is also one of the Registered Shareholders, we believe that our Directors are able to perform their roles in our Group independently and our Group is capable of managing its business independently after the Listing under the following measures:

(a) the decision-making mechanism of the Board as set out in the Articles of Association includes provisions to avoid conflict of interest by providing, amongst other things, that in the event of conflict of interest in such contract or arrangement which is material, a Director shall declare the nature of his or her interest at the earliest meeting of the Board at which it is practicable for him or her to do so, and if he or she is to be regarded as having material interest in any contracts or arrangements, such Director shall abstain from voting and not be counted in the quorum;

(b) each of our Directors is aware of his or her fiduciary duties as a Director which requires, amongst other things, that he acts for the benefits and in the best interests of our Group;

(c) we have appointed three independent non-executive Directors, comprising one-third of our Board, to provide a balance of the number of interested and independent Directors with a view to promoting the interests of our Company and our Shareholders as a whole; and

(d) we will disclose in our announcements, circulars, annual and interim reports in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by our Board (including independent non-executive Directors) relating to any business or interest of each Director and his associates that competes or may compete with the business of our Group and any other conflicts of interest which any such person has or may have with our Group.

OVERVIEW

We are the largest private formal vocational education service provider in the Greater Bay Area and the fifth largest private formal vocational education services provider in China in terms of full-time student enrollment in the 2019/2020 school year, accounting for approximately 5.8% and 0.5% of the market share in the Greater Bay Area and China in terms of student enrollment in the year, respectively, according to the Frost & Sullivan Report.

We provide vocational education to 27,033 full-time students enrolled in our schools in the 2020/2021 school year, of which 68.4% were enrolled in the TMT Industry and Health Industry-related majors. As of the Latest Practicable Date, we operated two schools in the Greater Bay Area, namely, Lingnan Institute of Technology and Lingnan Modern Technician College, which we refer to as "our schools" in this prospectus.

Our Geographical Focus: Our schools are strategically located in the Greater Bay Area, and for our students who graduated in 2019, approximately 84.5%(1) of the graduates of our Lingnan Institute of Technology and approximately 88.7%(1) of the graduates of our Lingnan Modern Technician College had obtained employment in the area, which reflected our focus to provide high-quality vocational talents to support the businesses and enterprises in the Greater Bay Area. We believe that we are in a strong position to further benefit from the emerging high growth in the region and are able to take advantages of the favorable government policies to support the regional economic development of the Greater Bay Area. According to the Frost & Sullivan Report, the Greater Bay Area contributed approximately 11.7% of nominal GDP of the PRC in 2019 and has become an important growth engine of China's economy. According to the Frost & Sullivan Report, the vocational education market in the Greater Bay Area accounted for approximately 8.7% of the vocational education market in China in terms of revenue in 2019.

Our Industry Focus: Our schools are committed to supporting the growth of China's rising industries, especially the TMT Industry and Healthcare Industry. In 2019, these two industries together contributed approximately 63.8% of the total GDP of the Greater Bay Area while they still had a 3.3 million talent gap in this region, according to the Frost & Sullivan Report. The emerging growth of the regional economy and the shortage of talents are primarily driven by the transformation of the PRC's economy, the aging population, the acceleration of the prevalence of chronic diseases and favorable government policies. We have a strong track record in supplying professional and technical talents to support the growth of the rising industries in the Greater Bay Area and it is our strategic focus to continue this trend by providing high-quality vocational education in the TMT Industry and Healthcare Industry to help our students achieve success after graduation.

The rapid industry growth and wide talent gaps of the TMT Industry and Healthcare Industry in the Greater Bay Area drives the demand for graduates enrolled in the TMT Industry- and Healthcare Industry-related majors. In the 2019/2020 school year, the percentage of our student enrollment in the TMT Industry- and Healthcare Industry-related majors was 64.4%, which was the highest among all private vocational education groups in the Greater Bay Area in the same school year. Our focus on vocational education in these two rising industries has made our graduates competitive in the job market and helped our schools to achieve high initial employment rates. Moreover, compared to graduates from non-formal vocational education and formal non-vocational education, graduates of our junior college, secondary vocational and post-secondary vocational

(1) This percentage is determined based on the number of graduates of our schools as of the month in which they received their diplomas for the 2018/2019 school year.

programs, which are all formal vocational education, are equipped with better theoretical knowledge on top of ready-to-work practical skillsets, as well as government-recognized formal academic qualifications, adding further to the competitiveness of our graduates in the employment market.

Our Curriculums: We offer a wide range of curriculums to our students and equip them with ready-to-work practical skills through our school-enterprise collaboration programs. Through the 12 secondary colleges of Lingnan Institute of Technology and seven departments of Lingnan Modern Technician College, our schools offered a total of over 70 majors in the 2020/2021 school year. We had entered into school-enterprise cooperation agreements with over 1,000 enterprises in the PRC. We designed and developed curriculums based on employers' specific needs and introduced real corporate projects to our students to help them gain practical and readily-applicable skills and improve their competitiveness. The effectiveness of our academic curriculums and practical training programs is reflected in our high graduate Initial Employment Rates during the Track Record Period. For the 2017/2018, 2018/2019 and 2019/2020 school years, the Initial Employment Rate of our Lingnan Institute of Technology was 92.5%, 92.3% and 84.5%,respectively. For the same school years, the Initial Employment Rate of Lingnan Modern Technician College was 99.5%, 99.4% and 99.2%, respectively. In contrast, the overall average Initial Employment Rate of junior college education in China was 78.2%, 78.4% and 78.6%, and the overall average Initial Employment Rate of private formal secondary vocational education in China was 81.7%, 81.9% and 82.6% in 2017, 2018 and 2019, respectively, according to the Frost & Sullivan Report.

Our Financial Performance: We experienced steady growth in our full-time student enrollment, revenue and profit during the Track Record Period. The following table sets forth the information of our full-time student enrollment, revenue, net profit and adjusted net profit for the years indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
Total student enrollment at our schools[(1)]	25,612	26,851	27,033
Revenue[(2)] (RMB in millions)	411.8	444.4	449.4
Net profit[(3)] (RMB in millions)	135.6	154.8	170.5
Non-HKFRS Measure:			
Adjusted Net Profit (RMB in millions)[(4)]	137.1	154.8	182.3

Notes:

(1) Student enrollment data disclosed herein is determined as of September 30 for each of the years ended December 31, 2018 and 2019 and as of October 31, 2020 for the year ended December 31, 2020 as a result of the COVID-19 pandemic as most of the first-year students of our Lingnan Institute of Technology had completed their new student registration for the 2020/2021 school year on that day.

(2) Revenue represents revenue from continuing operations.

(3) Net profit represents profit and total comprehensive income for the year. For potential tax impact on the profit and total comprehensive income for the year brought by the execution of the Contractual Arrangements and election of Lingnan Institute of Technology and Lingnan Modern Technician College as for-profit private schools, see "Business — The 2021 Implementation Rules — The Impact of the 2016 Decision and the 2021 Implementation Rules on Our Group" in this prospectus for details.

(4) Please refer to the section headed "Financial Information — Non-HKFRS Measure" in this prospectus for details of the assumptions used for, and the calculation of, Adjusted Net Profit.

OUR COMPETITIVE STRENGTHS

We seek to leverage our competitive strengths to solidify our market leading position and expand our business operations. We believe the following strengths contribute to our past success and differentiate us from our competitors.

Largest private formal vocational education service provider in the Greater Bay Area

We are the largest private formal vocational education services provider in the Greater Bay Area and the fifth largest private formal vocational education services provider in China in terms of full-time student enrollment in the 2019/2020 school year, according to the Frost & Sullivan Report. The two campuses of our Lingnan Institute of Technology are strategically located in Guangzhou and Qingyuan, respectively, which are situated within the Greater Bay Area. According to the Frost & Sullivan Report, in 2019, the Greater Bay Area contributed approximately 11.7% of the total nominal GDP of China and has become an important growth engine of the PRC economy. Benefiting from favorable government policies and advantageous geographical location, the rising industries in the Greater Bay Area are growing rapidly and are increasingly in need of professional and technical talents. We believe that a strong Greater Bay Area economy is conducive to the development of private enterprises, which engenders substantial demand for qualified professional and technical talents.

Guangdong Province had been the most populous province of China for years and had a population of 115.2 million permanent residents in 2019, accounting for 8.2% of the total population of China, according to the Frost & Sullivan Report. Moreover, the birth rate in Guangdong Province is significantly higher than the average birth rate in China, which is beneficial to a sustainable growth of the demand for private formal vocational education in the Greater Bay Area. At the same time, the admission rate in the vocational education industry of Guangdong Province was 36.1% in 2019, which was lower than the national rate of 40.8%. Therefore, we believe there is a strong potential for further development of vocational education industry in Guangdong Province and the Greater Bay Area in particular.

Founded in 1993, we have developed into a large formal vocational education group focusing on cultivating talents for the rising industries of the PRC. Through over 27 years of operations, we had achieved success in developing our business operations, a proven track record in improving the quality of vocational education, and providing training and job opportunities for our students. As a result, we had established a leading position and reputation in the private vocational education market in the Greater Bay Area. We have accumulated in-depth industry resources and business experience during our history of operation, including curriculum development, student recruitment and employment, teacher recruitment and training, school management and school-enterprise cooperation. We believe we have the advantages over our competitors in terms of expanding our school network coverage, increasing market share and penetration, and capitalizing on available and changing job market opportunities.

Renowned vocational education service provider focusing on China's rising industries

We primarily focus on providing high-quality vocational education in the rising industries, particularly the TMT Industry and Healthcare Industry, to capture the opportunities brought by the rapid development of such industries and the strong demand for professional talents.

According to the Frost & Sullivan Report, we had the largest number of students who majored in the TMT Industry and Healthcare Industry in the 2019/2020 school year among all private vocational education service providers in the Greater Bay Area. We have been continuously developing our TMT Industry- and Healthcare Industry-related curriculums and majors. The percentage of the number of students of our schools who concentrated in the TMT Industry- and Healthcare Industry-related majors among the total number of full-time student enrollments of our schools increased from 54.5% for the 2017/2018 school year to 68.4% for the 2020/2021 school year.

The following table sets forth the number and percentage of full-time students who studied in the majors relating to the TMT Industry and Healthcare Industry in our schools for the school years indicated:

	Student Enrollment							
	School Year							
	2017/2018	**%**	**2018/2019**	**%**	**2019/2020**	**%**	**2020/2021**	**%**
TMT Industry-related majors	8,486	34.7	9,588	37.4	10,227	38.1	10,029	37.1
Healthcare Industry-related majors	4,837	19.8	5,308	20.7	7,051	26.3	8,454	31.3
Other majors	11,137	45.5	10,716	41.9	9,573	35.6	8,550	31.6
Total	24,460	100	25,612	100.0	26,851	100.0	27,033	100.0

In addition, we strive to expand our course coverage of rising industries-related majors, and develop and design new curriculums based on the economic development trends and changing labor market requirements. From the 2017/2018 school year to the 2020/2021 school year, our Lingnan Institute of Technology had offered new majors such as cross-border e-commerce technology in the TMT Industry and obstetrics and food quality and safety in the Healthcare Industry. From the 2017/2018 school year to the 2020/2021 school year, our Lingnan Modern Technician College had offered new majors such as digital media application and application of unmanned aircraft in the TMT Industry and rehabilitation in the Healthcare Industry.

We believe that the rising industries in the Greater Bay Area, particularly the TMT Industry and Healthcare Industry, have been rapidly developing and have demonstrated tremendous appetite for professional and technical talents. According to the Frost & Sullivan Report, in terms of revenue, the TMT Industry and Healthcare Industry in the Greater Bay Area have enjoyed a CAGR of 20.2% and 14.5% from 2015 to 2019, respectively, and is expected to experience a CAGR of 13.3% and 9.7% from 2019 to 2024, respectively. In the meantime, the talent gap for the number of professionals in the TMT Industry and Healthcare Industry in the Greater Bay Area was 1.6 million and 1.7 million in 2019, respectively, and is expected to reach 3.0 million and 1.9 million in 2024, respectively. Moreover, the average annual salaries of the workers employed in the TMT

Industry and Healthcare Industry in the Greater Bay Area were approximately RMB185,570 and RMB143,829 in 2019, respectively, which are substantially higher than both the overall average salary of RMB90,793 in China in 2019 and the expected overall average salary of RMB119,162 in China in 2024. We believe our strategic focus on the rising industries will effectively improve the competitiveness of our students and the attractiveness of our education programs, which will in turn further help us increase our student enrollment and enhance our ability to raise tuition fee rates going forward.

In addition, we export our rising industries-related courses and models through international cooperation to further enrich the education services that our Group provides and the educational content offered to our students. In September 2020, our Lingnan Modern Technician College entered into a collaboration agreement with the Tunku Abdul Rahman University College, a university located in Kuala Lumpur, Malaysia (the "TAR UC"), and Guangdong Zhuoyue Qiancheng Education Service Co., Ltd.* (廣東卓越前程教育服務有限公司) ("Guangdong Zhuoyue") to co-establish a training center at TAR UC. Pursuant to the agreement, we agreed to design e-commerce programs, provide e-commerce related trainings to the students of TAR UC and the public, and customize training programs for the employees of various Malaysian e-commerce enterprises. TAR UC agreed to be responsible for student recruitment and providing logistic arrangement to the program, and Guangdong Zhuoyue agreed to liaise between TAR UC and us, collect tuition fees from the enrolled students on our behalf and supervise, support and promote the program. In addition, in September 2019, our Lingnan Modern Technician College entered into a collaboration agreement with Osaka Academy of Entertainment Design, an art school located in Osaka, Japan, to provide short-term exchange opportunities for the students of these two schools and collaborate on academic research projects, among other things.

High Initial Employment Rate of our graduates based on practice-oriented curriculums and school-enterprise collaborations

Our graduates have achieved relatively high Initial Employment Rate during the Track Record Period as a result of our emphasis on practical training and internship, our extensive school-enterprise collaboration networks and the career support and employment guidance we provided to our students. The following sets forth the details of our practice-oriented education service, school-enterprise collaborations and employment support our schools provide to the students.

- ***Practice-oriented Education***: We adopt a "practical training courses + practicable project + internships" education model, which requires all of the majors our schools offer to allocate at least 50% of the courses in each degree to practical courses to comprehensively improve students' practical skills and working capabilities. Practical education mainly involves the following:

    o *Practical Training Courses*: Cooperating with our school-enterprise cooperation partners, we introduce real-life corporate projects and corporate computer systems to provide simulated work environment. We also require our students to participate in and follow simulated corporate internal processes to improve their practical skills. In addition, our teachers are particularly effective at utilizing their professional and practical experience to our provide employment-oriented guidance to students.

- o *Practical Projects*: We require all of our students at Lingnan Institute of Technology to complete at least three practical projects prior to graduation, including one major-related practical project, one pro-bono project and one e-commerce project. In these projects, we present students with real-life challenges faced by businesses, and encourage them to work together in teams to develop and present solutions to help these students obtain key business skills, such as team work/collaboration, communication skills, critical thinking and creativity, and equip them with the practical experiences in different business settings. This experience arms our students with a portfolio of completed real life projects upon graduation, which we believe gives them an edge when they seek job opportunities and subsequently, during their professional career.

- o *Internships*: We work with our school-enterprise collaboration partners to identify suitable internship opportunities. We require our students at Lingnan Institute of Technology to attend internships during the spring semester of their graduating school year and students at Lingnan Modern Technician College to attend internships during the entire graduating school year. We assign teachers to provide internship guidance to our students. We also conduct performance evaluation together with the designated companies providing such internship opportunities before the students complete the internship programs to help them understand their strengths and weakness and identify areas for improvement. Meanwhile, we also actively seek opportunities for students to work at reputable companies through our school-enterprise collaboration programs to improve their overall competitiveness.

- ***School-enterprise Collaborations***: We have cooperated with numerous businesses and enterprises to design and develop courses and curriculums based on the particular needs of the potential employers and introduce real-life corporate projects in order to help our students refine their practical skills and enhance their competitiveness. We had entered into school-enterprise cooperation agreements (校企合作合同) with over 1,000 enterprises in the PRC and established more than 100 off-campus practical training bases to provide diverse and high-quality internship and training opportunities to our students. Our school-enterprise collaboration model includes:

- o *Targeted Training Programs*: Our Group established and operated dual-named targeted training programs in collaboration with third-party enterprises. The curriculums of the targeted training courses mainly focus on the training of practical ability of the students. A typical targeted training course in the 2019/2020 school year consists of the time spent on several stages of learning, including basic course learning, practice course learning, simulated training, and learning from courses taught by enterprise personnel and practical training. Our Group generally provides curriculum development, teaching, teaching staff and teaching facilities to help students gain academic knowledge and practical skills, whereas the third-party enterprises with whom we collaborate typically provide certain teaching equipment, training facilities, training staff and internship/training opportunities (as appropriate) to the students in order to further develop their practical skills. In the 2019/2020 school year, Lingnan Institute of Technology had established 11 targeted training courses. In the same school year, Lingnan Modern Technician College offered three targeted training courses.

- o *Secondary Colleges and Off-campus Practical Training Bases*: As of the Latest Practicable Date, Lingnan Institute of Technology had 12 secondary colleges. In addition, as of the same date, we also established more than 100 external practical training bases that encompass simulated work environment and provide equipment and other teaching facilities to help our students develop their practical abilities. Through collaboration with these enterprises, we strive to offer relevant internship and employment opportunities to our students and match enterprises with the professional and technical talents they need. We believe our strong and proven-successful school-enterprise collaboration business model will continue to provide employment opportunities to our students and at the same time, match the talents these enterprises need for their businesses.

- ***Employment Training and Annual Recruitment Fairs***: We focus on providing employment-oriented trainings, including trainings on professional etiquette and communication skills, career planning, entrepreneurship and job application and interviews. In addition, we hold annual recruitment fairs to help our students seek appropriate job opportunities and improve their employment prospects. The number of companies that participated in our annual recruitment fairs at our schools decreased steadily from 707 in 2018 to 677 in 2019, but increased to 730 in 2020. The following table sets forth the number of companies that have participated in the annual recruitment fairs and the percentage of companies from the TMT Industry and Healthcare Industry for the years indicated:

	Year ended December 31,		
	2018	2019	2020
Total number of companies participated	707	677	730
% of companies from TMT Industry and Healthcare Industry	36.2%	42.1%	54.8%

Benefiting from our strategic location in the Greater Bay Area, our focus on offering rising industries-related majors, practice-oriented education model, extensive school-enterprise cooperation network and effective career support to our students, our graduates have achieved relatively high Initial Employment Rates during the Track Record Period. For the 2017/2018, 2018/2019 and 2019/2020 school years, the Initial Employment Rate of the graduates of Lingnan Institute of Technology was 92.5%, 92.3% and 84.5%, respectively. For the same school years, the Initial Employment Rate of the graduates of Lingnan Modern Technician College was 99.5%, 99.4% and 99.2%, respectively. Comparatively, the Initial Employment Rate of the graduates of junior college education was 78.2%, 78.4% and 78.6% and formal secondary vocational education was 81.7%, 81.9% and 82.6% in 2017, 2018 and 2019 in China, respectively, according to the Frost & Sullivan Report. We believe our focus on the development of practice-oriented curriculums involving the rising industries, as well as the expansion of the school-enterprise collaboration model and the deepening of our relationship with third-party enterprises will further strengthen our brand image as a leading vocational education service provider focusing on the rising industries-related majors and distinguish our Group from our competitors.

Recognition by the PRC government

Since our inception, our efforts and contribution to China's vocational education industry have brought about great recognition from the PRC government. We believe that such recognition has fostered our growth and will continue to aid us in our business expansion. Our schools have been a recipient of numerous awards and recognitions from the PRC central and local governments for the high-quality vocational education we provide to our students. For example, in 2021, according to Airuishen Research Institute (艾瑞深研究院), a third-party university evaluation consulting research institution based in the PRC, we ranked first among all private higher vocational education institutions in China in terms of education quality, scientific research results, social services and reputation. In 2018, 2019 and 2020, we ranked second, third and third among the top 100 private higher vocational education institutions in China, respectively, in terms of competitiveness in education, employment and brand recognition by Guangzhou Daily Data and Digital Institute (廣州日報數據和數字化研究院). Moreover, from 2016 to 2020, we ranked first in each of these years among all private higher vocational education institutions in China in terms of competitiveness, which primarily comprise school conditions, teachers' quality, education achievements and reputation, by China Science Evaluation Research Center (中國科學評價研究中心), Wuhan University China Education Quality Evaluation Center (武漢大學中國教育質量評價中心) and the Network of Science and Education Evaluation in China (中國科教評價網). In addition, our Lingnan Institute of Technology received the 2017 Private Vocational School Talent and Innovation Award* (2017年度民辦職業院校人才培養創新獎) by the Chinese Society of Technical and Vocational Education (Private Education Branch)* (中國職業技術教育學會民辦職業技術教育分會) in 2017, and was commended as a Guangdong Province Innovation and Entrepreneurship Education Model School* (廣東省大學生創新創業教育示範學校) by the Education Department of Guangdong Province (廣東省教育廳) in 2015. In 2013, our Lingnan Institute of Technology was also awarded the National Vocational Education Entity of Advancement* (全國職業教育先進單位) by the MOE. In addition, in 2010, our Lingnan Modern Technician College was named the Guangdong Province Vocational and Technological Education Advancement Group* (廣東省職業技術教育工作先進集體) by the People's Government of Guangdong Province (廣東省人民政府). Besides the awards and recognitions bestowed to our schools, we also have been invited to participate in various notable projects with the PRC government. For example, our Lingnan Modern Technician College cooperated with the Guangzhou Municipal Human Resource and Social Security Bureau of Huangpu District (廣州市黃埔區人力資源和社會保障局) and a local human resources and social insurance bureau in Guizhou Province to establish a dedicated technician class at our Lingnan Modern Technician College through which we carefully selected approximately 30 to 50 qualified middle school graduates from Guizhou Province with excellent academic records but who were experiencing financial difficulties to enroll in such class for three years beginning in the 2018/2019 school year, and to provide them with the relevant educational and practical training programs to improve their employment prospects.

We believe that our established recognition by the PRC government will give us the voice in shaping future policies relating to the education industry, especially in the Greater Bay Area. We also believe that the recognition by the government authorities will help bring higher brand awareness and prestige among our potential cooperation enterprises and help us to expand our school-enterprise corporation network. We believe our leadership in the private higher vocational education industry in the Greater Bay Area and rising industries-related majors and practical skill-oriented curriculums contribute much needed talents for the economic development for the Greater Bay Area, which in turn help us expand and deepen our cooperative relationships with governments and third-party enterprises.

Seasoned management team

Our founders are among the pioneers in developing and furthering private education in the PRC and the Greater Bay Area. Our core management, Mr. He Huishan and Ms. He Huifen, have substantial experience in the education industry and have a thorough understanding of the PRC private higher education sector. Our core management has received numerous honors. For example, Mr. He Huishan is the vice chairman of Guangdong Provincial Private Education Association (廣東省民辦教育協會副會長), and a member of the 11th and 12th CPPCC of Guangdong Province (廣東省第十一屆、十二屆政協委員). Ms. He Huifen won the honor of National March 8th Red Banner Holder (全國三八紅旗手), Outstanding Female Entrepreneur (傑出創業女性), Chinese Economic Women's Achievement Figure (中國經濟女性成就人物) and Guangdong Province Outstanding Female Entrepreneur (廣東省優秀女企業家).

We also have high-performing middle-level managers, including principals of our schools and teachers with extensive school management and operational experience, as well as teaching experience. The principal and vice principals of our Lingnan Institute of Technology have an average of 24 years of teaching and/or administrative experience. For example, Mr. Lao Hansheng, the principal of Lingnan Institute of Technology since May 2019, had also served as a professor at The Open University of Guangdong and Guangdong Polytechnic Institute and executive dean at Guangdong Engineering Polytechnic, deputy dean of the Guangdong Academy of Education (廣東省教育研究院), deputy director of Training Expert Committee of China Packaging Federation* (中國包裝聯合會培訓專家委員會), member of National Machinery Vocational Education and Teaching Directing Committee* (全國機械職業教育教學指導委員會), deputy director of its internal Industry-Education Cooperation Promotion and Advisory Committee (產教合作促進與指導委員會), member of the 8th Provincial Committee of Guangdong Association for Science and Technology* (廣東省科學技術學會第八屆全省委員會) and vice president of the first Council of Guangdong Education Research Alliance* (廣東省教育研究聯盟理事會). Similarly, the principal and vice principals of our Lingnan Modern Technician College have an average of 22 years of teaching and/or administrative experience. Mr. Keming Huang, the principal of Lingnan Modern Technician College, is an expert of vocational education practice with more than 33 years of experience in the management and integration of industry and education in the vocational education sector in the PRC.

In addition, our highly qualified teachers help us maintain the high-quality vocational education we provide. Therefore, we have made teacher recruitment and retention one of our paramount priorities. As of December 31, 2020, we had an aggregate of 1,159 teachers, among whom, approximately 77.0% had obtained at least a bachelor's degree and approximately 32.9% had obtained a master's degree or above. As of the same date, our teachers had worked in our Group for an average of approximately six years. During the Track Record Period, our teachers have received numerous national and international awards and accolades in recognition of the contributions they have made to help us maintain the high-quality education we provide to our students, including the first prize at the Second School Art and Design Exhibition in the Greater Bay Area and the Fourth Guangdong Provincial Higher Institution Design Competition in 2019 (2019年第二屆粵港澳大灣區學校美術與設計作品展暨第四屆廣東省高校設計作品學院獎雙年展) and the third prize at the Information-based Teaching Competition in Guangdong Province in 2018 (2018年廣東省教師信息化教學大賽).

Furthermore, we are committed to providing our employees with opportunities to develop their careers with us and maintaining a stable management team over the long term. Accordingly, in order to encourage the performance of our employees and incentivize them to reach their potential, we conduct performance reviews at the end of each school year to evaluate our employees' work performance, identify their strengths and weaknesses and offer feedback. These employees include teachers, teaching assistants and administrative staff. On the one hand, we recognize high performing employees and offer them discretionary bonuses to encourage growth and foster employee engagement. On the other hand, we demote poor performing employees and/or require them to attend training courses from time to time to improve their work performance.

OUR BUSINESS STRATEGIES

Our objective is to solidify our market position, enhance our reputation and expand our business operations. To achieve our goals, we plan to execute the following business strategies:

Increase the campus capacity and utilization rate and optimize our pricing strategies

We plan to further increase the capacity and utilization of our schools. We will continue to construct new school buildings, including the construction of dormitories for teachers and students, gymnasiums, laboratories, teaching buildings and office buildings in our Qingyuan Campus, such that the Qingyuan Campus can reach an anticipated maximum capacity of approximately 15,000 full-time students by the 2023/2024 school year. The expansion of our school capacity will enable us to increase student enrollment and enhance our revenue.

We believe our leading position and reputation in the private formal vocational education market in the Greater Bay Area allow us to remain competitive in student enrollment while further raising our tuition fee rates. For instance, during the Track Record Period, Lingnan Institute of Technology raised its tuition fee rates from a range of RMB14,500 to RMB21,000 per full-time student for the 2017/2018 school year to a range of RMB16,500 to RMB24,300 per full-time student for the 2020/2021 school year for the junior college program. Lingnan Modern Technician College also adjusted and raised its tuition fee rates from a range of RMB11,000 to RMB13,000 per full-time student for the 2017/2018 school year to a range of RMB11,500 to RMB14,000 for the 2020/2021 school year for its post-secondary vocational program, and from RMB11,000 to RMB12,000 per full-time student for the 2017/2018 school year to a range of RMB11,000 to RMB13,500 per full-time student for the 2020/2021 school year for its secondary vocational program.

We intend to adjust our curriculums and course offerings from time to time based on the changing economic and labor market trends in order to increase the attractiveness of our education and enhance our ability to recruit high-quality students and raise tuition fee rates. We will also maintain close communications with enterprises regarding the potential employment opportunities for our students and keenly observe and analyze the changing development in the Greater Bay Area labor market to tailor and adjust our major and course offerings and introduce new majors that will command higher tuition fee rates. According to the Circular on Issues Concerning the Cancellation of Record-filing of Academic Education Tuition and Approval of Accommodation Fee on Private Schools and Private Secondary Vocational Schools (Yue Fagai Jiage [2016] No. 657) (《關於取消我省民辦高校和民辦中職學校學費備案以及住宿費核准有關問題的通知》) (粵發改價格[2016]657號), we are able to determine the tuition fee rates we charge.

Expand our school network through acquisition and/or asset-light model to achieve economy of scale

We intend to improve our business operations by upgrading our Lingnan Institute of Technology and further expand our school network through acquisition and/or asset-light business expansion model by cooperating with other schools. Specifically, we plan to pursue to the following strategies:

- *School or Major Upgrade*: We intend to upgrade our Lingnan Institute of Technology from an associate college that offers junior college degree to a vocational university that offers both bachelor's degree and junior college degree in the 2023/2024 school year so that we can enhance our reputation and competitiveness, elevate the quality of education we offer, expand student enrollment and raise tuition fee rates. According to the Frost & Sullivan Report, the average annual tuition fee of vocational universities in the Greater Bay Area was RMB26,000 in 2019, which was 112.2% higher than that of vocational junior colleges, which was RMB12,250 in 2019. We plan to acquire additional land, construct new teaching facilities and student dormitories and establish industry and education integrated industrial parks (產教融合產業園) in the Qingyuan Campus focusing on providing primarily TMT Industry- and Healthcare Industry-related education and training in furtherance of our efforts to upgrade the school.

  On January 22, 2021, the MOE issued the Notice on the Establishment Standard of Majors for Undergraduate Level Vocational Education Schools (Trial) (關於印發《本科層次職業教育專業設置管理辦法(試行)》的通知), pursuant to which vocational education schools are permitted to upgrade certain majors to undergraduate level by following the establishment standard, including (i) conducting research on the industry and career market and feasibility analysis on the necessity and feasibility of such upgrade; (ii) submitting supporting documents to the relevant authorities (including the basic school conditions and the training plans for talents); and (iii) filing the supporting documents with the relevant education authorities at the provincial level and the MOE. As of the Latest Practicable Date, four key majors of Lingnan Institute of Technology, including mold design and manufacturing, pharmacy, software technology and animation design and production, were qualified to upgrade to majors of undergraduate level. We expect to upgrade these four majors to undergraduate level in or before 2022. After the successful upgrade, Lingnan Institute of Technology will be able to issue certificates of bachelor's degrees to graduates of the four majors. For further details of the upgrade of Lingnan Institute of Technology, please refer to the section headed "— Our Expansion Plan" in this prospectus.

- *Acquisitions*: We plan to focus on suitable opportunities to acquire or invest in schools that offer vocational education that have substantial growth potential in the Greater Bay Area, whose school sponsor(s) have either elected or will elect them to be for-profit private schools, mainly out of the consideration to avoid potential legal implications in light of the 2021 Implementation Rules. Please refer to the section headed "— The 2021 Implementation Rules — Implications on Our Expansion Strategy" in this prospectus for further details. We prefer to acquire private formal vocational education service providers located in the Greater Bay Area mainly due to the close proximity of our existing operations and the potential employment opportunities for our graduates. In addition, we will consider acquiring private formal vocational education institutions that offer curriculums and education programs that complement those offered at our existing schools, which we believe will create additional business synergies within our school network in terms of resource sharing and student recruitment.

When conducting our analysis regarding potential acquisition target, we primarily consider the following criteria: the level of education the target school provides, the scale of operation of the target school, the region in which the target school is located, the quality of the teaching staff, the quality of the education or training programs, the asset conditions and the financial status of the target school, as well as any potential tax implication or financial impact such acquisition may have on our Group. We will carefully evaluate these factors based on the totality of circumstances in order to identify the most suitable acquisition target for our expansion. We currently plan to target schools that offer secondary and post-secondary, junior college and undergraduate vocational education in Southern China, and have growth potential with respect to student capacity and school utilization. For schools that offer secondary and post-secondary vocational education, we will consider those that have student enrollment of more than 5,000 students, while for schools that offer junior college or undergraduate education programs, we will consider those that have student enrollment of more than 10,000. As of the Latest Practicable Date, we have not yet identified any suitable target for acquisition.

- *Asset-light Expansion Model by Collaborating with Business Partners*: The acquisition price of private education institutions generally include the market price of the land and properties they own and occupy, which we believe requires a significant amount of capital. Therefore, we plan to expand our school network by entering into cooperative arrangements with business partners who are Independent Third Parties in the PRC and overseas, including public and/or private school(s) who share our education philosophies and vision, pursuant to which we will contribute our brand name, curriculums and teachers, provide operation management and receive management fees. In particular, we intend to utilize our expertise and experience in the new-economy education and further explore overseas business opportunities through cooperation with local schools. We believe we can substantially lower our capital requirements while expanding our network efficiently under this asset-light business model, which allows us to better utilize our available cash and effectively allocate our financial resources.

Continue to develop and offer courses relating to the rising-industries based on industry and job market trends, and expand our Ancillary Education Services

We intend to monitor the development of rising industries, the job market trends and the changing demands for professional talents through regular meetings and close communications with our school-enterprise collaboration partners and other industry experts, with a view towards creating new majors to meet the needs of the market and continuously optimizing the existing curriculums. Through these efforts, we intend to enhance our students' competitiveness, strengthen their employment prospects and improve our brand image as a rising industries-oriented vocational education service provider.

We believe that the rising industries are at the forefront of the Greater Bay Area's next phase of economic development. Accordingly, we plan to increase the number of rising industries-related majors, further expand the proportion of our students who study in rising industries-related majors. Specifically, we intend to continue to diversify the majors and course offerings in the TMT Industry and Healthcare Industry, and will explore new majors and course offerings based on our assessment of the market trend involving these industries.

We believe our students will obtain high quality education and professional training with up-to-date technologies, equipment and facilities to support their learning. Therefore, to fully embrace the growth of the rising industries, we intend to invest in the teaching facilities, equipment and technologies needed to effectively teach rising industries specialties, aiming to further enhance our overall teaching quality.

In addition, we plan to further develop our Ancillary Education Services, including, but not limited to, continuing education programs and other education services, such as training services, to further diversify our service offerings and capture market trends.

Enhance the Initial Employment Rate of our graduates through school-enterprise network expansion and curriculum structure upgrade

During the Track Record Period, we have entered into various forms of school-enterprise collaboration, including, but not limited to, formulating targeted training courses, setting up and co-managing secondary colleges and co-establishing training bases. We intend to provide more practical training, internships and potential employment opportunities to students through further expansion of the school-enterprise network, especially relationships involving leading enterprises in the rising industries. We intend to deepen our relationship with leading enterprises to seek more diversified opportunities to further school-enterprise cooperation in a number of areas. We may also dedicate more resources to expand our internship programs for our graduating students so that they can further improve their practical skills and enhance their overall competitiveness and employment prospects.

We believe we will be able to upgrade our courses and curriculum structures and further enhance the employment prospects of our students with in-depth understanding of the enterprises' requirements and expectations for the graduates of our schools. Thus, we plan to maintain close communications with the third-party enterprises and timely adjust and optimize the curriculum structures of our schools in accordance with the job market trends, in order to equip our students with useful knowledge and practical skills to meet the demands of their potential employers. In addition, our schools have partnered with several foreign higher educational institutions to provide international exchange programs, through which our students can study abroad. We plan to further develop such programs going forward as we believe these international exchange programs can enable our students to gain global perspectives and skills and capitalize on the employment opportunities in the international business environment.

Continue to attract and retain high-quality teachers and enhance their training and career support

We believe that the quality of the education we provide heavily depends on the quality of our teachers. We intend to continue to attract, train and retain qualified teachers in order to improve the overall quality of our teaching staff and build an excellent faculty team. To achieve this goal, we will continue to implement relatively high teacher recruitment standards, and also intend to recruit well-recognized technical experts, teachers who are dual-qualified and other highly skilled personnel to join our teaching staff on a full-time or part-time basis.

To further improve the quality of teaching, we intend to enhance the educational quality control system by conducting professional evaluation, curriculum evaluation, expert supervision, peer review and student evaluation. To ensure we provide high-quality education to our students, we will continue to conduct teacher performance reviews and evaluations periodically, which include employment period assessment, daily assessment and annual assessment. We believe these regular teacher performance evaluations will allow us to improve the overall quality of our teachers.

Moreover, we intend to expand the training programs we currently have in place for our newly hired teachers and existing teachers. Specifically, we plan to implement our training objectives by further improving the pre-job training, increasing the frequency of expatriate teachers practising in enterprises that we maintain active school-enterprise collaboration programs, and encouraging our teachers to participate in various types of internal and external training, as well as other academic qualifications. Please refer to the section headed "— Our Teachers, Teacher Recruitment, Training and Evaluation" in this prospectus for further details.

OUR EDUCATIONAL MISSION

Our fundamental educational mission is to provide education that enables students to succeed in life ("嶺南教育成就你的一生"). Our fundamental education goal is to provide students with a beautiful and happy school environment ("美麗的花園 快樂的校園") for students to learn freely and become a part of a happy community ("幸福的家園"). As an educational service provider, we are committed to assisting students in developing their career. We aim to create an entrepreneurial environment ("創業的樂園") by collaborating with domestic and global enterprises to provide learning and job opportunities for students to prepare them for their future career.

OUR BUSINESS MODEL

Overview

We primarily provide comprehensive and diverse formal vocational education programs to students. During the Track Record Period, we operated two schools in the PRC:

- ***Lingnan Institute of Technology***: A private vocational education institution, which has been approved by the Education Department of Guangdong Province to primarily offer junior college program to students. The junior college program is generally a three-year program. A majority of the graduates typically seek employment after graduation, with a small number of graduates continuing to pursue bachelor's degree education. Lingnan Institute of Technology currently operates two campuses, namely, Guangzhou Campus and Qingyuan Campus. As of the Latest Practicable Date, Lingnan Institute of Technology had 12 secondary colleges and offered over 45 majors in a wide range of disciplines, including, but not limited to, electronic engineering technology, e-commerce, computer network technology, cloud computing technology and application, health management and pharmaceutical production technology; and

- ***Lingnan Modern Technician College***: A private vocational education institution that is located in Guangzhou and that provides vocational education and training of various industries for students. It primarily offers secondary vocational program and post-secondary vocational program. The secondary vocational program is generally a three-year program. A majority of the graduates of secondary vocational program usually seek employment after graduation, with a small number of graduates continuing to pursue a two-year expedited junior college program. The post-secondary vocational program is generally a three-year program. A majority of the graduates usually seek employment after graduation, with a small number of graduates continuing to pursue a two-year expedited junior college program. The jobs taken by the graduates of secondary vocational program and post-secondary vocational program focusing on the same major are generally of the same nature with similar responsibilities, except that the graduates of the post-secondary vocational program are usually more advanced in technical expertise and training. As of the Latest Practicable Date, Lingnan Modern Technician College had seven departments and offered over 25 majors, including advertising design, computer network application, computer program design, digital media application and cross-border e-commerce.

We refer to the above schools as our "school network" and the provision of these educational services as our "Key Operating Business" throughout this prospectus. As of October 31, 2020, we had an aggregate of approximately 27,033 full-time students under enrollment, consisting of 20,659 students at Lingnan Institute of Technology and 6,374 full-time students at Lingnan Modern Technician College. Our school facilities include classrooms, experimental and practical training rooms, cafeterias, libraries, gymnasiums, outdoor fields and courts, multi-media rooms, administrative offices and student dormitories.

In addition to our Key Operating Business, we also generate revenue from our Ancillary Education Services, which comprise of continuing education programs and other education services. We run continuing education programs through Lingnan Institute of Technology that mainly include two junior college-undergraduate programs, namely, two-year junior college-undergraduate program (自考專升本項目) and 3+2 junior college-undergraduate program (自考專插本項目), and adult education program (成人教育項目). Other education services primarily consist of test preparation and training services we provide to the students of our schools for occupational skills appraisal and professional qualification and certificates.

The following table sets forth the breakdown of our revenue for the years indicated:

	Year ended December 31,		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Key Operating Business			
Tuition fees			
Lingnan Institute of Technology			
– Junior college program tuition fees	272,327	301,196	318,327
Lingnan Modern Technician College			
– Secondary vocational program tuition fees	15,618	23,561	36,984
– Post-secondary vocational program tuition fees	51,217	45,372	35,202
Total tuition fees from Key Operating Business(1)	339,162	370,129	390,513
Boarding fees			
Lingnan Institute of Technology			
– Junior college program boarding fees	30,780	32,239	17,649
Lingnan Modern Technician College			
– Secondary vocational program boarding fees	1,748	2,753	2,867
– Post-secondary vocational program boarding fees	4,565	3,762	1,505
Total boarding fees from Key Operating Business	37,093	38,754	22,021
Ancillary Education Services			
Continuing education program tuition fees(1)(3)	31,444	31,101	32,447
Other education service fees(2)	4,052	4,403	4,369
Subtotal	35,496	35,504	36,816
Total revenue	411,751	444,387	449,350

Notes:

(1) Total tuition fees as disclosed in the Accountants' Report set out in Appendix I to this prospectus refer to the sum of the tuition fees from our key operating business and tuition fees from the continuing education program.

(2) Mainly include fees received by our schools in connection with the training and test preparation services provided to the students of our schools for occupational skills appraisal and professional qualification and certificates.

(3) Primarily include the tuition fees received by Lingnan Institute of Technology and Lingnan Modern Technician College in connection with the adult education program and junior college-undergraduate programs.

Revenue from the tuition fees of the secondary vocational program from Lingnan Modern Technician College increased during the Track Record Period mainly due to the increase in student enrollment of this program from 1,554 for the 2017/2018 school year to 3,758 for the 2020/2021 school year. Revenue from the tuition fees of the post-secondary vocational program from Lingnan Modern Technician College decreased during the Track Record Period mainly because the student enrollment in the program decreased from 5,110 for the 2017/2018 school year to 3,458 for the 2019/2020 school year, primarily because the PRC government began to increase the admission quota of higher vocational education in 2019, which was reflected by the lowered admission threshold of the junior college program in Guangdong Province (i.e., the admission score of science majors and liberal arts majors decreased from 205 and 215, respectively, in 2018 to 160 and 170, respectively, in 2019). Therefore, more students became eligible to be admitted in the junior college program rather than the post-secondary vocational program and we made a strategic decision to focus on expanding student enrollment and recruitment for the secondary vocational program to counter the adverse effect on our recruitment of high school graduates for the post-secondary vocational program caused by the lowered admission threshold applicable to the junior college program in Guangdong Province.

Our Key Operating Business

Our Key Operating Business primarily consists of the junior college program offered by our Lingnan Institute of Technology and secondary vocational program and post-secondary vocational program offered by our Lingnan Modern Technician College.

During the course of our operations, we have benefited from the PRC national and local government policies and initiatives that encourage and support the development of private education in China. As a result, we have experienced significant growth since 2002 when we established Lingnan Institute of Technology.

Because both of our schools are boarding schools, the growth of our operations in terms of full-time student enrollment primarily depends on and is subject to the capacity for full-time students, which is mainly restricted by the number of beds available and the student admission quota approved by the relevant PRC education authorities. The following table sets forth information relating to the student admission, admission quota and admission quota utilization rate for our schools for the school years indicated:

	Newly Enrolled Full-time Students				Admission Quota[1]				Admission Quota Utilization Rate[2] (%)			
	School Year				School Year				School Year			
	2017/2018	2018/2019	2019/2020	2020/2021	2017/2018	2018/2019	2019/2020	2020/2021	2017/2018	2018/2019	2019/2020	2020/2021
Lingnan Institute of Technology	6,563	7,276	6,832	6,783	8,000	8,900	8,900	8,900	82.0	81.8	76.8	76.2
Lingnan Modern Technician College[3]	2,248	1,687	3,062	2,109	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

* The student admission information during the Track Record Period was based on the official records of the Education Department of Guangdong Province and the internal records of our schools. Our school year generally starts on September 1. Although our school year starts at the beginning of September, the administrative works that facilitate the registration of students' academic files, the collection of tuition and boarding fees and other operating activities are usually completed by the end of September. Accordingly, we use September 30 as a benchmark point in time to determine and present our business operating data in this prospectus.

(1) As a higher education service provider, the number of new full-time students our Lingnan Institute of Technology may admit in each school year is generally limited by an admission quota specified by the relevant education authorities, which is subject to adjustments by such education authorities at a later stage. The admission quota and subsequent adjustments are determined by the relevant education authorities, which are beyond our control. The admission quota utilization rate is calculated based on the total number of full-time students admitted for a school year divided by the school's admission quota approved by the relevant education authorities.

(2) We did not fully utilize the admission quota for Lingnan Institute of Technology during the Track Record Period, mainly because certain number of prospective first-year students who were admitted into Lingnan Institute of Technology during recruitment season eventually did not enroll in the programs of Lingnan Institute of Technology in the upcoming school year.

(3) With respective to our Lingnan Modern Technician College, student admission is generally regulated by the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳). Before commencing each new school year, Lingnan Modern Technician College publish its student recruitment manuals which contain anticipated number of students to be admitted for each planned major offering by the school for the upcoming school year, and if the Human Resources and Social Security Department of Guangdong Province does not expressly object to the use of such student recruitment manuals by the school, Lingnan Modern Technician College may proceed to admit first-year students based on the anticipated student admission (subject to adjustments by our Lingnan Modern Technician College from time to time to allocate admitted students based on demand and available resources). During the Track Record Period and as of the Latest Practicable Date, we did not receive any objection from the Human Resources and Social Security Department of Guangdong Province with respect to student admission of Lingnan Modern Technician College.

Admission quota utilization rate of Lingnan Institute of Technology was 82.0%, 81.8%, 76.8% and 76.2% for the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years. It decreased from 81.8% for the 2018/2019 school year to 76.8% for the 2019/2020 school year and further to 76.2% for the 2020/2021 school year primarily because beginning in the 2019/2020 school year, the overall admission quota of 8,900 of Lingnan Institute of Technology included additional admission quota of 370 for the students outside of Guangdong Province that was not part of the student admission quota in previous school years. We did not fully utilize the student admission quota for out-of-province recruitment for these school years as we strategically focused on primarily admitting students from Guangdong Province since the tuition fee rates of the junior college education programs in Guangdong Province are generally higher than the national average (which would be less attractive to students outside the province to enroll in our Lingnan Institute of Technology), and at the same time, we were reluctant to dedicate substantial resources for the recruitment of students outside of the province. Disregarding the 370 student admission quota strictly reserved for out-of-province students, the remaining student admission quota of 8,530 was applicable to Lingnan Institute of Technology to recruit students within Guangdong Province beginning in the 2019/2020 school year. Generally, Lingnan Institute of Technology is not expected to fully utilize the student admission quota, which is a figure approved by the provincial education department based on existing school operating conditions, including the availability of student dormitories, teachers and teaching facilities. In light of the foregoing, the reduction in newly enrolled students from 7,276 in the 2018/2019 school to 6,832 in the 2019/2020 school year was within reasonable fluctuation and was in line with the recruitment level of students in Guangdong Province in previous school years. According to Frost & Sullivan, the national average admission quota utilization rate of all junior colleges in the PRC was 89.4% in 2019 and the national average admission quota utilization rate of private junior colleges in the PRC was approximately 80.0% in the same year. The total number of student enrollments of Lingnan Institute of Technology still increased during the Track Record Period despite the decrease in the number of newly enrolled full-time students from the 2018/2019 school year to the 2019/2020 school year, and further to 2020/2021 school year.

The following table sets forth the detailed full-time student enrollment information of our Key Operating Business for the school years indicated:

	Student Enrollment[1]			
	School Year			
School	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
Lingnan Institute of Technology				
Guangzhou Campus				
Junior college program[2]	8,481	9,660	10,852	9,900
Qingyuan Campus				
Junior college program[2]	9,315	10,139	9,540	10,759
Subtotal	17,796	19,799	20,392	20,659
Lingnan Modern Technician College				
Secondary vocational program	1,554	1,713	3,001	3,758
Post-secondary vocational program	5,110	4,100	3,458	2,616
Subtotal[3]	6,664	5,813	6,459	6,374
Total	24,460	25,612	26,851	27,033

Notes:

* The student enrollment information during the Track Record Period was based on the internal records of our schools. Student enrollment data in this table are students enrolled at our schools on a full-time basis.

(1) Despite the fact that our financial year ends on December 31, our school year generally starts on September 1 and ends on August 31. Although our school year starts at the beginning of September, the administrative works that facilitate the registration of the students' academic files, the collection of tuition and boarding fees and other operating activities are generally completed by the end of September. Accordingly, we use September 30 as a benchmark point in time to determine and present our business operating data in this prospectus, unless otherwise indicated. The student enrollment data for the 2020/2021 school year is determined as of October 31, 2020, which is the date most of the first-year full-time students of Lingnan Institute of Technology completed their new student registration for the 2020/2021 school year due to the COVID-19 pandemic.

(2) Since a number of the junior college students at Lingnan Institute of Technology also enrolled in our continuing education programs, such as two-year junior college-undergraduate program and 3+2 junior college-undergraduate program, during their study at the school, we do not separately account for the number of student enrolled under these continuing education programs when we determine the overall full-time student enrollment of our schools under our Key Operating Business.

(3) Since a number of the full-time students enrolled in our Lingnan Modern Technician College also enrolled in the adult education program at Lingnan Institute of Technology during their study, we do not separately account for the student enrollments enrolled under this adult education program when determining the overall full-time student enrollment of our schools under our Key Operating Business.

Student enrollment at the Guangzhou Campus for the 2020/2021 school year decreased compared to that for the 2019/2020 school year mainly because Lingnan Institute of Technology allocated more full-time students to the Qingyuan Campus based on the particular requirements of different majors and the availability of educational resources in these school campuses.

Full-time student enrollment for the junior college program at the Qingyuan Campus of Lingnan Institute of Technology decreased from 10,139 for the 2018/2019 school year to 9,540 for the 2019/2020 school year mainly because we allocated more full-time students to our Guangzhou Campus in the 2019/2020 school year as compared to our Qingyuan Campus based on the requirements of different majors and the availability of educational resources in our two campuses.

Full-time student enrollment in the post-secondary vocational program decreased during the Track Record Period from 5,110 for the 2017/2018 school year to 4,100 for the 2018/2019 school year mainly because we reduced student enrollment in post-secondary vocational program in connection with the upgrade of Lingnan Modern Senior Technical School to Lingnan Modern Technician College in early 2019, which required the school to comply with certain ratio requirements, such as teacher-to-student ratio. It further decreased to 2,616 for the 2020/2021 school year, mainly because we made a strategic decision to focus on expanding student enrollment and recruitment for the secondary vocational program, which increased from 1,713 for the 2018/2019 school year to 3,758 for the 2020/2021 school year, to counter the adverse effect on our recruitment of high school graduates for the post-secondary vocational program caused by the lowered admission threshold applicable to the junior college program in Guangdong Province. Beginning in the 2019/2020 school year, Guangdong Province lowered the admission threshold of junior college program offered by the vocational education institutions in the province, as a result of which, more high school graduates became eligible to apply for such program. This reduced the number of student applicants for our post-secondary vocational program.

We have focused on the development of the majors and courses involving the rising industries at Lingnan Institute of Technology and Lingnan Modern Technician College in order to further strengthen our brand image as a leading vocational education service provider focusing on the rising industries in the Greater Bay Area. For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, an aggregate of 13,323, 14,896, 17,278 and 18,483 full-time students have enrolled in the

TMT Industry- and Healthcare Industry-related majors offered by our schools, respectively, representing approximately 54.5%, 58.2%, 64.3% and 68.4% of the total number of the full-time students enrolled in our schools, respectively. The following table sets forth information relating to the number and percentage of and revenue contribution from the full-time students who concentrated in the majors relating to the TMT Industry and Healthcare Industry in our schools for the school years indicated:

	Student Enrollment			
	School Year			
School	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**
Lingnan Institute of Technology	17,796	19,799	20,392	20,659
TMT Industry-related majors(1)	5,470	6,727	6,713	6,503
Healthcare Industry-related majors(2)	4,450	4,980	6,538	7,728
Subtotal (TMT Industry- and Healthcare Industry-related majors)	9,920	11,707	13,251	14,231
Majors other than TMT Industry- and Healthcare Industry-related majors	7,876	8,092	7,141	6,428
Lingnan Modern Technician College	6,664	5,813	6,459	6,374
TMT Industry-related majors(3)	3,016	2,861	3,514	3,526
Healthcare Industry-related majors(4)	387	328	513	726
Subtotal (TMT Industry- and Healthcare Industry-related majors)	3,403	3,189	4,027	4,252
Majors other than TMT Industry- and Healthcare Industry-related majors	3,261	2,624	2,432	2,122
Total student enrollment at our schools	24,460	25,612	26,851	27,033
Total (TMT Industry- and Healthcare Industry-related majors)	13,323	14,896	17,278	18,483
Percentage of full-time students of TMT Industry- and Healthcare Industry-related majors of the total enrollment	54.5%	58.2%	64.3%	68.4%

Notes:

* For illustration purposes, the TMT Industry- and Healthcare Industry-related majors of our schools set forth below are those offered in the 2020/2021 school year.

(1) TMT Industry-related majors offered by our Lingnan Institute of Technology include telecommunications technology, international software technology, software technology, advertising design and production, animation production technology, animation design and production, industrial robot technology, application technology of internet of things, electronic engineering technology, e-commerce, computer network technology, cloud computing technology and application, e-commerce technology and cross-border e-commerce technology.

(2) Healthcare Industry-related majors offered by our Lingnan Institute of Technology include traditional Chinese medicine, traditional Chinese medicine health wellness, traditional Chinese medicine pharmacology, health management, cosmetic technology, medical inspection technology, nutrition, rehabilitation, nursing, biopharmaceutical technology, pharmacy, food nutrition and inspection, maintenance and management of medical devices, psychological counseling, obstetrics, food biotechnology, food quality and safety and medical beauty technology.

(3) TMT Industry-related majors offered by our Lingnan Modern Technician College include advertising design, advertising, computer advertising design, computer advertising production, computer advertising, computer network application, application and repair of computer, computer application, computer program design, computer program, e-commerce, animation design and production, animation design, application and maintenance of computer, animation, film and television media, application of unmanned aircraft, e-sports and management, application of virtual reality technology, application of artificial intelligence, digital media application and cross-border e-commerce.

(4) Healthcare Industry-related majors offered by our Lingnan Modern Technician College include traditional Chinese medicine, nursing, pharmaceuticals analysis and inspection, ophthalmology and rehabilitation.

The following table sets forth the number of students enrolled in popular TMT Industry-and Medical Industry-related majors/concentrations of our schools for the school years indicated.

	Student Enrollment(1)			
	School Year			
	2017/2018	2018/2019	2019/2020	2020/2021
Lingnan Institute of Technology				
TMT Industry-related majors/concentrations				
Computer network technology	730	1,276	1,466	1,594
E-commerce	893	1,112	1,309	1,295
Software technology	1,261	1,435	1,189	1,122
Animation production technology	839	985	971	855
Application technology of internet of things	285	372	382	374
Advertising design and production	394	429	383	340
Telecommunication technology	527	472	359	242
Electronic engineering technology	316	339	297	220
Other TMT Industry-related majors(2)	225	307	357	461
Subtotal	5,470	6,727	6,713	6,503
Healthcare Industry-related majors/concentrations				
Nursing	1,269	1,528	2,010	2,455
Pharmacy	1,327	1,321	1,610	1,843
Traditional Chinese medicine	522	628	735	720
Obstetrics	–	17	420	695
Medical inspection technology	476	465	523	608
Rehabilitation	295	279	340	444
Psychological consultancy	61	114	160	237
Medical beauty technology	14	73	163	218
Other healthcare Industry-related majors(2)	486	555	577	508
Subtotal	4,450	4,980	6,538	7,728
Total (Lingnan Institute of Technology)	9,920	11,707	13,251	14,231

	Student Enrollment(1)			
	School Year			
	2017/2018	2018/2019	2019/2020	2020/2021
Lingnan Modern Technician College				
TMT Industry-related majors/concentrations				
E-commerce	1,392	1,479	1,767	1,731
Computer-related majors	1,332	1,101	1,257	1,199
Animation-related majors	170	204	323	355
Other TMT Industry-related majors(2)	122	77	167	241
Subtotal	3,016	2,861	3,514	3,526
Healthcare Industry-related majors/concentrations				
Nursing	84	96	265	413
Traditional Chinese medicine	48	87	182	245
Other Healthcare Industry-related majors(2)	255	145	66	68
Subtotal	387	328	513	726
Total (Lingnan Modern Technician College)	3,403	3,189	4,027	4,252
Total	**13,323**	**14,896**	**17,278**	**18,483**

Note:

(1) For illustration purposes, we present student enrollment information of certain popular TMT Industry- and Healthcare Industry-related majors offered by our schools during the Track Record Period based on those majors with enrollment of at least 200 full-time students for the 2020/2021 school year.

(2) For other TMT Industry- and Healthcare Industry-related majors of our Lingnan Institute of Technology and Lingnan Modern Technician College, please refer to footnotes 1 to 4 of the previous table in this section.

As of October 31, 2020 we had an aggregate of 27,033 students enrolled full-time in our schools and as of December 31, 2020, we had an aggregate of 1,159 teachers. The aggregate number of students enrolled full-time at our schools increased from 24,460 in the 2017/2018 school year to 27,033 in the 2020/2021 school year. The following table sets forth the information relating to the student capacity and school utilization rate for each of our schools for the school years indicated:

	Student Capacity(1)(2)				School Utilization Rate%(3)			
	School Year				School Year			
	2017/2018	2018/2019	2019/2020	2020/2021	2017/2018	2018/2019(5)	2019/2020	2020/2021
Lingnan Institute of Technology								
Guangzhou Campus	10,857	11,640	11,532	11,205	78.1	83.0	94.1	88.4
Qingyuan Campus	9,371	11,240(4)	12,396(4)	13,324	99.4	90.2	77.0	80.7
Subtotal	20,228	22,880	23,928	24,529	88.0	86.5	85.2	84.2
Lingnan Modern Technician College								
Guangzhou Campus	7,242	7,070	6,938	6,683	92.0	82.2	93.1	95.4
Total	**27,470**	**29,950**	**30,866**	**31,212**	**89.0**	**85.5**	**87.0**	**86.6**

Notes:

(1) We generally require our full-time students at Lingnan Institute of Technology and Lingnan Modern Technician College to reside in our school dormitories during their study, except for the last school year when we give such students certain latitude in choosing whether to live on campus or seek off-campus accommodation. For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, 213, 612, 799 and 259 of the graduating students at Lingnan Institute of Technology chose to live off-campus, respectively. During the same school years, all of the graduating full-time students at Lingnan Modern Technician College chose to live off-campus. Accordingly, school capacity is calculated by us internally as the number of beds in student dormitories in each school year, plus the number of graduating full-time students who chose to live off-campus in each corresponding school year.

(2) The student capacity for Lingnan Institute of Technology and Lingnan Modern Technician College fluctuated during the Track Record Period mainly because each school adjusted the availability of student dormitories based on the number of full-time students it admitted for a particular school year in order to efficiently manage and utilize the available school facilities and space.

(3) School utilization rate of a particular school year is calculated by dividing the number of full-time student enrollment of a school by the student capacity of such school in the same school year. The number of full-time student enrollment of each of our schools for the 2020/2021 school year was determined as of October 31, 2020, which was the day most of the first-year full-time students of Lingnan Institute of Technology completed their new student registration for the 2020/2021 school year as a result of the COVID-19 pandemic.

(4) The student capacity of Qingyuan Campus increased in the 2018/2019 and 2019/2020 school years primarily because additional student dormitories we constructed on Qingyuan Campus were put into use.

The utilization rate of Qingyuan Campus decreased in the 2019/2020 school year primarily due to an increase in the student capacity described in footnote 4 above and a decrease in full-time student enrollment in Qingyuan Campus as we allocated more students to Guangzhou Campus in the 2019/2020 school year compared to Qingyuan Campus based on the particular requirements of different majors and the availability of our educational resources in these two campuses.

The utilization rate of Lingnan Modern Technician College decreased for the 2017/2018 and 2018/2019 school years primarily because we reduced full-time student enrollment in the post-secondary vocational program in connection with the upgrade of Lingnan Modern Senior Technical School to Lingnan Modern Technician College, which was completed in January 2019, which required the school to comply with certain ratio requirements, such as teacher-to-student ratio.

We plan to upgrade Lingnan Institute of Technology from an associate college to a vocational university in the 2023/2024 school year. Please see "— Our Expansion Plans" in this prospectus for further details. In connection with such upgrade, with respect to the Qingyuan Campus, we plan to renovate certain of our four-person dormitories to accommodate up to five students, which is expected to increase the student capacity of Qingyuan Campus by an additional approximately 1,000 students in September 2021. In addition, we plan to build new dormitories in the Qingyuan Campus in 2021, 2022 and 2023, and expect to put such new dormitories into use in July 2022, 2023 and 2024, respectively, which is expected to increase the student capacity of the Qingyuan Campus by an additional approximately 3,000, 4,000 and 5,000 students, respectively, in the same years. Therefore, in the 2024/2025 school year, the estimated student capacity of the Qingyuan Campus of Lingnan Institute of Technology will be approximately 25,396 students. With respect to the Guangzhou Campus, in connection with the upgrade of Lingnan Institute of Technology from an associate college to a vocational university in the 2023/2024 school year, we expect to reduce the student capacity of the Guangzhou Campus of Lingnan Institute of Technology beginning in the 2022/2023 school year and allocate the available beds to Lingnan Modern Technician College in the same campus shared by Lingnan Institute of Technology and Lingnan Modern Technician College.

Accordingly, the student capacity of Lingnan Modern Technician College is expected to increase in the 2022/2023 school year going forward. We expect all of the estimated student capacity of the Guangzhou Campus of Lingnan Institute of Technology will be utilized by Lingnan Modern Technician College beginning in the 2023/2024 school year. Together with the fact that substantially all of the graduating full-time students at Lingnan Modern Technician College generally choose to live off-campus, the additional beds will be able to accommodate a total of approximately 21,000 students in Lingnan Modern Technician College. Accordingly, in the 2024/2025 school year, the aggregate student capacity of Lingnan Institute of Technology and Lingnan Modern Technician College is estimated to be approximately 46,396 students. The anticipated student capacity of Lingnan Institute of Technology and Lingnan Modern Technician College is estimated based on our management's current expectation in light of the anticipated upgrade of Lingnan Institute of Technology from an associate college to a vocational university, which could be subject to change.

Tuition Fees and Boarding Fees

We typically charge our students fees comprising tuition fees and boarding fees. The tuition fees we charge generally cover all aspects of a student's learning, training and school activities within our campuses (and in certain cases, outside our campuses for external internships and training in connection with our school-enterprise collaboration), regardless of the number of courses that he or she takes or the number of extra-curricular activities that he or she participates in. However, our tuition and boarding fees do not cover meals, textbooks, medical insurance, drinking water, laundry and other miscellaneous costs.

For our Lingnan Institute of Technology and Lingnan Modern Technician College, tuition fees and boarding fees are paid in advance prior to the start of each school year and recognize revenue proportionately over the relevant period of the school program (typically nine months for the school year from September of the current year to August of the following year, excluding winter holiday in January and summer holiday in July and August).

For the years ended December 31, 2018, 2019 and 2020, tuition fees from our Key Operating Business accounted for approximately 82.4%, 83.3% and 86.9% of our total revenue, and boarding fees from our Key Operating Business accounted for approximately 9.0%, 8.7% and 4.9%, of our total revenue, respectively. The proportion of our tuition fees to our total revenue increased while that of our boarding fees to our total revenue decreased in the year ended December 31, 2020 compared to the previous year mainly due to the COVID-19 pandemic in the first half of 2020, which resulted in the temporary closure of our school campuses. Accordingly, we refunded the boarding fees collected for the spring semester of the 2019/2020 school year as required by the relevant education authority in Guangdong Province. The following table sets forth the tuition fee rate information for our schools for the school years indicated:

	Tuition Fee Rates(1)				Boarding Fee Rates			
	School Year				School Year			
	2017/2018	2018/2019	2019/2020	2020/2021	2017/2018	2018/2019	2019/2020	2020/2021
Schools	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)	(RMB)
Lingnan Institute of Technology								
Junior college program	14,500 – 21,000	15,000 – 23,800	16,000 – 23,800	16,500 – 24,300	1,200 – 1,900	1,200 – 1,950	1,200 – 2,100	1,200 – 2,100
Lingnan Modern Technician College(2)(3)								
– Secondary vocational program	11,000 – 12,000	11,000 – 12,000	11,000 – 12,000	11,000 – 13,500	1,300 – 1,900	1,300 – 1,900	1,300 – 1,900	1,600 – 2,300
– Post-secondary vocational program	11,000 – 13,000	11,500 – 15,000	11,500 – 13,000	11,500 – 14,000	1,300 – 1,900	1,300 – 1,900	1,300 – 1,900	1,600 – 2,300

Notes:

(1) According to the requirements of the local education authorities, tuition fee rate increases shall only be applicable to newly admitted students, students who are already enrolled at our schools shall continue to enjoy the existing applicable tuition fee rates.

(2) Tuition fee rates for Lingnan Modern Technician College exclude the tuition fee of RMB30,000 for the international programs (國際班) that the school co-established with certain third-party international higher education institutions beginning in the 2020/2021 school year as only an aggregate of 15 students had been enrolled.

(3) A part of the tuition fee was directly exempted for students with rural household registration (農村戶籍) and students from eligible urban households with financial difficulties.

The tuition fee rates of the post-secondary vocational program decreased from a range of RMB11,500 to RMB15,000 for the 2018/2019 school year to a range of RMB11,500 to RMB13,000 for the 2019/2020 school year mainly because we stopped offering the major of children's education (Montessori International Program) in the 2019/2020 school year, which had a tuition fee rate of RMB15,000 per school year.

Since October 2016, the tuition fee rates for our schools are no longer subject to the approval of relevant government authorities in the areas where we operate. Please refer to the section headed "Regulatory Overview – Regulations on Private Education in the PRC – Interim Measures for the Management of the Collection of Private Education Fees" in this prospectus for more details. Lingnan Institute of Technology and Lingnan Modern Technician College are not required to obtain approvals from Guangdong Development and Reform Commission (廣東省發展改革委員會), the Education Department of Guangdong Province and the Human Resources and Social Security Department of Guangdong Province when raising tuition fees or boarding fees. However, information in relation to adjustments in tuition fee and boarding fee rates must be stated clearly on the websites of our schools as well as the student admission handbooks.

We have increased tuition fees for some of the majors offered at Lingnan Institute of Technology and Lingnan Modern Technician College in the 2018/2019, 2019/2020 and 2020/2021 school years. These increases were applicable to newly admitted students only, while other students were not affected by the fee increases and have continued to pay tuition fees at pre-existing levels. In particular, we have raised tuition fee rates for the TMT Industry- and Healthcare Industry-related majors at Lingnan Institute of Technology from a range of RMB14,500 to RMB15,500 per full-time student per school year in the 2017/2018 school years to a range of RMB15,000 to RMB16,500 per full-time student per school year in the 2018/2019 school year and a range of RMB16,000 to RMB17,500 per full-time student per school year in the 2019/2020 school year, and further to a range of RMB16,500 to RMB18,000 in the 2020/2021 school year. We have also raised tuition fee rates for TMT Industry- and Healthcare Industry-related majors at Lingnan Modern Technician College from a range of RMB11,000 to RMB12,000 in the 2017/2018 school year and further to a range of RMB11,500 to RMB13,000 in the 2018/2019, 2019/2020 and 2020/2021 school years, respectively. Furthermore, we increased boarding fee rates for various types of dormitories at Lingnan Institute of Technology and Lingnan Modern Technician College in each school year during the Track Record Period. We plan to further increase tuition fee and boarding fee rates for the 2021/2022 school year.

According to the Frost & Sullivan Report, the tuition fee rates for junior college education of the top five private formal vocational education groups in the PRC for the 2019/2020 school year ranged from RMB14,500 to RMB28,000, and the tuition fee rates for secondary vocational education of the top five private formal vocational education groups in the PRC for the 2019/2020 school year ranged from RMB5,800 to RMB13,000.

The following table sets forth the average tuition fee and average boarding fee of our schools for the years indicated:

	Average Tuition Fee(1)			**Average Boarding Fee(1)**		
	Year ended December 31			**Year ended December 31,**		
	2018	**2019**	**2020**	**2018**	**2019**	**2020**
School	**(RMB)**	**(RMB)**	**(RMB)**	**(RMB)**	**(RMB)**	**(RMB)**
Lingnan Institute of Technology						
Junior college program	14,574	15,013	15,569	1,682	1,665	1,671
Lingnan Modern Technician College						
Secondary vocational program	10,335	10,561	11,369	1,468	1,454	1,562
Post-secondary vocational program	10,988	11,894	11,703	1,641	1,696	1,725

Note:

(1) For illustration purposes, the average tuition fee and average boarding fee for the years ended December 31, 2018 and 2019 is calculated by dividing the revenue generated from tuition fees (excluding the tuition fees Lingnan Institute of Technology received in connection with the continuing education programs) and boarding fees, respectively, for a given financial year by the weighted average number of full-time students enrolled for such year (not the number of students enrolled in a specific school year), excluding the number of third-year students who chose not to live on campus. For the 2017/2018, 2018/2019 and 2019/2020 school years, 213, 612 and 799 graduating full-time students at Lingnan Institute of Technology, and 2,276, 2,104 and 1,720 graduating full-time students at Lingnan Modern Technician College chose to live off-campus. The boarding fees received for the year ended December 31, 2020 did not take into account the portion of the boarding fees refunded as requested by the relevant government authorities due to the COVID-19 pandemic.

According to the Frost & Sullivan Report, the average tuition fee of private junior colleges and secondary vocational education institutions in the Greater Bay Area in 2019 were RMB12,250 and RMB4,100, respectively.

Student Withdrawals and Refund

In the event that a student withdraws during a school semester, we have refund policies in place at Lingnan Institute of Technology and Lingnan Modern Technician College, setting forth the amount of tuition fees and boarding fees that can be refunded to such student based on the exact time during the school semester he or she withdraws from the school. Generally, prepaid tuition fees and boarding fees can be refunded proportionately for the remaining school year (for refund purposes, we divide a school year into nine months). For example, if a student withdraws from Lingnan Institute of Technology or Lingnan Modern Technician College within the first month after the commencement of the first school semester, the relevant school will only charge the student one month of applicable tuition fees and boarding fees, and refund the remainder of the prepaid tuition fees and boarding fees for the remaining eight months of the school year to such student.

The following table sets out the number of students who withdrew from or transferred out of our schools for the school years indicated:

School	Number of Students Withdrew/Transferred[1]			
	School Year			
	2017/2018[1]	2018/2019	2019/2020	2020/2021
Lingnan Institute of Technology	47	71	84	42
Lingnan Modern Technician College	427	309	248	226
Total	474	380	332	268

Note:

(1) During the Track Record Period, certain of our students withdrew and transferred out of our schools primarily due to the following reasons: (i) illness; (ii) military service; (iii) studying overseas and (iv) personal or family reasons, such as relocation.

The table below sets forth the amount of tuition fees refunded to the students by our schools for the years indicated:

School	Tuition Refunded[1]		
	Year ended December 31,		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Lingnan Institute of Technology	588	506	535
Lingnan Modern Technician College	839	1,154	1,243
Total	1,427	1,660	1,778

Notes:

(1) We calculate the number of students that withdrew on a school year basis. However, our tuition refunded is calculated on a calendar year basis, which is also our fiscal year. As a result, the total refund amount in a given period as presented in this table includes a portion of tuition refunded from the previous school year.

(2) The trend of the fluctuation of our tuition refunded may not be the same as the trend of the number of students withdrew during the Track Record Period, primarily because students withdrew from our schools during different times in a particular school year, which resulted in different refund amounts (i.e., students who withdrew in the beginning of the school year would receive more tuition fee refund than students who withdrew later in the school year).

Lingnan Institute of Technology

Overview

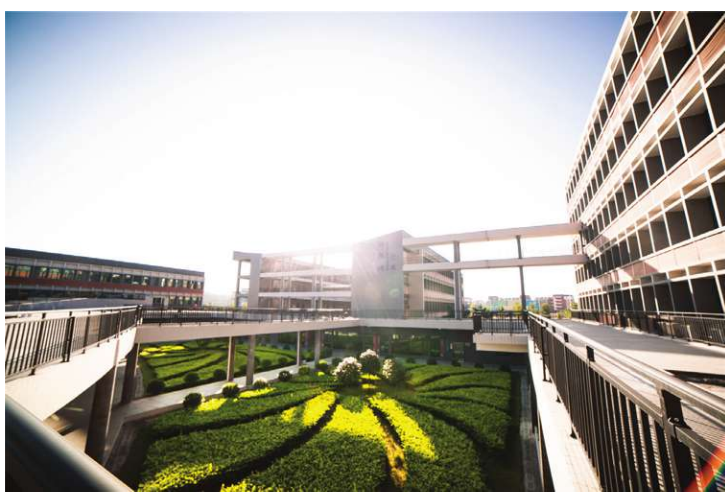
Lingnan Institute of Technology was established in 2002. It provides associate college degree programs as well as vocational education and training of various industries and sectors to its students. The school's educational goals are to cultivate technical and skilled talents who are entrepreneurial, strengthen the school's ability to provide dual platforms for entrepreneurship, improve students and teachers' ability, and more importantly, to become a top-tier as well as an internationally recognized and influential entrepreneurial university in the PRC. Our Lingnan Institute of Technology offers majors and curriculums covering a wide range of subject areas that mainly target all-round talents. We plan to upgrade our Lingnan Institute of Technology from an associate college that offers junior college degree to a vocational university that offers both bachelor's degree and junior college degree in the near future. For details of such upgrade, please refer to "— Our Expansion Plans" in this prospectus.

Lingnan Institute of Technology currently has 12 secondary colleges (二級學院), including the School of Medicine, School of Nursing and Health Management, School of E-commerce, School of Finance and Economics, School of Engineering Management, School of Foreign Language and International Development, School of Architecture Design, School of Arts and Communications, School of Telecommunications Engineering, School of Intelligence Manufacturing, School of Charity and School of Marxism.

Lingnan Institute of Technology currently operates the Guangzhou Campus and the Qingyuan Campus. As of the Latest Practicable Date, the Guangzhou Campus had teaching buildings, experimental and practical training facilities, libraries, gymnasiums and student dormitories, among other facilities, while the Qingyuan Campus had teaching complexes, experimental and practical training facilities, libraries, student dormitories, cafeterias and other facilities. We generally allocate students to our Guangzhou Campus and Qingyuan Campus based on a number of factors, including the educational resources available on each campus, including teaching facilities and dormitories, and the academic and practical training requirements of the different majors we offer.

Setting out below are several pictures of the Guangzhou Campus and Qingyuan Campus of our Lingnan Institute of Technology.

Guangzhou Campus of Lingnan Institute of Technology



Qingyuan Campus of Lingnan Institute of Technology

Lingnan Institute of Technology generally accepts application from students who have completed high school. As of December 31, 2020, it had 35 on-campus training bases, and had 215 experimental training rooms. As of the Latest Practicable Date, the school had established and focused on developing and providing courses in four principal disciplines, namely, health and medicine, model engineering, software engineering and animation design and production. Lingnan Institute of Technology had a total of 20,659 full-time students under enrollment as of October 31, 2020 and had approximately 1,003 teachers as of December 31, 2020.

Beginning in the 2020/2021 school year, Lingnan Institute of Technology collaborated with Huali College Guangdong University of Technology (廣東工業大學華立學院) ("Huali College"), a private independent college in Guangdong Province, to enable interested graduates of the junior college program of Lingnan Institute of Technology an opportunity to obtain bachelor's degree

degree from Huali College by enrolling in its two-year undergraduate program after graduating from our Lingnan Institute of Technology. We provide junior college education to the students and collect tuition fees and boarding fees from the students during their study in our Lingnan Institute of Technology for this program. Junior college students of Lingnan Institute of Technology who are interested in this program must choose to enroll in this program when they first register with the school before the commencement of their first year of study. Once these students graduate from Lingnan Institute of Technology with a junior college degree, they will automatically be enrolled in Huali College to pursue undergraduate study. They will separately pay applicable tuition fees and boarding fees for the undergraduate program to Huali College once they commence enrollment. We are not entitled to such tuition fees and boarding fees payable by these theses to Huali College. This collaboration is expected to initially last until 2025. We intend to collaborate with other undergraduate institutions in Guangdong Province in the 2021/2022 school year to offer additional majors for which our junior college students may be able to enroll in the relevant undergraduate courses and obtain bachelor's degree to be granted by these institutions after they graduate from our Lingnan Institute of Technology. We initiated this collaboration program to enhance our reputation and recruit more students who are attracted to our junior college program and are also interested in ultimately pursuing bachelor's degree.

Curriculum and Courses

Lingnan Institute of Technology currently offers more than 45 majors through 12 secondary colleges. These majors include pharmacy, medical inspection technology, pharmaceutical production technology, nursing, business management, accounting, hospitality, marketing, investment and wealth management, human resources management, business English, electronic information engineering technology, animation production technology, software technology, e-commerce, industrial robotic technology, clothing and apparel design, advertising design and production, artistic design, construction supervision and SME entrepreneurship and management. For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, there were 9,920, 11,707, 13,251 and 14,231 full-time students, respectively, who majored in TMT Industry- and Healthcare Industry-related majors at our Lingnan Institute of Technology, accounting for approximately 55.7%, 59.1%, 65.0% and 68.9%, respectively, of the total full-time students enrolled in the school during the respective school years. In order for students to incorporate practical training to in-class learning for certain of our majors, such as e-commerce and animation production technology, we utilize interactive classrooms that are fitted with applicable training equipment to facilitate students' learning.

Lingnan Institute of Technology generally designs its curriculums based on the characteristics of the school, whereas the content of the courses we offer are usually based on the positioning of the employment opportunities in the market place through our knowledge and research. The curriculums at Lingnan Institute of Technology were typically formulated in accordance with the National Standards for Teaching Quality of Undergraduate Majors in Regular Colleges and Universities (普通高等學校本科專業類教學質量國家標準), together with the school's educational and professional orientation. We typically formulate a curriculum and coursework roadmap for the students under each major based on their professional orientation and training goals. Our goal is to provide tailored training for technical talents that reflects the latest market trends and demand. In addition, we review and adjust major and course offerings from time to time through in-depth market research on potential employment opportunities and major changes in the labor market.

While Lingnan Institute of Technology primarily focuses on providing useful practical and professional training to students and prepare them adequately to join the labor market after graduation, it also emphasizes the importance of liberal arts approach to education. We believe that the introduction and implementation of liberal arts educational philosophy enhance our students' ability to learn, help them develop into well-rounded individuals and stimulate their professional growth and talent development. To incentivize our students to perform to the best of their abilities, in addition to scholarships offered by the MOE that range from RMB5,000 to RMB8,000 per qualified student, Lingnan Institute of Technology also offers scholarships ranging from RMB500 to RMB5,000 per qualified student.

Impact of the COVID-19 Pandemic

In light of the epidemic outbreak of COVID-19 in the PRC, Lingnan Institute of Technology postponed the opening of the Guangzhou Campus and Qingyuan Campus for the spring semester of the 2019/2020 school year. As a result of the postponement, we started teaching and learning activities via online platforms beginning on March 2, 2020 before the students and faculty of Lingnan Institute of Technology were initially set to return to school. To facilitate online teaching, our teachers at Lingnan Institute of Technology attended the relevant technology trainings provided by various online platforms recommended by the MOE and we selected a number of suitable platforms to conduct teaching with reference to the characteristics of each major course offered by the school. We were able to use such platforms without entering into any service agreements or incurring any expenses. Teachers are able to utilize the available online tools to conduct their courses, either through the live streaming function or recorded lectures. They are also able to select existing online courses that match their teaching objectives. These online platforms allow students to interact with teachers, submit their homework and attend after-class tutoring sessions. Taking into account of the different features of online teaching as compared to traditional in class teaching, our teachers have prepared and adjusted their teaching materials and course designs accordingly, and they were also actively involved in social media communications with students, such as setting up group chats on WeChat and QQ in order to facilitate teaching and closely monitor students' learning progress. We believe that by offering online teaching services, we can minimize the impact of the COVID-19 outbreak and allow students to maintain the progress of their learning. As advised by our PRC Legal Advisors, the launch of the courses developed by us on these third-party online platforms, which were operated and managed by Independent Third Parties, and the use of the education resources available thereon by our students and faculty do not involve any activities in relation to the provision of basic or value-added telecommunication services and therefore, does not require a telecommunication business license on our part. Going forward, if the COVID-19 outbreak or other pandemic events causes further lock-downs and our students are unable to return to campus, our online teaching infrastructure will remain available to help us continue teaching lessons to our students.

In light of the COVID-19 pandemic, we closed our Guangzhou Campus and Qingyuan Campus, including respective student dormitories, for approximately 180 days in the spring semester of the 2019/2020 school year and re-opened it on August 31, 2020. We had arranged the commencement of the fall semester of the 2020/2021 school year for our students as follows: (i) the end of August 2020 for the second-and third-year students; and (ii) October for the first-year students.

On April 9, 2020, an international student of our Lingnan Institute of Technology was diagnosed with COVID-19 off-campus. Our Group took proactive measures, including appointing staff to ensure this student receives timely medical treatment and care and closely monitoring his medical condition. On May 2, 2020, this student recovered and was discharged from the hospital. Our Directors confirm that such confirmed case did not have any material disruption to our business as our campuses were closed during the period.

Grade Assessment

Lingnan Institute of Technology generally administers examinations at the end of each semester to test students' understanding in various subject matters. In terms of grade assessment, the examination and scoring standards vary from course to course. In general, the final grade a student receives for a particular course consists of his or her performance in the written examinations and/or coursework assessment. The examinations are primarily developed by the teachers who teach the relevant major or the coursework, which are based on the teaching syllabuses and primarily take the form of closed book and/or open book tests, and course work assessments consist of projects and other forms of assessment, including students' attendance, participation in classroom discussions and their performance in written papers, if any. In certain relevant cases, such as practical training programs or internships, final grades also include the results of their internship evaluations and training and practical examinations. We grant junior college degree to students who have completed their studies at Lingnan Institute of Technology.

Graduation and Employment

To give our students a competitive edge when they seek to begin their careers after graduation, we generally prepare and update a college student employment guidebook during each school year, which contains a comprehensive and clear introduction to a number of employment activities Lingnan Institute of Technology plans to organize during the course of the year. We also organize career planning contests, simulated interview and employment seminars to help our students improve their job-seeking skills and invite certain outstanding alumni to share their experiences and provide guidance to our students. In addition, we provide a number of other complementary career-oriented services, including large scale on-campus recruitment and special jobs fairs through which our graduating students are able to meet with potential employers face to face. We have dedicated resources to help our students (i) apply for entrepreneurship subsidies; (ii) handle their employment adjustment procedures; (iii) apply for support from the government; (iv) work on the applications to temporarily delay employment; and (v) provide employment advice and guidance.

As a result of the foregoing and the quality of our education, the graduates from Lingnan Institute of Technology has historically achieved high Initial Employment Rates. For the 2017/2018, 2018/2019 and 2019/2020 school years, Lingnan Institute of Technology had 4,846, 5,648 and 6,125 graduates, respectively, and the Initial Employment Rates were 92.5%, 92.3% and 84.5%, respectively. For the 2019/2020 school year, Lingnan Institute of Technology had 6,400 graduates. The following table sets forth the number of graduates and Initial Employment Rates for the graduates from Lingnan Institute of Technology for the school years indicated:

	Number of Graduates and Initial Employment Rate					
	School Year					
	2017/2018		2018/2019		2019/2020	
Type of Graduates	# of Graduates	Initial Employment Rate (%)	# of Graduates	Initial Employment Rate (%)	# of Graduates	Initial Employment Rate (%)
Junior college program	4,846	92.5	5,648	92.3	6,125	84.5

Note:

* The Initial Employment Rate of Lingnan Institute of Technology is generally determined before September 1 of each year.

(1) The Initial Employment Rate of the graduates of Lingnan Institute of Technology decreased from 92.3% for the 2018/2019 school year to 84.5% for the 2019/2020 school year mainly because the COVID-19 pandemic had caused fluctuations in the labor market in 2020.

Due to our dedication to developing students' practical skills, the students of Lingnan Institute of Technology have received numerous awards and accolades for their achievements. From the 2017/2018 school year to the 2020/2021 school year, the students of Lingnan Institute of Technology have won 238 awards in the international, national and provincial subject matter competitions.

Entrepreneurship Program

We have dedicated efforts and resources to pioneer the entrepreneurship program at Lingnan Institute of Technology, through which we intend to reform the existing curriculums, cultivate our students' entrepreneurial spirit and abilities, and establish the first entrepreneurial university in China. To achieve this objective, we have offered entrepreneurship management-related majors in Lingnan Institute of Technology since 2015. Our entrepreneurship program is aimed at encouraging and guiding students to start their own businesses and provide business incubators for excellent entrepreneurial teams. Our entrepreneurship management-related majors established in conjunction with various government agencies and public welfare organizations in Guangzhou explore the new "political-school-enterprise" model, which focus on nurturing student entrepreneurships and effectively utilize the pilot incubators of science and technology enterprises in Guangzhou Development Zone to accelerate the incubation of entrepreneurial projects. Since the introduction of our entrepreneurship program at Lingnan Institute of Technology, all of our students have participated in such program.

School — Enterprise Collaboration

Lingnan Institute of Technology has established numerous school-enterprise collaboration programs to integrate the resources from the school and third-party enterprises and institutions to create an effective educational environment that combine practical training with academic learning, which we believe will prepare our students well for the job market after graduation. We believe it is also an effective method for the students to comprehend various job requirements, develop their career plans and understand their strengths and weaknesses to know what positions are more appropriate. In addition, school-enterprise collaboration allows students to participate in internship opportunities, accumulate work experience and improve their employability. Accordingly, Lingnan Institute of Technology had closely cooperated with an aggregate of over 1,000 enterprises and institutions in the PRC.

The areas of cooperation have been broad, which range from curriculum development to co-establishment and operation of practical training bases. With respect to curriculum formulation, enterprises typically introduce certain industry experts to us who will engage with Lingnan Institute of Technology to undertake a series of tasks, including, but not limited to, becoming teachers at the school, providing guidance on course work and majors construction, and participating in the formulation of talent training schemes, as well as finalizing key curriculum systems. In terms of the establishment and operation of external practical training bases, the school-enterprise collaboration scheme of Lingnan Institute of Technology primarily focuses on providing hands-on practical training to students so that the enterprises we collaborate with are able to secure a stable source of talents with practical skills to join their workforces upon students' graduation. As of the Latest Practicable Date, Lingnan Institute of Technology had established over 100 external training bases with third-party enterprises.

Contract term of such collaboration agreements is typically one to five years and is renewable upon expiration. Such agreements can be terminated upon mutual consent or advance notice. In addition, we also share a certain percentage of the tuition fees with the relevant enterprises and institutions in exchange for providing such practical learning opportunities to our students. During the years ended December 31, 2018, 2019 and 2020, the amount of fees received from the students under such collaboration and shared by the third-party enterprises or institutions was RMB6.0 million, RMB7.2 million and RMB8.2 million to such enterprises and institutions.

The following sets forth certain of our key school-enterprise collaboration programs at Lingnan Institute of Technology:

Collaboration with a Leading Information Technology Company

Lingnan Institute of Technology cooperated with a leading information technology company in the PRC since 2019 with respect to a school-enterprise collaboration program. In connection with such program, we conducted rigorous interviews with our students and selected approximately 50 of them each school year to join this program. By enrolling in such program, these students have the opportunity to participate in the daily operation and maintenance of an online social media platform and understand and experience firsthand this company's internal business operation. We appoint teachers with relevant work experience and engage qualified enterprise employees to provide in-class lectures and online trainings sessions to the students.

Collaboration with Huasheng Jingshi, a Large Telecommunication and Information Technology Company

In 2018, Lingnan Institute of Technology entered into a seven-year agreement with Beijing Huasheng Jingshi Information Technology Co., Ltd.* (北京華晟經世信息技術有限公司) ("Huasheng Jingshi") to design and develop educational and training programs for its students. Pursuant to this agreement, Huasheng Jingshi supplied management staff to manage this collaboration program, human resources staff to be responsible for student recruitment and career planning, and qualified engineers to provide information technology-related practical trainings and practical projects supervision for the students. Huasheng Jingshi also designed course materials for this programs, including the course materials for digital telecommunications, telecommunications engineering design and cloud computing. In addition, Huasheng Jingshi provided advanced technological equipment and training facilities to be used to facilitate students' learning and practical training, and offered internship and employment opportunities to those students who enrolled in this program.

After more than two years of collaboration with Huasheng Jingshi, we have developed a dual-focused "work and learn" integrated approach in the curriculum. By focusing on the demand in the market for professionals with specific skill set and knowledge, we designed and developed courses that are specifically tailored for those particular skill sets and knowledge that we believe are required in the telecommunications and information technologies industries in order for our students to maximize their chances of obtaining employment upon graduation.

Star Station Animation & Game School

Lingnan Institute of Technology collaborated with Guangzhou Qianqi Animation Co. Ltd* (廣州千騏動漫有限公司) ("Qianqi Animation") to establish the Star Station Animation & Game School in 2011. Through school-enterprise collaboration, we designed and tailored programs and courses for students to obtain the necessary skills in the anime industry in order for them to gain practical experience and obtain employment in the industry easily upon completion of the programs. In addition, the Star Station Animation & Game School holds contests to stimulate students' creativity and to discover talents among the students.

Under the guidance and training of the teachers from both our school and the enterprise, students have participated in Qianqi Animation's production of various cartoon series, such as Balala the Fairies (巴啦啦小魔仙). This cartoon series is popular within the PRC and the Star Station Animation & Game School has been recognized as one of the official partners for the animation. A number of students were employed by the enterprise upon graduation each year during the Track Record Period.

School of Medicine and School of Nursing and Health Management

The Healthcare Industry (大健康產業) has been emerging in the PRC, with immense potential for market growth and need for skilled and trained professionals. According to the "Several Opinions of the State Council on Promoting the Development of the Healthcare Industry"(《國務院關於促進健康服務業發展的若干意見》), the PRC government will establish a healthcare system that covers medical services for all ages of its population by 2020. The development of the PRC Healthcare Industry has accounted for over RMB8.0 trillion of its nominal GDPs, which became an important force for promoting economic and social development. As such, Lingnan Institute of Technology has adopted healthcare as one of its primary focuses in providing courses and curriculums to students in response to these changes in the policy and market trends. As of September 30, 2020, the School of Medicine and School of Nursing and Health Management of our Lingnan Institute of Technology offered five majors, including rehabilitation, medical inspection technology, nursing, obstetrics and elderly service management.

In order to nurture professionals and practitioners in the Healthcare Industry to meet the rising demand of the market, the School of Medicine and School of Nursing and Health Management had collaborated with over 30 stated-owned and private hospitals and clinics in Guangdong Province during the Track Record Period and co-developed teaching materials for courses in relation to cosmetology, dermatology and traditional Chinese medicine. Our collaborative programs with the hospitals typically have terms of approximately 30 weeks, during which our students are required to work full-time. Students majoring in rehabilitation, nursing and medical examinations are assigned to rotate among the different departments of specialties so that they can gain a comprehensive coverage of the practical knowledge and experience in an active patient-care setting. The School of Medicine and School of Nursing and Health Management also established an on-campus training base in collaboration with a local pharmaceutical retail chain in Guangdong Province since 2017. Guided by the professional staff at each pharmacy outlet, students who majored in pharmacy can participate in its daily operation, including production, quality control, sales and marketing.

We set out below the details of some of the Healthcare Industry-related school-enterprise collaboration projects:

- A major public hospital in Guangdong Province — On July 1, 2020, the School of Nursing and Health Management entered into an internship cooperation agreement with a major public hospital in Guangdong Province, pursuant to which this hospital, being an external practical training base for certain Healthcare Industry-related majors, agreed to provide internship opportunities at various departments of the hospital to qualified students of Lingnan Institute of Technology. Under this agreement, the hospital is usually responsible for providing practice sites, suitable internship conditions and professional and technical training to the interns. Lingnan Institute of Technology is responsible for formulating the internship plan and cooperate with this hospital to manage the affairs of the students. The term of this collaboration is three years.

- A private hospital in Guangzhou, Guangdong Province — Lingnan Institute of Technology entered into a school-enterprise collaboration agreement with a private hospital in Guangzhou, Guangdong Province, effective from June 1, 2018. The parties agreed to cooperate in a variety of areas, including (i) teaching practice and on-post practical training base construction for the students majoring in rehabilitation technology and nursing; (ii) rehabilitation training project cooperation; (iii) student training; (iv) practice management and assessment; (v) part-time teacher training; and (vi) student employment guidance. Under this project, Lingnan Institute of Technology is primarily responsible for designing the majors and curriculums based on the specific requirements of such hospital and formulating the professional talent training program. This hospital, on the other hand, is mainly responsible for executing the practical training plan, arranging student practical training content and providing applicable practical training guidance, as well as extending employment contracts to qualified graduates of Lingnan Institute of Technology. The term of this collaboration is three years.

- A major public hospital in Shantou, Guangdong Province — On May 28, 2020, Lingnan Institute of Technology entered into a school-enterprise collaboration agreement with a major public hospital in Shantou, Guangdong Province. Pursuant to this agreement, this hospital agreed to provide internship opportunities at various departments of the hospital to qualified students of Lingnan Institute of Technology. Under this agreement, the hospital agrees to establish a team responsible for supervising students' performance and providing guidance during the internship. Lingnan Institute of Technology is responsible for formulating the internship plan and cooperating with it to manage the affairs of students.

- An A-share listed pharmaceutical company in the PRC — On November 5, 2019, the School of Medicine of Lingnan Institute of Technology entered into a school-enterprise collaboration agreement with an A-share listed pharmaceutical company in the PRC, pursuant to which this company, being an external practical training base, agreed to provide internship opportunities to students who majored in medicine and provide skilled professionals to provide trainings to our students. The term of this collaboration agreement is three years.

Lingnan Modern Technician College

Overview

Lingnan Modern Technician College was established in 2005. In January 2019, the People's Government of Guangdong Province and the Human Resources and Social Security Department of Guangdong Province approved our then existing Lingnan Modern Senior Technical School to be upgraded from a technical school to a technician college, which we subsequently named Lingnan Modern Technician College. It provides vocational education and training of various industries and sectors to its students. The school's educational goals are to provide high-quality training to students so that they can possess advanced practical skills and become qualified professionals. Compared to our Lingnan Institute of Technology, our Lingnan Modern Technician College offers more practical majors that primarily focus on developing professional and technical talents. Lingnan Modern Technician College has seven departments, including Department of Finance and Commerce, Department of E-commerce, Department of Health and Care, Department of Preschool Education, Department of Information Technology, Department of Cultural Creativity and Department of Intelligent Manufacturing. Lingnan Modern Technician College is located in Guangzhou, Guangdong Province, and has teaching buildings, experimental training buildings, libraries, gymnasiums and student dormitories, among other facilities.

Setting out below are several pictures of our Lingnan Modern Technician College:

Lingnan Modern Technician College generally accepts applications from students who have completed middle school and high school. Lingnan Modern Technician College had a total of 6,374 full-time students for the 2020/2021 school year under enrollment and employed approximately 196 teachers as of December 31, 2020.

Curriculum and Courses

Lingnan Modern Technician College currently offers over 45 majors across seven departments. These majors include, intelligent manufacturing, medicine and health, art design, information technology, economics and management and e-commerce. For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, there were 3,403, 3,189, 4,027 and 4,252 full-time students, respectively, majored in TMT Industry- and Healthcare Industry-related majors at our Lingnan Modern Technician College, accounting for approximately 44.1%, 51.1%, 54.9%, 62.3% and 66.7%, respectively, of the total full-time students enrolled in the school during the respective school years.

Similar to Lingnan Institute of Technology, we generally design curriculums based on the characteristics of Lingnan Modern Technician College, whereas the content of the courses we offer are usually formulated based on the employment opportunities in the market place through our extensive research. We generally design curriculums for students under each major in consideration of the professional orientation and training goals. Our objective is to provide customized training for students that reflects the latest market development and changes in the demand for professional talents. In addition, we review and adjust major and course offerings from time to time through in-depth market research on potential employment opportunities and major changes in the labor market.

Impact of the COVID-19 Pandemic

As a result of the COVID-19 outbreak in the PRC, Lingnan Modern Technician College also postponed the opening of its campus in Guangzhou for the spring semester of the 2019/2020 school year. Accordingly, similar to the measures we undertook with respect to Lingnan Institute of Technology, we started teaching and learning activities via online platforms beginning on March 2, 2020 before the students and faculty of Lingnan Modern Technician College were initially set to return to school. Lingnan Modern Technician College utilizes the same third-party online platforms for remote teaching and learning as Lingnan Institute of Technology. For details of the online teaching and learning, please refer to the section headed "— Lingnan Institute of Technology — Curriculum and Courses" in this prospectus.

In light of the COVID-19 pandemic, we closed the campus, including student dormitories, of Lingnan Modern Technician College in Guangzhou for approximately 180 days in the spring semester of the 2019/2020 school year and re-opened it on August 31, 2020. We had arranged the commencement of the fall semester of the 2020/2021 school year for our students as follows: (i) the end of August 2020 for the first-year students; and (ii) September 2020 for the second-year students.

Grade Assessment

Lingnan Modern Technician College generally administers examinations at the end of each semester to test students' understanding in various subject matters and their ability to demonstrate their grasp of particular trades. In terms of grade assessment, the examination and scoring standards vary from course to course. However, in general, the final grade a student receives for a particular course consists of his or her performance in the written examinations, as well as their attendance and participation in classroom discussions. The examinations were usually formulated by the teachers who teach the relevant major or the coursework, which are based on the teaching syllabuses and primarily take the form of closed book and/or open book tests. In certain relevant cases, such as practical training programs or internships, final grades also include the results of their internship evaluations and training and practical examinations. We grant secondary vocational or post-secondary vocational education degree to students who successfully complete the applicable education programs at Lingnan Modern Technician College.

Graduation and Employment

Lingnan Modern Technician College has an employment guidance center, which is responsible for, among other things, coordinating student practical training opportunities, developing and monitoring school-enterprise collaboration projects, maintaining contact with the human resources departments of potential employers regarding employment opportunities for students, and providing interview and employment training for graduating students.

The graduates of Lingnan Modern Technician College have historically achieved high Initial Employment Rates. For the 2017/2018, 2018/2019 and 2019/2020 school years, Lingnan Modern Technician College had 2,227, 2,106 and 2,013 graduates, respectively, and the Initial Employment Rates were 99.5%, 99.4% and 99.2%, respectively. For the 2019/2020 school year, Lingnan Modern Technician College had 1,961 graduates. The Initial Employment Rate of our graduates at Lingnan Modern Technician College is higher than that of Lingnan Institute of Technology during the Track Record Period primarily because the majors and curriculums under the secondary vocational and post-secondary vocational programs offered by Lingnan Modern Technician College are generally more practical and technical in nature, which we believe are more conducive to students obtaining employment after graduation. The following table sets forth the number of graduates and Initial Employment Rates for the graduates from Lingnan Modern Technician College for the school years indicated:

	Number of Graduates and Initial Employment Rate					
	School Year					
	2017/2018		2018/2019		2019/2020(1)	
	# of Graduates	Initial Employment Rate (%)	# of Graduates	Initial Employment Rate (%)	# of Graduates	Initial Employment Rate (%)
Lingnan Modern Technician College	2,227	99.5	2,106	99.4	2,013	99.2

Note:

* The number of graduates and Initial Employment Rate of Lingnan Modern Technician College are based on the internal records of the school. In addition, the Initial Employment Rate of Lingnan Modern Technician College is generally determined before August 1 of each year.

(1) The Initial Employment Rate of Lingnan Modern Technician College is determined as of August 31, 2020 instead of the usual date of July 31, 2020 due to the COVID-19 pandemic.

The students of Lingnan Modern Technician College have received numerous awards and accolades for their achievements. From the 2017/2018 to 2020/2021 school year, several of our students have won the first, second and third prize at national subject matter competitions, and the students of Lingnan Modern Technician College have won more than 100 awards in the national and provincial level subject matter competitions.

School — Enterprise Collaboration

The strength of the education we provide at Lingnan Modern Technician College lies in the broad and in-depth relationships we maintain with enterprises and institutions. Under the school-enterprise collaboration arrangements, Lingnan Modern Technician College has established a number of important school-enterprise collaboration programs that we believe combine resources from the school and third-party enterprises to foster effective learning and practical training for the students. Lingnan Modern Technician College has developed and maintained collaboration programs with reputable enterprises such as Guangzhou Toyota Automobiles Authorized Services Co. Ltd.* (廣州豐田汽車特約維修中心) ("Toyota Services"), to provide its students hands-on exposure and allow them to practice and improve their skills in a real-life environment. During the Track Record Period, we had collaborated with over 40 enterprises on a number of school-enterprise projects. The forms of such collaboration include the establishment of training bases, cooperative curriculum development, formulation of targeted training courses and implementation of work-study programs (工學結合). As of the Latest Practicable Date, we had established nine training bases with our collaboration partners, including Toyota Services, and operated over 100 collaborative school-enterprise projects. We plan to continue to expand the school-enterprise collaboration programs at Lingnan Modern Technician College to ensure our students have the competitive advantage in the job market after their graduation.

Contract term of such collaboration agreements is typically for one school year and is renewable upon expiration. Such agreements can be terminated upon mutual consent or advance notice. In addition, we also share a certain percentage of the tuition fees with the relevant enterprises and institutions in exchange for providing such practical learning opportunities to our students. During the years ended December 31, 2018, 2019 and 2020, the amount of fees received from the students under such collaboration and shared by the third-party enterprises or institutions was RMB1.8 million, RMB1.6 million and RMB1.4 million, respectively.

The following sets forth certain of our key school-enterprise collaboration programs at Lingnan Modern Technician College:

Collaboration with Toyota Services

Lingnan Modern Technician College collaborated with Toyota Services to provide students majoring in automobile inspection and maintenance with tailored programs that offer in-classroom courses as well as training in the automobile industry. Under the collaboration, all the practical courses and trainings are administered by senior technicians and qualified professionals of enterprised and the school. Toyota Services applies its in-house teaching methods and training systems to provide students with the technical skills, such as maintenance and repair of automobiles, and dealership management experiences. Students enrolled in such programs will participate in in-classroom theory-based learning and practical training where they will be stationed at the Toyota Service Center co-established by us and Toyota Services to gain exposure and practical experience. Students who enrolled in this program have the opportunity to join Toyota's automobile sales, spare parts, services and surveys ("4S") shops after graduation and become a certified mechanical professional upon passing Toyota's skill tests.

During the 2017/2018, 2018/2019 and 2019/2020 school years, an aggregate of approximately 633 students had enrolled in the programs jointly offered by Lingnan Modern Technician College and Toyota Services. In addition, an aggregate of 37 students were subsequently employed by Toyota's automobile 4S shops in the same school years.

Collaboration with an E-commerce Company

Lingnan Modern Technician College collaborated with an e-commerce company in the PRC to design and develop a program for students in the Department of E-commerce and Department of Finance and Commerce. The program aims to cultivate talents in managerial positions by providing students with in-classroom learning and practical industry work experience in a wide range of areas, including planning and management, business management, procurement and supply chain services, e-commerce, sales and merchandising as well as marketing. In order for students to gain relevant work experience, those enrolled in such program are required to complete a two-month practical training at such e-commerce company each school year. During training, students will rotate to work in different departments in order to understand and gain exposure to the respective businesses, operations and other areas of expertise. At the end of this program, our collaboration partner has the priority to employ outstanding students who achieved the standards required by the company.

Collaboration with a Subsidiary of a Leading E-commerce Company.

Since 2019, Lingnan Modern Technician College collaborated with a subsidiary of a leading e-commerce company in the PRC to provide a one-month educational and training program for its students each June and November. Pursuant to the agreement, this company agreed to co-establish a training base with our Lingnan Modern Technician College and provide trainings to our students in a number of areas, including customer service and customer relationship management. Lingnan Modern Technician College is responsible for maintaining the practical training base and cooperating with this e-commerce company to manage the affairs of students. The term of this collaboration is three years.

Collaboration with the Guangdong Province E-commerce Association

Beginning in 2016, Lingnan Modern Technician College has collaborated with the Guangdong Province E-commerce Association ("廣東省電子商務協會") to design and develop curriculums and formulate course materials for our e-commerce related majors, and establish an entrepreneurship and employment training base to provide e-commerce related trainings to the public. Guangdong Province E-commerce Association will also be responsible for organizing training instructors. Pursuant to the collaboration framework agreement, Guangdong Province E-commerce Association also agrees to leverage its industry resources to help our students find appropriate e-commerce related positions and establish an incubator at our Lingnan Modern Technician College to facilitate our students' entrepreneurship ideas. The term of this framework agreement is three years.

Collaborations with Pharmaceutical and Medical Device Companies

In 2019, Lingnan Modern Technician College collaborated with a number of pharmaceutical and medical device companies in the Greater Bay Area to provide internship opportunities to qualified students of Lingnan Modern Technician College. Under these agreements, such pharmaceutical and medical device companies agreed to supervise the students' internship performance, provide guidance on practical and technical skills during the internship and engage students with satisfactory performance after their graduation.

Our Ancillary Education Services

In addition to our Key Operating Business, we also generate revenue from a variety of ancillary education services, including (i) continuing education programs, which mainly include two-year junior college-undergraduate program and 3+2 junior college-undergraduate program, and adult education program; and (ii) other education services, which mainly consist of test preparation and training services we provide to the students of our schools for occupational skills appraisal and professional qualifications and certificates.

Continuing Education Programs

In addition to the junior college degree program, Lingnan Institute of Technology also offers continuing education programs to its full-time students who have already enrolled in the junior college program and to certain adult students not otherwise enrolled in our junior college program. For the years ended December 31, 2018, 2019 and 2020, revenue from continuing education programs amounted to RMB31.4 million, RMB31.1 million and RMB32.4 million, respectively. The major components of the continuing education programs are as follows:

Adult Education Program

In order to diversify our revenue sources and provide more learning opportunities and education objectives to the full-time students of Lingnan Modern Technician College and other adult students who are not the regular students enrolled in our schools, Lingnan Institute of Technology offers a number of flexible and diversified adult education programs. These adult education programs primarily consist of (i) adult junior college programs through which the students ultimately obtain the relevant adult junior college degree from Lingnan Institute of Technology; and (ii) distant learning and other collaboration projects pursuant to which students take courses online or offline and ultimately obtain the relevant adult junior college degree or adult bachelor's degree from the third-party higher education institutions in the PRC that cooperate with Lingnan Institute of Technology.

With respect to the adult education programs in which Lingnan Institute of Technology is responsible for granting the relevant adult junior college degree, we primarily offer the following programs:

- A three-year program to a number of students already enrolled in our Lingnan Modern Technician College on a full-time basis who seek to obtain the adult junior college degree from Lingnan Institute of Technology in addition to the secondary vocational education degree or post-secondary vocational education degree they will obtain from Lingnan Modern Technician College. For this program, the lectures and training classes generally take place at the Guangzhou Campus of Lingnan Institute of Technology in the evenings and/or weekends, and the courses are taught based on the curriculums formulated by Lingnan Institute of Technology. Under this program, students generally pay tuition fees of RMB3,000 per school year to Lingnan Institute of Technology;

- We collaborate with third-party teaching sites in Guangzhou to offer a three-year program for which the students are recruited externally. They generally attend classes off-campus, which are usually taught by the teachers who are engaged by such third-party teaching sites. The courses are based on the curriculums formulated by Lingnan Institute of Technology. These third-party teaching sites are generally responsible for renting the teaching facilities, while Lingnan Institute of Technology is primarily responsible for student status management and when they complete the requisite courses and credits, for granting the relevant adult junior college degree; and

- Beginning in 2019, the Education Department of Guangdong Province encouraged members of the public to obtain higher education certificates through part-time study and examination. Accordingly, Lingnan Institute of Technology began to offer a three-year part-time program for such students in the 2019/2020 school year. The classes under this program are generally taught on-line based on the curriculums designed by the school.

With respect to the adult education programs in which the third-party higher education institutions in the PRC that collaborate with Lingnan Institute of Technology are responsible for granting the relevant junior college degree or bachelor's degree, these education services mainly include (i) distant learning, through which externally recruited students participate in online learning for two years. The courses are generally taught by the teachers of the third-party higher education institutions based on the curriculums designed by them. Students are eligible to take the examinations formulated by such institutions and obtain the relevant adult junior college degree or online bachelor's degree, as the case may be; and (ii) offline learning, through which externally recruited students take offline courses that are taught by the teachers of the third-party higher education institutions based on the curriculums formulated by them. The length of this program is typically three years. Upon graduation, students are eligible to take the examinations formulated by such institutions and obtain the relevant adult junior college degree or adult bachelor's degree. Under these programs, Lingnan Institute of Technology is usually responsible for providing the teaching facilities and/or a part of teaching staff as necessary, and is entitled to share a portion of the fees with its collaboration partners.

Junior College-undergraduate Programs

Two-year Junior College-undergraduate Program (自考專升本項目)

Lingnan Institute of Technology partners with numerous public regular universities (普通本科院校) in the PRC, including Shenzhen University and South China Agricultural Universities, that are qualified to grant bachelor's degree to offer a two-year junior college-undergraduate program (自考專升本項目). Students of Lingnan Institute of Technology may apply and enroll in this program during their first, second or third year of study. The deadline for application and enrollment is typically within the first month and half of the date of new student registration for the new school year. Students can only enroll in this program to obtain a bachelor's degree for the same majors as they currently study in the junior college program of Lingnan Institute of Technology and they must complete the requisite courses they have applied for in the Lingnan Institute of Technology and the university of their choice before obtaining the bachelor's degree.

For the 2020/2021 school year, these majors included, but not limited to, computer science and technology, e-commerce, nursing, food hygiene and nutrition, accounting, finance, business administration and engineering management. They may be subject to change from time to time. Since the collaborating universities offer different majors, students who enroll in this program are only able to take the relevant undergraduate courses offered by one of these universities. In addition to taking courses needed for a junior college degree to be granted by Lingnan Institute of Technology, this program allows our students to concurrently take various undergraduate courses taught by the teachers from the above-mentioned universities and/or third-party training institutions in live lecture setting (either at the facilities on our school campuses or at third-party facilities off-campus, which are also away from the campuses of the collaborating universities) mainly on weekends during the time they are enrolled in our junior college program, and obtain a bachelor's degree from these universities with respect to 16 majors as of the Latest Practicable Date, including computer science, e-commerce, accounting and pharmacy. The two-year junior college-undergraduate program, which is part of the continuing education program of Lingnan Institute of Technology, is generally undertaken by students concurrently with the junior college program. After completing the three-year junior college program offered by our Lingnan Institute of Technology and the requisite courses of the two-year junior college-undergraduate program (自考專升本項目), enrolled students who successfully pass the Self-taught Higher Education Examinations (高等教育自學考試) will be able to obtain first a junior college degree from our Lingnan Institute of Technology and subsequently, a bachelor's degree from one of the above-mentioned universities. In connection with this program, we are generally responsible for student recruitment and advertisement, student status maintenance and management, the application and registration of the Self-taught Higher Education Examinations on behalf of the enrolled students and providing adequate teaching and training facilities.

After the successful upgrade of our Lingnan Institute of Technology from an associate college to a vocational university in the 2023/2024 school year, students already enrolled in the two-year junior college-undergraduate program (自考專升本項目) at the time of upgrade can choose to terminate their enrollment in such program and enroll in the undergraduate program to be offered by Lingnan Institute of Technology. However, the relevant tuition fees they had paid and the course credits they had earned previously would be forfeited and cannot be returned or transferred to their study for a bachelor's degree in Lingnan Institute of Technology.

Lingnan Institute of Technology is typically entitled to receive approximately 65% to 70% of the tuition fees paid by the students for the two-year junior college-undergraduate program they enroll in (which are separate and independent from the tuition fees for the junior college program that they concurrently enroll in), while the collaborating universities are entitled to receive the remainder of such tuition fees. According to Frost & Sullivan, the portion of the tuition fees Lingnan Institute of Technology is entitled to receive for the two-year junior college-undergraduate program is generally within the range of the portion charged by other private vocational education service providers in Guangdong Province. Revenue generated from our two-year junior college-undergraduate program was recognized as part of continuing education program tuition fees under our Ancillary Education Services during the Track Record Period.

Our PRC Legal Advisors are of the view that, in general, Lingnan Institute of Technology's cooperation with PRC public regular universities for providing two-year junior college-undergraduate program jointly do not violate the applicable laws and regulations, including, but not limited to, the Measures for the Major Establishment of Higher Education for Academic Qualifications (《高等學歷繼續教育專業設置管理辦法》) and the Provisions of Guangdong Province on the Enrollment of Adult Colleges and Universities for 2020 (《廣東省2020年成人高等學校招生工作規定》). The Measures for the Major Establishment of Higher Education for Academic Qualifications stipulates that regular university (普通本科院校) or higher vocational school shall, within the scope of full-time education undergraduates and majors of junior colleges already opened, set up the majors of higher education for academic qualifications, and may establish the direction of the majors according to the social needs. The Provisions of Guangdong Province on the Enrollment of Adult Colleges and Universities for 2020 stipulate that the Office of the Enrollment Commission of Guangdong Province shall verify and standardize the relevant information and then announce the catalog of majors for adult colleges and universities in accordance with applicable laws and regulations.

3+2 Junior College-undergraduate Program (自考專插本項目)

In addition, our Lingnan Institute of Technology runs a 3+2 junior college-undergraduate program (自考專插本項目), which provides trainings for the third-year students who are enrolled in our junior college program to prepare for the unified exams administered by the Education Examinations Authority of Guangdong Province and specialized exams administered by certain target universities collaborating with Lingnan Institute of Technology that offer the relevant undergraduate programs, including those offered by our Lingnan Institute of Technology after its successful upgrade from an associate college to a vocational university. Upon passing these exams, students will be admitted to the undergraduate program of the target universities of their choice and can obtain a bachelor degree upon completing two years of study at such universities. The 3+2 junior college-undergraduate program is a training and test preparation program for those students who wish to take various exams to pursue undergraduate programs offered by the target universities.

Contract term of the agreements with target universities is typically two to three years and is renewable upon expiration. Such agreements can be unilaterally terminated by target universities if we experience any material disruptions during the process of recruitment, admission and student management. In addition to the above-mentioned arrangement, we also share a certain percentage of the tuition fees with the target universities in exchange for providing such programs to our students. During the years ended December 31, 2018, 2019 and 2020, the amount of fees received from the students under such collaboration and shared by the third-party enterprises or education institutions was RMB1.4 million, RMB1.7 million and RMB1.6 million, respectively.

Revenue generated from our 3+2 junior college-undergraduate program, was also recognized as part of continuing education program tuition fees under our Ancillary Education Services during the Track Record Period.

Therefore, revenue generated from our two-year junior college-undergraduate program and 3+2 junior college-undergraduate program are separately recognized from the revenue generated from our junior college program, which is generally recognized as tuition fees under our Key Operating Business.

Other Education Services

In addition to the junior college degree program and continuing educational programs, Lingnan Institute of Technology also provides training and test preparation services to the students to help them improve relevant occupational skills, prepare for the examinations on professional qualifications or certificates and enhance their competitiveness in the job market. Such trainings and test preparations generally last for several weeks and cover a wide variety of subject areas, including qualifications for elementary school teachers, accountants, food analysist, nutritionist, nursing and electrician and trainings of college English among many others. Such trainings and test preparations generally take place at the Guangzhou Campus and are usually taught by the teachers of our Lingnan Institute of Technology or teacher engaged externally based on the requirements of the tests for particular professional qualification or certificates. Students are required to pay tuition fees prior to the commencement of the training/test preparation sessions. Tuition fees primarily, comprise the fees for the relevant training and/or test preparation. For the years ended December 31, 2018, 2019 and 2020, revenue from other education services amounted to RMB4.1 million, RMB4.4 million and RMB4.4 million, respectively.

OUR STUDENTS AND STUDENT RECRUITMENT

Our Students

We believe the qualification of our teachers, the diversity of programs offered to students and the quality of our curriculums contribute to the excellent reputation of our schools and the attraction of our prospective students.

Student Recruitment

We primarily focus on recruiting students in Guangdong Province for our higher education services as well as vocational education services. We adhere to strict admission procedures stipulated by the Education Department of Guangdong Province and the Education Bureau of Guangzhou. Student recruitment is generally carried out between May and August of the calendar year for both of our schools. Our recruitment process primarily involves accessing students' examination results and secondary school grades. During the Track Record Period, no student had transferred to our schools from other schools in the middle of the school semester.

We promote our brands by conducting certain marketing activities, such as advertisement on WeChat and other social media platforms and onsite visits to a number of high schools to introduce our schools and relevant educational programs. We have also developed our student base through word-of-mouth referrals. In light of the COVID-19 pandemic, we primarily relied on online advertisement to promote our schools and educational programs, while having limited onsite visits to high schools.

Career Planning Initiatives and Graduate Employment Assistant

As a formal higher education service provider, we consider the graduate employment rates at our Lingnan Institute of Technology and Lingnan Modern Technician College as a key measurement of our educational quality. We have established a comprehensive system of employment and entrepreneurship guidance to our students. Relevant measures include:

- *Career Information Platform*: We are committed to providing our students with career opportunities through the use of our career information system, which includes, our schools' websites, online employment websites, WeChat and Tencent QQ, to provide students with employment-related information in a timely manner.

- *Curriculum Planning*: We generally design a comprehensive career planning map for our students at the beginning of their college program in order for them to develop career awareness and set relevant goals at an early stage. We also provide students with career planning course, entrepreneurship courses and job interview training.

- *Practical Training Platform for Students*: We strive to raise the Initial Employment Rates of our graduates by further enhancing their competitiveness and entrepreneurship skills through the provision of practical training opportunities, such as collaborating with third-party enterprises to provide internships for students and organizing entrepreneurship competitions.

We formulate our overall strategic decisions regarding school-enterprise cooperative programs and numerous valuable internship and practical training opportunities for all students at Lingnan Institute of Technology and Lingnan Modern Technician College. We generally delegate the matters relating to post-graduate employment matters to the graduate employment office at each of our schools, which is usually responsible for validating the graduates in each school year, liaising with third-party enterprises to establish distinct teaching programs and provide practical training and employment opportunities for students, obtaining employment-related information from various enterprises, organizing on-campus recruitment events, and providing training to staff who are responsible for career planning. For details of our graduates' employment rates for each of our Lingnan Institute of Technology and Lingnan Modern Technician College, please see "— Our Business Model" in this prospectus.

To further assist our graduates to secure initial employment, we have also organized on-campus recruiting events at Lingnan Institute of Technology and Lingnan Modern Technician College during the fall and spring semesters to introduce numerous enterprises and potential employers to graduating students. In 2019, 707 enterprises attended such on-campus recruiting events at our Lingnan Institute of Technology and Lingnan Modern Technician College and provided approximately 5,000 initial employment opportunities to graduating students from both schools.

Simulated Workplace Training and Internships

To give students ample opportunities to perfect their practical knowledge and skills, we have constructed numerous laboratories at our Lingnan Institute of Technology and Lingnan Modern Technician College. These laboratories provide enterprise-like simulated training environment and offer specific task-oriented training programs so that our students can have seamless transition from in-class learning to obtaining real work-like experience. In order to better prepare our students to face challenges professionally after graduation and provide them with more ideal job prospects, certain of our major courses are taught in the form of simulation training.

We set out below several pictures of the simulated training laboratories for the TMT Industry- and Healthcare Industry-related majors at our schools.




We also encourage our students to seek internships during the course of their enrollment at our Lingnan Institute of Technology and Lingnan Modern Technician College to receive first-hand exposure to real-life working environment. Students generally obtain internships on their own or through various school-enterprise collaboration programs and the external practical training bases we have established with our collaboration partners. Similar to simulated workplace training, we believe internships can provide further practical training to our students and better prepare them for future employment.

OUR TEACHERS, TEACHER RECRUITMENT, TRAINING AND EVALUATION

We believe that the quality and qualification of our teachers are essential elements to provide quality education to our students. We hire experienced teachers who are highly responsible and have certain years of relevant teaching experiences. As of December 31, 2020, our full-time teachers had worked in our Group for an average of approximately six years. As of the same date, approximately 77.0% of our full-time teachers had obtained at least a bachelor's graduation certificate, approximately 32.9% of our full-time teachers had obtained at least a master's degree.

The table sets forth the number of our teachers for our schools as of the dates indicated:

	Number of Teachers			
	As of December 31,			As of May 31,
Teachers	2018	2019	2020	2021
Full-time teachers	980	1,052	906	920
– Lingnan Institute of Technology	809	869	727	739
– Lingnan Modern Technician College	171	183	179	181
Part-time teachers	227	153	253	295
– Lingnan Institute of Technology[1]	183	123	236	267
– Lingnan Modern Technician College	44	30	17	28
Total	1,207	1,205	1,159	1,215

Note:

(1) Part-time teachers of our Lingnan Institute of Technology include regular part-time teachers of such school and the teachers who are full-time employees of our school-enterprise collaboration partners and who teach in the relevant school-enterprise collaboration programs of Lingnan Institute of Technology for at least 160 course hours in a school year, according to the Notice of the Ministry of Education on Issuing the Evaluation Plan for Talent Training in Higher Vocational Education Institutions (《教育部關於印發高等職業院校人才培養工作評估方案的通知》).

The following table sets forth the number of our full-time and part-time teachers by education qualification as of the dates indicated:

	Number of Teachers			
	As of December 31,			As of May 31,
	2018	2019	2020	2021
Full-time teachers				
– Bachelor's degree	505	532	406	414
– Master's degree	337	348	301	306
– Doctor's degree	12	16	6	4
– Other degrees[1]	126	158	193	196
Subtotal	980	1,052	906	920
Part-time teachers				
– Bachelor's degree	81	34	107	126
– Master's degree	51	25	72	79
– Doctor's degree	5	1	1	–
– Other degrees[1]	90	93	73	90
Subtotal	227	153	253	295

Note:

(1) Primarily include teachers with relevant industry experience and junior college degree or secondary vocational education degree.

The number of our full-time teachers decreased from 1,052 as of December 31, 2019 to 906 as of December 31, 2020 mainly because (i) certain teachers resigned due to personal reasons in 2020; (ii) we allocated all first-year and certain second-year students of Lingnan Institute of Technology to the Qingyuan Campus in 2020/2021 school year and certain teachers who taught for these classes of students at the Guangzhou Campus resigned due to transportation issues; and (iii) we reduced the pace of hiring new teachers due to travel restrictions imposed on our personnel as a result of the COVID-19 pandemic. Therefore, in order to maintain the quality of education, we hired more part-time teachers to accommodate our teaching needs in 2020.

As advised by our PRC Legal Advisors, part-time teachers shall be entitled to carry out part-time teaching activities in multiple institutions with explicit approval from the relevant public higher education institution employers. As of the Latest Practicable Date, we did no engage any part-time teacher who had also taught in other public schools. In the event there is a need for us to engage part-time teachers who also teach in other public schools in the future, we require our human resources department to strengthen the screening process to ensure all our part-time teachers who also teach in other public schools to obtain requisite approvals.

The following table sets forth the teacher-to-student ratio, taking into account both full-time and part-time teachers, for each of our schools and our Group as a whole as for the school years indicated.

	Teacher-to-Student Ratio		
	As of December 31,		
School	**2018**	**2019**	**2020**
Lingnan Institute of Technology[(1)]	1:19.9	1:20.5	1:21.5
Lingnan Modern Technician College[(2)]	1:27.0	1:30.1	1:32.5
Our Group	1:21.2	1:22.2	1:23.3

Notes:

(1) The teacher-to-student ratio of our Lingnan Institute of Technology is generally calculated by dividing the number of full-time students enrolled as of December 31, 2018 and 2019 and October 31, 2020 (which was the day most of the first year full-time students of our Lingnan Institute of Technology completed their new student registration for the 2020/2021 school year as a result of the COVID-19 pandemic), by the number of teachers as of December 31, 2018, 2019 and 2020. According to the Notice of the Ministry of Education on Issuing the Evaluation Plan for Talent Training in Higher Vocational Education Institutions, part-time teachers who taught at least 160 course hours in a school year are considered full-time teachers for the purpose of calculating teacher-to-student ratio. The number of full-time students enrolled at our schools and the number of teachers are based on our schools' internal records.

The teacher-to-student ratio of Lingnan Institute of Technology decreased during the Track Record Period mainly because the increase in student enrollment outpaced the increase in the number of teachers.

(2) We calculate the teacher-to-student ratio for Lingnan Modern Technician College by dividing the number of full-time students by the number of teachers (full-time and part-time). The Setting Standards of Technician Colleges (Trial) (《技師學院設置標準(試行)》) promulgated by the Ministry of Human Resources and Social Security of the PRC in 2012 does not specify the calculation method for the teacher-to-student ratio.

The teacher-to-student ratio of Lingnan Modern Technician College decreased from 1:27.0 as of December 31, 2018 to 1:30.1 as of December 31, 2019 and further to 1:32.5 as of December 31, 2020 mainly because the increase in student enrollment outpaced the increase in the number of teachers.

We plan to adjust the teacher-to-student ratio of our Lingnan Institute of Technology to meet the Qualified Standard of 1:18 on or before December 31, 2023. Specifically, for Lingnan Institute of Technology, we plan to use our internal resources to engage an aggregate of approximately 1,065 teachers by September 30, 2021, 863 teachers by September 30, 2022 and 843 teachers by September 30, 2023 as a result of the expected reduction in student enrollment at the school in relation to the upgrade from an associate college to a vocational university in the 2023/2024 school year. For details, please refer to the section headed "— Our Expansion Plans" in this prospectus. We also plan to increase the teacher-to-student ratio of our Lingnan Modern Technician College to meet the regulatory requirement of 1:18 on or before December 31, 2023, especially in connection with the reduction of student enrollment at Lingnan Institute of Technology resulting from its upgrade from an associate college to a vocational university in the 2023/2024 school year, pursuant to which we believe Lingnan Modern Technician College may be able to utilize such available space in the Guangzhou Campus in the event it expands its secondary and post-secondary vocational programs beginning in the 2022/2023 school year. Specifically, for Lingnan Modern Technician College, we plan to engage an aggregate of approximately 231 teachers by September 30, 2021, 531 teachers by September 30, 2022 and 831 teachers by December 31, 2023. For details of this non-compliance incident, the legal consequences and potential maximum penalties and the remedies and rectification measures we have taken to prevent future breach and ensure ongoing compliance, please see "— Legal Proceeding and Non-compliance — Historical Immaterial and Non-Systemic Non-compliance Incidents — Teacher-to-student Ratio" in this prospectus. Since we will likely need fewer teachers for Lingnan Institute of Technology after it upgrades to a vocational university resulting from a reduction in student enrollment, we intend to assign the extra teachers from Lingnan Institute of Technology to teach at Lingnan Modern Technician College as it increases student enrollment based on their background and the relevant courses they teach. The teachers who currently teach at Lingnan Institute of Technology are generally qualified to also teach at Lingnan Modern Technician College. We also believe we have access to an abundant source of teaching resources in China and Guangdong Province in case we need to recruit additional teachers outside our Group. According to the Frost & Sullivan Report, the resource of qualified teachers is adequate in China and Guangdong Province, and is expected to grow. Such trend is supported by the sustainable growth of the number of full-time teachers of higher education institutions and the recent graduates and newly enrolled students (who are in effect talent reserves for teachers) in teacher education institutions (師範院校). From 2015 to 2019, the number of full-time teachers of higher education institutions in China and Guangdong Province increased at CAGRs of 2.6% and 3.8%, respectively. During the same years, the number of graduates from teacher education institutions in China and Guangdong Province increased steadily at CAGRs of 2.8% and 1.1%, respectively. From 2019 to 2024, the number of graduates from teacher education institutions in China and Guangdong Province is expected to grow at a CAGR of 5.2% and 6.6%, respectively, which is mainly attributable to the higher growth rate of newly enrolled students in teacher education institutions in China and Guangdong Province from 2015 to 2019.

The following table sets forth our full-time teacher turnover rate during the Track Record Period.

	As of December 31,		
	2018	2019	2020
		(%)	
Lingnan Institute of Technology	7.7	10.8	31.1
Lingnan Modern Technician College	23.5	19.8	19.3
Our Group	10.5	12.4	28.9

Note:

* Full-time teacher turnover rate equals the number of full-time teachers who resigned as of the end of the year divided by the average number of full-time teachers as of the beginning and end of the year.

The full-time teacher turnover rate of our Lingnan Institute of Technology increased from 10.8% as of December 31, 2019 to 31.1% as of December 31, 2020 mainly because (i) certain teachers resigned due to personal reasons in 2020; and (ii) we allocated all first-year and certain second-year students of Lingnan Institute of Technology to the Qingyuan Campus in 2020/2021 school year and certain teachers who taught these classes of students in the Guangzhou Campus resigned due to transportation issues. To lower our full-time teacher turnover rate going forward, we plan to (i) further increase teachers' salary, including, for example, offering bonuses and other incentives to teachers who are willing to relocate to the Qingyuan Campus; and/or (ii) hire additional local teachers.

Teacher Recruitment

We recruit teachers based on the needs of different teaching departments of our schools. In order to maintain high teaching quality, we adopt a set of strict and comprehensive hiring procedures to ensure that only qualified and experienced teachers are hired. Potential applicants are required to go through in-person interviews with our responsible staff at the human resources department and the head of the respective teaching department. We take into account the applicant's academic qualifications, affinity with our educational philosophy, teaching experience, personal moral code and passion in teaching.

Teacher Training Program

In order to enhance the teaching quality of our teachers and facilitate their professional development, we implemented four main types of training programs for our teachers, namely, (i) internal training; (ii) external training; (iii) group training; and (iv) individual training. Our training programs mainly include teaching theory and methodology training, teaching skills and techniques training, training on software applications and information technology skills, training on stress management as well as training on handling and managing student behavior. In addition, we provide opportunities for teachers to receive training on academic and professional development, such as providing subsidies for teachers to obtain further education and additional teaching qualifications.

Teacher Performance Review

To ensure that we continuously provide high quality education to our students, we conduct teacher performance reviews and evaluations periodically. We typically conduct periodic teacher performance reviews during July and August each year. These assessments are generally conducted by administrators and department heads of the teachers' respective teaching departments, which include observation of our teachers' in-class performance and evaluation of their teaching progress. Our evaluations focus on three main categories, namely, teaching results in terms of meeting various targets, teaching capabilities, and teaching performance in terms of in-class behavior and effectiveness of classroom instructions. As part of the evaluation process, our teachers are also evaluated by the peers in their respective departments so that we can take into account other teachers' views and suggestions. We promote and demote teachers based on their evaluation results from time to time.

We believe we offer relatively competitive compensation to our teachers so we can retain and attract talented teachers. As a major benefit to our teachers, we offer additional perks and benefits on top of the relatively competitive base salaries for our teaching staff. Our teaching compensation package primarily includes, among other things, a base salary, Chinese New Year bonus, teachers' day bonus, free annual medical checkup and comprehensive insurance packages.

OUR CAMPUS SERVICES

Meal Catering Services

As of the Latest Practicable Date, we had four canteens on our campuses, including three canteens at Lingnan Institute of Technology and one canteen at Lingnan Modern Technician College. We outsourced the operation of these canteens to third parties. We require our catering service providers and their staff who work at our canteens to obtain relevant licenses and permits required by applicable laws and regulations. The catering service providers must ensure food quality and safety. We entered into school canteen outsourcing agreements with third party meal catering services during the Track Record Period, the terms of which varied from two to 10 years and during such period, they shall provide meal catering services to our students at certain designated canteens within our school network. We typically charge such meal catering providers rental fees and maintenance fees, and also require them to make deposits with us to be used against any potential losses, damages or injuries caused by them during their operations.

Medical Care Services

We provide routine medical services for our students and faculty by outsourcing such services to qualified third party medical service providers. We treat minor illnesses and routine check-ups of our students, faculty and staff at these clinics. In certain serious and emergency medical situations, we will promptly send our students to local hospitals for treatment. As of the Latest Practicable Date, we have five doctors and six nurses stationed at our school clinics to provide medical services for students and school staff.

OUR EXPANSION PLANS

Overview

We intend to expand the scale of our business, expand our school network, including acquisitions of private vocational education institution in the Greater Bay Area, and achieve economies of scale with respect to our operations. For details of our expansion strategies, see the section headed "— Our Business Strategies — Expand our school network through acquisition and/or asset-light model to achieve economy of scale" in this prospectus.

Reasons for Expansion

In order to achieve this objective and to take advantage of the favorable approach to vocational education as stipulated in the 2021 Implementation Rules, our Directors have resolved that we shall aim to upgrade our Lingnan Institute of Technology from an associate college to a vocational university, which, we believe, will enable us to enhance the school's reputation and competitiveness in terms of student recruitment, school-enterprise collaboration and graduate employment, elevate the quality of education and expand the scale of our school operations through additional student enrollment and rising tuition fee standards that are commensurate with the type of school we operate and the quality of education we provide. The education programs of such vocational university will primarily focus on offering practical and job-oriented education and experience in a number of key industries, such as the TMT Industry and Healthcare Industry.

The table below sets forth the detailed comparison among associate colleges and vocational universities.

	Associate College	Vocational University
Term of program	Three years	Four years
Teaching objective	Cultivate professional talents with a particular focus on practical skills	Cultivate senior professional talents with a particular focus on application and research and development skills
Teaching method	Focus on both academic and practical trainings	Focus on both academic and practical trainings with a particular focus on research and development
Key career focus	Technician	Technical engineer
Degree offered	Full-time junior college degree	Full-time vocational bachelor's degree

Demand for Bachelor's Degree Programs to be Offered at Lingnan Institute of Technology

We believe that there will be sufficient demand for our bachelor's degree programs to be offered at Lingnan Institute of Technology mainly due to the following reasons:

(i) ***Favorable government policies***. The Decision to Accelerate the Development of Modern Vocational Education (《國務院關於加快發展現代職業教育的決定》) promulgated by the State Council in 2014 encouraged undergraduate schools to focus on providing application technology-related education, with a particular emphasis on undergraduate vocational education, an area which we plan to offer in our undergraduate program. In addition, the Notice on the Establishment Standard of Majors for Undergraduate Level Vocational Education Schools (Trial) (關於印發《本科層次職業教育專業設置管理辦法(試行)》的通知) issued by the MOE on January 22, 2021 and the Notice on Establishment Standard of Undergraduate Level Vocational Education Schools (Trial) (關於印發《本科層次職業學校設置標準(試行)的通知) issued by the MOE on January 27, 2021 stipulate detailed standards of establishing undergraduate majors and undergraduate vocational education schools in the PRC, respectively. In addition, the Vocational Education Law of the People's Republic of China (Revised Draft) issued by the MOE on June 7, 2021 emphasizes that vocational education and regular education are of the same importance. We believe these government policies encourage and support the development of vocational undergraduate education, which allow us to capitalize on such opportunity by upgrading our Lingnan Institute of Technology. In addition, according to the "Three-Year Action Plan for Qingyuan to Build a Pioneer City for Innovation and Development around the Greater Bay Area (2020-2022)" (《清遠市建設環粵港澳大灣區創新發展先行市三年行動計劃(2020-2022年)》), Qingyuan will strive for the layout of higher education institutions, research institutions and competitive enterprises around the Greater Bay Area and continue to attract high-end talents, which we believe will drive the demand for higher education in Qingyuan;

(ii) ***Favorable market research results***. We have conducted market research on undergraduate vocational education market in Guangdong Province, which demonstrated that (a) the number of undergraduate schools in Guangdong Province is relatively limited; and (b) the admission rate of undergraduate education (the admission rate of undergraduate education refers to the number of students admitted by undergraduate program of undergraduate education institutions as a percentage of the total number of students who participated in the college entrance examination) in Guangdong Province is approximately 36.3% in 2020, which was lower than the national average of 40.3%, and significantly lower than that of Beijing (75.5%) and Shanghai (72.9%) in 2020, according to Frost & Sullivan. Further, according to Frost & Sullivan, the undergraduate education resources of Guangdong Province are relatively scarce. The number of undergraduate institutions per million permanent residents of Guangdong Province is lower than the national average, and is significantly lower than that of Beijing and Shanghai. The following table illustrates the number of undergraduate institutions per million permanent residents of Guangdong Province, China, Beijing, and Shanghai in 2019:

	Permanent Residents (2019)	The Number of Undergraduate Institutions (2019)	The Number of Undergraduate Institutions per Million Permanent Residents (2019)
	(million)		
Guangdong	115.2	67	0.6
China	1,400.1	1,265	0.9
Beijing	21.5	68	3.2
Shanghai	24.3	39	1.6

These indicators suggest that overall, the allocation of undergraduate education resources in China is uneven and due to the limited supply of quality undergraduate education in Guangdong Province, undergraduate students were inclined to seek undergraduate education opportunities in other first tier cities such as Beijing and Shanghai over Guangdong Province. Notwithstanding the limited undergraduate education resources in Guangdong Province, according to Frost & Sullivan, the demand for the junior college and bachelor's degree programs in Guangdong Province is robust. The sustainable growth of the demand for formal vocational education in Guangdong Province is supported by (i) the increase of total number of student enrollment and new enrollment in vocational education; (ii) high Initial Employment Rate, and (iii) growing base of school-age population with high level of birth rate in Guangdong Province.

According to the MOE, the total number of student enrollments of vocational education in Guangdong Province increased from 2,235,400 in 2018 to 2,327,200 in 2019, and is expected to reach 2,389,300 in 2020, with an expected CAGR of 1.9% from 2019 to 2024. The new student enrollment in vocational education in Guangdong Province increased from 752,500 in 2018 to 792,700 in 2019, and is expected to reach 820,500 in 2020. Therefore, it is expected that the demand and admission quota of vocational education in Guangdong Province will continue to increase.

According to Frost & Sullivan, the Initial Employment Rate of junior college education and secondary vocational education in Guangdong Province were both higher than the national average in 2019. The Initial Employment Rate of junior college education and secondary vocational education in Guangdong Province was 96.1% and 98.1% in 2019, respectively. In contrast, China's overall Initial Employment Rate for junior college education and secondary vocational education were significantly lower at 78.6% and 82.6%, respectively, in the same year.

In addition, according to Frost & Sullivan, the total number of student enrollment of undergraduate education in Guangdong Province increased by a CAGR of 2.7% from 2015 to 2019, and is expected to continue to increase in the next three years. The total number of student enrollment of junior college education in Guangdong Province also increased by a CAGR of 2.3% from 2015 to 2019, and is expected to continue to increase in the next three years. Therefore, our Directors are of the view that given the shortage of supply of quality undergraduate education opportunities in Guangdong Province, the upgrade of Lingnan Institute of Technology from an associate college to a vocational university can drive the demand by attracting and retaining students who were previously inclined to seek undergraduate education opportunities in other first tier cities due to limited options in Guangdong Province.

Moreover, the Greater Bay Area has experienced robust economic development in recent years, which is also known to have a well-developed private economy. For instance, the number of newly registered enterprises increased from 704,900 in 2015 to 1,131,700 in 2019, representing a CAGR of 12.6% during this period, and is expected to reach 1,737,600 in 2024. We believe this trend created a broad range of job opportunities that are attractive to both undergraduate and junior college graduates. For Guangzhou, as one of the four major central cities in the Greater Bay Area, the municipal higher education industry continuously benefits from the rapid economic development and its status as an attraction for professional and technical talents around the country. Our Directors believe that our Lingnan Institute of Technology is well positioned to take advantage of these economic trends and capture potential demand for undergraduate education. Our graduates have consistently exhibited desire to pursue bachelor's degree. The number of our junior college students who continued to enroll in undergraduate education increased at approximately 43.7% in the three years ended December 31, 2020, and there were over 4,300 of our junior college students who continued to enroll in undergraduate programs after graduation in the 2019/2020 school year. With respect to Qingyuan, the strong demand for junior college and bachelor's degree programs is mainly due to the scarcity of higher education and higher vocational education resources. According to Frost & Sullivan, private vocational universities in Guangdong Province have generally maintained admission quota utilization rates that were in line with the national average admission quota utilization rates for private vocational universities in China in 2019. Therefore, we believe that the demand for undergraduate vocational education is adequate and sustainable in Guangdong Province and the undergraduate program to be offered by us are able to capture such needs;

(iii) ***Junior college students' strong demand for undergraduate vocational education programs***. There were an aggregate of over 4,300 and 3,800 students enrolled in our Lingnan Institute of Technology who participated in the two-year junior college-undergraduate programs for the 2019/2020 and 2020/2021 school years, respectively. The decrease in the number of the students participating in the two-year junior college-undergraduate programs (自考專升本項目) in the 2020/2021 school year was primarily due to more students participating in the 3+2 junior college-undergraduate program (自考專插本項目) offered by other schools as our own 3+2 junior college-undergraduate program (自考專插本項目) was in the early stage of development, which only involves the provision of trainings for the third-year students who are enrolled in our junior college program to prepare for the unified exams administered by the Education Examinations Authority of Guangdong Province and specialized exams administered by certain target universities collaborating with Lingnan Institute of Technology that offer the relevant undergraduate programs. The large number of students enrolled in our two-year junior college-undergraduate program is an indication that there is significant demand for junior college students to be interested in pursuing vocational undergraduate programs. After successful upgrade our Lingnan Institute of Technology to a vocational university, we believe we will be able to retain our students and attract students from other schools to enroll in our undergraduate vocational education programs. The strong demand for undergraduate vocational education programs in Guangdong Province in recent years is also reflected in the growing admission quota of the 3+2 junior college-undergraduate program (自考專插本項目) in the province as stipulated by the Education Department of Guangdong Province, which increased from 18,015 in 2019 to 50,506 in 2020. Therefore, we believe that there is relatively strong demand for undergraduate vocational education programs in Guangdong Province. Consequently, we believe we will benefit from such demand by upgrading our Lingnan Institute of Technology from an associate college that only offers junior college degree to a vocational university that also offers bachelor's degree and junior college degree;

(iv) ***Proven track record of other vocational education institutions***. Beginning in 2019, there were 15 universities that were first approved by the MOE to provide undergraduate vocational education out of hundreds of eligible higher vocational education institutions in the PRC. As of the Latest Practicable Date, 27 vocational education institutions in the PRC have been approved by the MOE to provide undergraduate vocational education, including 22 private universities, two of which, were located in Guangdong Province, according to the Frost & Sullivan Report.

The following table sets forth the comparison of the number of student enrollments, campuses, revenue and key major offerings of the two private vocational universities in Guangdong Province and our Lingnan Institute of Technology.

Private Vocational Education Group	**Student Enrollment for the 2020/2021 School Year**	**Campuses**	**2020 Revenue**	**Key Majors Offered**
			(RMB'000)	
Group F	25,495	Guangzhou and Maoming	358,423(1)	Engineering-related majors
Group I	Approx. 19,000(2)	Zhaoqing	N/A(2)	Engineering and management-related majors
Our Group (Lingnan Institute of Technology only)	20,659	Guangzhou and Qingyuan	449,350	TMT Industry- and Healthcare Industry-related majors

Notes:

(1) The 2020 revenue of Group F was for the year from September 1, 2019 to August 31, 2020.

(2) The exact number of student enrollments for the 2020/2021 school year and 2020 revenue of Group I were not publicly available.

We believe that the increase in the number of universities approved by the MOE to provide undergraduate vocational education is a reflection of the strong demand for undergraduate vocational education; and

(v) ***Student admission priority***. According to Frost & Sullivan, the National College Entrance Examination, commonly known as the "Gaokao" (高考), is an academic examination held annually in the PRC and taken by millions of high school graduates. It is hailed as a fair system to select talent for the country. According to the admission system of the National College Entrance Examination promulgated by the MOE, regular higher educational institutions with the qualification of formal higher degree education and enrollment approved by the MOE are able to formulate, adjust, and execute their own admission plan by province (city), major and enrollment sources according to the MOE. Undergraduate level higher educational institutions (for example, vocational universities) normally set higher admission scores and enjoy priority in admission over junior college level higher educational institutions. They are generally able to select qualified students for admission from higher quality sources compared to junior college level higher educational institutions. If the admission plan of undergraduate level higher educational institutions is not fulfilled, they are able to expand their recruitment targets and enroll students by lowering their admission score thresholds. Thus, they would have a larger student base from which to select qualified students for admission compared to junior college level higher educational institutions. Accordingly, following Lingnan Institute of Technology's upgrade to a vocational university, it will have priority over other associates colleges in the selection and enrollment of students, and it will enjoy access to a larger student base following its upgrade. Given that it also has flexibility in determining its own admission score thresholds, Lingnan Institute of Technology would not be restricted in terms of the pool of student applicants it can recruit from after it upgrades to a vocational university.

Details of Expansion

Upgrade of Lingnan Institute of Technology

We plan to upgrade our Lingnan Institute of Technology from an associate college to a vocational university (本科層次職業大學) that offers undergraduate programs in the 2023/2024 school year. We plan to initially offer bachelor's degree program for majors such as software technology, animation design and production, pharmacy, nursing and mould design, which may be subject to change based on the actual demand of the students at the time Lingnan Institute of Technology is approved by the MOE to offer undergraduate vocational education. The Establishment Standard of Undergraduate Vocational University (Trial) (《本科層次職業學校設置標準(試行)》) promulgated by the MOE in 2021 set out the major qualification requirements of a vocational university. In addition, vocational universities are required to comply with the Basic Conditions for Operating Higher Education Institutions (Trial) (《普通高等學校基本辦學條件指標(試行)》) promulgated by the MOE in 2004.

The table below summarizes the major qualification requirements under these laws and regulations.

Requirements	Vocational University
Total site area	Not less than 533,333 sq.m.
Site area per student	Not less than 60 sq.m. per student
Total teaching and administrative building area	Not less than 240,000 sq.m.
Teaching and administrative building area per student	Not less than 30 sq.m. per student
Teacher-to-student ratio.	Qualified Standard of 1:18 and Restrictive Standard of 1:22
Number of full-time teachers with a master's degree or above	At least 50%
Number of full-time teachers	At least 450
Number of full-time teachers with senior professional technology title (高級專業技術職務)	At least 30%

In accordance with the Notice of "13th Five-Year Plan" for the Establishment of Higher Education Institutions (《關於"十三五"時期高等學校設置工作的意見》) issued by the MOE in February 2017 and as advised by our PRC Legal Advisors, in order to upgrade from an associate college that only offers junior college degree to a vocational university that also offers both the bachelor's degree and junior college degree, we are required to comply with all the above-mentioned requirements. However, the relevant governing education authorities have the discretion to exempt schools from certain requirements from time to time. We understand that, according to the abovementioned standards, with respect to the total site area and total teaching and administrative building area requirements, including the site area per student and teaching and administrative building area per student ratios, only the site area of the land and teaching and administrative building area of the relevant buildings owned by the relevant applicant would be taken into consideration when the MOE assesses the upgrade application. Therefore, when Lingnan Institute of Technology applies to upgrade from an associate college to a vocational university, the site area and teaching and administrative building area of the Guangzhou Campus would not be taken into consideration when determining whether the school meets the statutory requirements since the land and the buildings built thereon were leased from Guangzhou Xintang and Guangzhou Yangji.

We had not initiated the procedures to apply to be upgraded to a vocational university as of the Latest Practicable Date. We intend to use approximately 55.0%, or HK$290.0 million, to acquire additional land of approximately 400,200 sq.m. for the Qingyuan Campus by 2021, and approximately 12.0%, or HK$63.3 million, to construct additional teaching and administrative buildings of approximately 120,000 sq.m. on the Qingyuan Campus by 2023. Please refer to the section headed "Future Plans and Use of Proceeds" in this prospectus for further details. After taking into consideration the land acquisition and new construction of teaching and administrative buildings on the Qingyuan Campus and assuming we will not acquire any additional land or construct any new teaching and administrative buildings other than those mentioned above, the total site area of our Lingnan Institute of Technology for the purpose of upgrade would be 911,500 sq.m. by 2021 and the teaching and administrative building area of Lingnan Institute of Technology for the purpose of upgrade would be 455,500 sq.m., both of which meet the corresponding qualification requirements. In preparation of the upgrade application, in order to meet the requirements of site area per student of not less than 60 sq.m. per student and teaching and administrative building area per student of not less than 30 sq.m. per student, we plan to reduce student enrollment of Lingnan Institute of Technology to approximately 15,600 starting from the 2022/2023 school year and maintain a steady student enrollment of approximately 15,600 after the upgrade (in order to continue to meet the required ratios until Lingnan Institute of Technology is able to acquire additional land and construct new buildings and facilities in the future). We are required to reduce the student enrollment of Lingnan Institute of Technology in order to meet the school site area per student and teaching and administrative building area per student ratios primarily because (i) the availability of the land is limited and our ability to acquire additional land is subject to the approval of the relevant PRC government authorities having regard to our planned use and purpose for such land. As aforementioned, the Qingyuan Municipality Government has indicated its support for our upgrade to a university since 2016 and it is on the basis of such plan that Lingnan Institute of Technology submitted reports to the relevant government authorities seeking assistance on identifying suitable land to accommodate such plan. Accordingly, the additional land with a total site area of approximately 400,200 sq.m. was identified by such government authorities to be suitable for our expansion and upgrade plan involving Lingnan Institute of Technology; and (ii) we have limited financial resources and we are not able to commit substantial amount of capital to acquire larger parcels of land in 2021 and construct additional buildings by 2023 in connection with the upgrade of Lingnan Institute of Technology. However, we may allocate additional capital for land acquisition and building construction in the future after Lingnan Institute of Technology successfully upgrades to a vocational university if and when the need for expansion arises.

As a result of the reduction in student enrollment of Lingnan Institute of Technology, we estimate that we may experience adverse impact to the revenue of Lingnan Institute of Technology in the short-term. However, such reduction in student enrollment of our Lingnan Institute of Technology will likely make available a number of beds in the student dormitories in our Guangzhou Campus, and we believe our Lingnan Modern Technician College may be able to utilize such available space in the event it expands its secondary and post-secondary vocational programs beginning in the 2022/2023 school year, which will in turn allow us to generate more tuition fees and boarding fees from Lingnan Modern Technician College to offset the temporary loss of tuition fees and boarding fees from Lingnan Institute of Technology.

Demand for Secondary and Post-secondary Vocational Education offered by Lingnan Modern Technician College

While the reduction of student enrollment of Lingnan Institute of Technology to approximately 15,600 may give rise to short-term negative impact on its financial performance, the impact is unlikely to be material on our Group as a whole due to the above-mentioned off-setting factors. Currently, our total number of student enrollments include students from both Lingnan Institute of Technology and Lingnan Modern Technician College, and we plan to increase our recruitment efforts for Lingnan Modern Technician College to attract more student enrollment beginning in the 2022/2023 school year in order to make up for the temporary reduction of student enrollment of Lingnan Institute of Technology relating to the upgrade. While we may or may not be able to recruit sufficient number of students to enroll in Lingnan Modern Technician College to make up for the reduction of student enrollment of Lingnan Institute of Technology, nevertheless, we believe that the educational programs and curriculums we offer at Lingnan Modern Technician

College are consistent with the rising market demand for secondary and post-secondary vocational education in Guangdong Province and the direction of the 2021 Implementation Rules, which encourage enterprises to establish, or participate in the establishment of, private schools that offer vocational education. We intend to increase student admission quota of Lingnan Modern Technician College that is commensurate with the availability of teaching facilities and student dormitories in Guangzhou Campus. Student admission quota of Lingnan Modern Technician College can be increased as long as objection from the Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳) has not been received. We believe we will be able to expand our secondary and post-secondary vocational education programs mainly due to the following reasons:

(i) according to Frost & Sullivan, the number of newly enrolled students of technical schools in Guangdong Province has increased from approximately 186,300 in 2016 to approximately 212,800 in 2019, indicating a steady growth of the demand for secondary and post-secondary vocational education. The market size of the secondary vocational education in China and the Greater Bay Area in terms of revenue increased from RMB204.2 billion and RMB14.1 billion, respectively, in 2015 to RMB250.8 billion and RMB19.1 billion, respectively, in 2019, representing the CAGRs of 5.3% and 7.9%, respectively, and is expected to grow at a CAGR of 6.0% and 6.7% from 2019 to 2024, respectively;

(ii) the MOE implemented a series of measures to boost the development of secondary vocational education to achieve poverty alleviation and rural revitalization. According to "The Notice of 2021 Admission of Secondary Vocational Institutions" (《教育部辦公廳關於做好2021年中等職業學校招生工作的通知》) promulgated by the MOE, coordinated development of regular high school and secondary vocational education shall be promoted and a comparable enrollment of regular high school and secondary vocational institutions shall be maintained. Areas with a low proportion of vocational education should focus on expanding secondary vocational education resources and increasing student enrollment. Moreover, the sources of students for secondary vocational schools shall be actively expanded to include students who did not graduate from middle schools and high schools, urban and rural laborers, veterans, retired athletes, and migrant workers who returned to rural homes. Benefiting from the social and economic demand for skilled talent and government incentives for the development of vocational education, the number of student enrollments in secondary vocational education in China is expected to buck the slightly decreasing trend from 2015 to 2019 and reach 15.5 million in 2024, according to the Frost & Sullivan;

(iii) the Guangdong Provincial Government attaches great importance to the development of technical schools and vocational education. In recent years, the Guangdong Provincial Government has focused on closely combining the development needs of advanced manufacturing, strategic emerging and modern services industries to promote the development of secondary vocational education and high-quality economic growth. In 2019, the aggregate number of student enrollments of technical schools in Guangdong increased to 577,700, representing an increase of 6.4% from 2018. Looking forward, it is expected that the demand and the number of newly enrolled students of technical schools in Guangdong Province are expected to grow steadily; and

(iv) according to Frost & Sullivan, there is growing base of school-age population with high level of birth rate in Guangdong Province. The birth rate in Guangdong Province has maintained a relatively high level in recent years as compared to that of China, and the trend is expected to continue. Additionally, the PRC government introduced a three-child policy on May 31, 2021, which is expected to stimulate birth rates. The growing base of school-age population is beneficial to the sustainable growth in the demand for the secondary and post-secondary vocational education programs.

Our Directors confirm that Lingnan Modern Technician College will be able to meet all applicable requirements and relevant ratios as stipulated by the Notice on Printing Standards for Technical Schools and Colleges (Trial). which is applicable to Lingnan Modern Technician College, including the requirements relating to the total school site area and total school building area, and the relevant teacher-to-student ratio, if and when additional student capacity and student admission quota are allocated to Lingnan Modern Technician College as a result of the anticipated reduction in student enrollment of Lingnan Institute of Technology pursuant to its upgrade from an associate college to a vocational university in the 2023/2024 school year. According to the Notice on Printing Standards for Technical Schools and Colleges (Trial), which was promulgated by the Ministry of Human Resources and Social Security in 2012, for technician colleges such as our Lingnan Modern Technician College, the total site area shall be at least 100,000 sq.m and the total school building area shall be at least 80,000 sq.m. As of the Latest Practicable Date, Lingnan Modern Technician College had total school site area of approximately 83,805 sq.m. and total school building area of approximately 59,758 sq.m. However, unlike the School Condition Notice that is applicable to Lingnan Institute of Technology, there are no specific requirements to comply with the site area per student and teaching and administrative building area per student ratios for Lingnan Modern Technician College under the Notice on Printing Standards for Technical Schools and Colleges (Trial). We aim to increase the total school site area and building area of Lingnan Modern Technician College to meet the regulatory requirements on or before December 31, 2023 by leasing additional properties from third parties or use the vacant properties occupied by Lingnan Institute of Technology as it reduces its student enrollment in connection with its upgrade to a vocational university. Moreover, as disclosed above, we will use internal resources to engage sufficient number of teacher at Lingnan Modern Technician College to satisfy the requisite teacher-to-student ratio by December 31, 2023. For further details, please refer to the sections headed "— Legal Proceedings and Non-compliance — Historical Immaterial and Non-Systemic Noncompliance Incidents — Teaching and Administrative/School Building Area and Site Area" and "— Legal Proceedings and Non-compliance — Historical Immaterial and Non-Systemic Noncompliance Incidents — Teacher-to-Student Ratio" in this prospectus.

Based on the foregoing, our Directors are of the view that there are currently no practical obstacles for Lingnan Modern Technician College to increase its admission quota, expand its secondary and post-secondary vocational education programs and accommodate additional students in the event student enrollment of Lingnan Institute of Technology is reduced to ensure successful upgrade to a vocational university.

In the long run, we also believe that such arrangements would give our Group greater flexibility to increase tuition fee rates of our Lingnan Institute of Technology and thereby, improve overall financial condition of our Group and in the long run is of the interests of our Shareholders as a whole. For instance, we believe by upgrading to a vocational university, we will be able to charge an average tuition fee rate of RMB28,500 per school year for the undergraduate program after the upgrade based on the feasibility report prepared by our Group in connection with our expansion plan (which was reasonably estimated based on the average annual tuition fee rate of undergraduate programs of the vocational universities in Guangdong Province of RMB25,944 and RMB27,633 in 2019 and 2020, respectively, according to Frost & Sullivan), compared to the tuition fee rate ranging from RMB16,500 to RMB24,300 per school year for the junior college program in the 2020/2021 school year. In connection with such feasibility report, we considered, among other factors, the demand for vocational undergraduate education and competitive landscape of vocational universities in Guangdong Province.

In the event the MOE approves our application to offer undergraduate education or undergraduate vocational education, the new admission quota of Lingnan Institute of Technology will be subject to the approval from the relevant education authority in Guangdong Province upon examination of the school operating conditions and other relevant factors at that time and therefore, may vary from time to time. We estimate that, for the 2022/2023 school year during which we are still in the process of preparing to upgrade Lingnan Institute of Technology to a vocational university, the student admission quota for our junior college program will be at a range between 2,000 and 3,000 (as we intend to reduce student admission quota initially for the junior college program in the 2022/2023 school year in preparation for the upgrade) and the student admission quota for our undergraduate program will be nil. Beginning in the 2023/2024 school year, during which we expect to be approved to offer undergraduate programs to students by the MOE, to the 2026/2027 school year, we estimate that the student admission quota for our junior college program will first increase to a range between 3,000 and 3,500 and then gradually decrease to nil, while the student admission quota for our undergraduate program will increase from approximately 4,500 to approximately 5,000. Consequently, we expect student enrollment in our junior college program to gradually decrease in line with the decrease in student admission quota for such program, while student enrollment in our undergraduate program will rise in line with the increase in student admission quota for this program. These student admission quotas are formulated on the basis of our current expansion plans and our management's present expectation, which are subject to various risks, assumptions and uncertainties. The actual student admission quotas may vary as they are subject to the approval of the relevant education authority.

After the successful upgrade, we expect that other than reserving such student enrollment quota to enable the completion of our junior college program during the transition period, we will eventually reserve all outstanding student enrollment quota to our undergraduate program in accordance with the applicable student admission quota to be granted by the relevant education authority in Guangdong Province at such time. In light of the foregoing, as we increase the student enrollment of undergraduate students in accordance with the estimated student admission quota set forth above, we expect that the revenue of Lingnan Institute of Technology will gradually increase and reach at or above the amount of revenue of the school for the year ended December 31, 2020 beginning in or around the year ending December 31, 2024 based on our current estimations.

Accordingly, our Directors are of view that the negative impact of the reduction in student enrollment of our Lingnan Institute of Technology would on an overall basis be immaterial to our Group in the long term because (i) the upgrade to undergraduate program will allow Lingnan Institute of Technology greater flexibility in charging higher tuition fees; (ii) the teacher-student ratio would remain the same at 1:18 for the undergraduate program. Although the percentage of teachers requiring master's degree or above would increase as a result of the upgrade, our Directors do not expect that the scale of the increase in teachers' salaries and benefits will outpace the increase in the tuition fees we could generate from our undergraduate program; (iii) the period where there is a reduction in student enrollment in junior college program without a corresponding enrollment of higher-paying undergraduate students will be short-term, which is expected to be for the 2022/2023 school year. We expect to enroll students in our undergraduate program once Lingnan Institute of Technology is approved to offer undergraduate education by the MOE beginning in the 2023/2024 school year; and (iv) the reduction in student enrollment of our Lingnan Institute of Technology will likely make available a number of beds in the student dormitories in our Guangzhou Campus, and we believe our Lingnan Modern Technician College may be able to utilize of such available space in the event it decides to expand its secondary and post-secondary vocational programs, which will in turn allow us to generate more revenue from Lingnan Modern Technician College to offset the temporary loss of revenue from Lingnan Institute of Technology.

The table below sets forth the major qualification requirements to upgrade from an associate college to a vocational university and the current and target status of our Lingnan Institute of Technology with respect to each requirement:

Requirements	Vocational University	Our Current Status	Our Target Status and Target Completion Year
Total site area	Not less than 533,333 sq.m.	Approximately 511,300 sq.m.	Approximately 911,500 sq.m. after acquiring an additional land with a site area of 400,200 sq.m. for the Qingyuan Campus by 2021. We plan to acquire additional land in order to meet the site area per student requirement as described below.
Site area per student	Not less than 60 sq.m. per student	Approximately 34.6 sq.m. per student(1)	Approximately 60 sq.m. per student by 2021(2)

Requirements	Vocational University	Our Current Status	Our Target Status and Target Completion Year
Total teaching and administrative building area	Not less than 240,000 sq.m.	Approximately 335,500 sq.m.	Approximately 455,500 sq.m. after constructing additional teaching and administrative buildings with a gross floor area of 120,000 sq.m. on the Qingyuan Campus by 2023. We plan to construct additional teaching and administrative buildings in order to meet the teaching and administrative building area per student requirement as described below.
Teaching and administrative building area per student	Not less than 30 sq.m. per student	Approximately 21.8 sq.m. per student(3)	Approximately 30 sq.m. per student by June 2023(4)
Teacher-to-student ratio	Qualified Standard of 1:18	1:21.5	1:18 by engaging additional teachers by the third quarter of 2023 before the intake of students for the 2023/2024 school year(5)
Number of full-time teachers with a master's degree or above	At least 50%	Approximately 39.9%	We plan to encourage teachers to enhance their education level (for example, provide subsidy to teachers to attend trainings and hold seminar to introduce master degree programs to teachers) and engage additional teachers with master's degree so that we can have at least 50% of our teachers who have a master's degree or above.
Number of full-time teachers	At least 450	727	N/A

Requirements	Vocational University	Our Current Status	Our Target Status and Target Completion Year
Number of full-time teachers with senior professional technology title (高級專業技術職務)	At least 30%	Approximately 13.1%	We plan to encourage our teachers to obtain senior professional technology title (for example, provide subsidy to teachers to attend trainings) and engage additional teachers with such title so that we can have at least 30.0% of our teachers who have senior professional technology title.[(6)]

Notes:

(1) The current site area per student ratio of Lingnan Institute of Technology is derived by dividing the total site area of the school (comprising a total site area of approximately 511,300 sq.m. of the land in the Qingyuan Campus owned by Lingnan Institute of Technology and a total site area of approximately 204,320 sq.m. of the land in the Guangzhou Campus leased from Guangzhou Xintang and Guangzhou Yangji) by 20,659 full-time students enrolled in Lingnan Institute of Technology for the 2020/2021 school year. We use the aggregate site area of the land owned and leased and used by Lingnan Institute of Technology in connection with the calculation of current site area per student ratio because, based on our Directors' interpretation and understanding of applicable laws and regulations, the relevant PRC laws and regulations currently do not specifically require that an associate college determines the site area of the school and the site area per student ratio by only considering and using the land owned by such school.

(2) The target status of the site area per student ratio of Lingnan Institute of Technology is calculated by dividing an aggregate site area of approximately 911,500 sq.m. (after acquiring additional land with total site area of approximately 400,200 sq.m. in the Qingyuan Campus) by the total estimated student enrollment of 15,176 for the 2023/2024 school year. Based on our Directors' interpretation and understanding of applicable laws and regulations, when determining the total site area and site area per student ratio in connection with a vocational university, we are only able to consider and use the total site area of the land owned by the school.

(3) The current teaching and administrative building area per student is calculated by dividing the total gross floor area of Lingnan Institute of Technology (comprising a total gross floor area of approximately 335,500 sq.m. of the teaching and administrative buildings owned by Lingnan Institute of Technology and a total gross floor area of approximately 115,794 sq.m. leased and used by Lingnan Institute of Technology) by 20,659 full-time students enrolled in Lingnan Institute of Technology for the 2020/2021 school year. We use the aggregate gross floor area of the teaching and administrative buildings owned and leased and used by Lingnan Institute of Technology in connection with the calculation of current teaching and administrative building area per student ratio because, based on our Directors' interpretation and understanding of applicable laws and regulations, the relevant PRC laws and regulations currently do not specifically require that an associate college determines the teaching and administrative building area of the school and the teaching and administrative building area per student ratio by only considering and using the teaching and administrative buildings owned by such school.

(4) The target status of the teaching and administrative building area per student ratio of Lingnan Institute of Technology is calculated by dividing an aggregate teaching and administrative building area area of approximately 455,500 sq.m. (after constructing additional buildings with total gross floor area of approximately 120,000 sq.m. in the Qingyuan Campus) by the total estimated student enrollment of 15,176 for the 2023/2024 school year. Based on our Directors' interpretation and understanding of applicable laws and regulations, when determining the total teaching and administrative building area and teaching and administrative building area per student ratio in connection with a vocational university, we are only able to consider and use the total site area of the land owned by the school.

(5) Specifically, we plan to use our internal resources to engage approximately 1,065 teachers by September 30, 2021, 863 teachers by September 30, 2022 and 843 teachers by September 30, 2023 so that we are able to achieve and maintain a teacher-to student ratio of 1:18 in accordance with the Qualified Standard. As we plan to reduce the student

enrollment of Lingnan Institute of Technology to approximately 15,600 starting from the 2022/2023 school year in preparation to meet the requirements of site area per student and teaching and administrative building area per student, we may be able to reduce the number of teachers engaged and still be able to meet the relevant teacher-to-student ratio requirement.

(6) Specifically, we need to add approximately 120 full-time teachers with senior professional technology title to our teaching staff in connection with the upgrade. We plan to (i) require 60 to 90 of our existing teachers to obtain senior professional technology title in the next three years as we have the authority to grant such title to 20 to 30 teachers each year based on their performance (provided that we make necessary filings to the Education Department of Guangdong Province and Human Resources and Social Security Department of Guangdong Province); and (ii) engage an additional 30 to 60 full-time teachers with such title. Assuming the additional annual salary of full-time teachers with the senior professional technology title will be approximately RMB40,000 per teacher, we estimate that the aggregate cost of adding 120 full-time teachers with such title will be approximately RMB5.0 million per year. The additional teacher hiring expenses to be incurred could have a negative impact on our net profit in the short term.

Once we are in compliance with all the major qualification requirements, we will proceed to apply for an undergraduate degree operating license (本科學歷辦學) from the MOE. In accordance with the applicable laws, regulations and policies, Lingnan Institute of Technology will take the following steps to upgrade from an associate college to a vocational university:

Requirements	Expected Time of Completion
Lingnan Institute of Technology to acquire additional land of approximately 400,200 sq.m. for the Qingyuan Campus	By 2021
Lingnan Institute of Technology to construct additional teaching and administrative buildings of approximately 120,000 sq.m. on the Qingyuan Campus	By 2023 (construction to start in 2022)
Lingnan Institute of Technology to reduce student enrollment to approximately 15,600	Beginning in the 2022/2023 school year
Lingnan Institute of Technology to submit the application for upgrade to the Education Department of Guangdong Province	By June 2023
The Education Department of Guangdong Province to organize experts to conduct preliminary review regarding the qualifications for the establishment of universities and select the qualified university candidates to the Guangdong Provincial Government for further filing to the MOE	By 2023
The MOE to conduct formality review of application documents and further convene expert panel for substantial review	By 2023
The MOE to issue the approval after the expert panel review results are reported to the Party Committee of the MOE and published to general public without objection	By September 2023
Lingnan Institute of Technology to start enroll students for the undergraduate program	Beginning in the 2023/2024 school year

* Planned completion date is estimated by our management based on the prevailing conditions as of the Latest Practicable Date. We may adjust such date from time to time based on the actual situations.

Our Directors are of the view that our Lingnan Institute of Technology will be able to meet all relevant requirements to upgrade to a vocational university. We have been contemplating upgrading Lingnan Institute of Technology to a vocational university since prior to the Track Record Period. Since 2016, the Qingyuan Municipality Government has indicated its support for such upgrade given the solid education foundation of Lingnan Institute of Technology. In particular, it had expressed support in terms of access to land and favorable economic policies to further assist Lingnan Institute of Technology's development and to improve its standard and quality of teaching such that it is in a position to upgrade to a university. In addition, it recognized the education quality and important position of our Lingnan Institute of Technology and believed that we had already laid a good foundation for the school to be upgraded to a vocational university. The Qingyuan Municipality Government also believed that the upgrade of Lingnan Institute of Technology to a university would have a positive impact on accelerating the modernization of education of Qingyuan Municipality and promoting the sustainable and healthy development of the local economy. In view of the plan to upgrade to a vocational university, we have been in direct discussions with the relevant governmental authorities in selecting appropriate premises to expand the Qingyuan Campus and such discussions have led to constructive outcomes, including the recommendation by the Qingyuan Municipality Government on certain land as potential premises for the expansion. The final decision on whether to proceed with the acquisition of such land for cash consideration will be made by Lingnan Institute of Technology. Our Directors are therefore of the view that there are currently no practical obstacles for the MOE to approve our application considering these aforementioned factors and the fact that (i) recent favorable government policies encourage and support the development of vocational undergraduate education. As of the Latest Practicable Date, 27 vocational education institutions in the PRC have been approved by the MOE to provide undergraduate vocational education, including 22 private universities, two of which, were located in Guangdong Province; and (ii) we have a proven track record to provide high-quality vocational education, which was recognized by the PRC government and the public. Please see the section headed "— Awards and Recognitions" in this prospectus for details. Having considered the bases leading to the view of the Directors, taking into account the PRC Legal Advisors' view that the 2021 Implementation Rules do not impose limitations in this respect, and based on the due diligence work conducted by the Sole Sponsor, subject to the final approvals of relevant regulatory authorities regarding the upgrade being obtained by the Group, as of the Latest Practicable Date and barring unforeseen circumstances, nothing has come to the Sole Sponsor's attention that causes the Sole Sponsor to cast doubt on the above Directors' view.

We believe we will be able to provide qualified undergraduate education after the successful upgrade of Lingnan Institute of Technology to a vocational university as (i) the MOE will continue to monitor and supervise our operations after the upgrade and conduct comprehensive evaluation on our undergraduate education every five years to ensure that we have achieved the required level of undergraduate education; and (ii) we have dedicated resources to the upgrade of Lingnan Institute of Technology to a vocational university, including establishing a special office, which oversees the upgrade process. This office has formulated detailed workplans and conducted comprehensive studies regarding campus expansion, teacher qualification, funding plan and allocation plan of teaching and dormitory resources. We believe that given our reputation in Guangdong Province in providing quality vocational education, the preparation we have made in upgrading to a vocational university, we are well prepared for the upgrade of Lingnan Institute of Technology to a vocational university, and there will be student demand for the undergraduate education that the upgraded Lingnan Institute of Technology will provide.

Expansion Contingency Plan

If we are able to successfully obtain the approval from the MOE to offer undergraduate programs before September 2023, we expect to admit students for the undergraduate program beginning in the 2023/2024 school year. However, in the event the MOE does not approve our application to upgrade Lingnan Institute of Technology from an associate college to a vocational university in 2023 for any reason, we plan to continue to expand its junior college program by increasing student admission and enrollment beginning in the 2024/2025 school year. We believe we will be able to expand the junior college program of Lingnan Institute of Technology primarily because (i) the demand for junior college education in China and the Greater Bay Area is expected to increase. According to Frost & Sullivan, student enrollment in junior college education in China increased at a CAGR of 5.1% from 2015 to 2019 and is expected to increase at a CAGR of 3.0% from 2019 to 2024. In addition, students enrolled in junior college education in the Greater Bay Area increased at a CAGR of 1.7% from 2015 to 2019, and will maintain the same CAGR from 2019 to 2024; (ii) we will have sufficient student capacity at Qingyuan Campus resulting from anticipated land acquisition and building construction in connection with the upgrade so that the student capacity of Qingyuan Campus is expected to increase by an additional approximately 3,000, 4,000 and 5,000 students in 2022, 2023 and 2024, respectively. Such additional student capacity can be utilized for junior college education in the event Lingnan Institute of Technology's upgrade to vocational university is not successful; (iii) during the Track Record Period, Lingnan Institute of Technology had an overall school utilization rate (including the school utilization rate of the Guangzhou Campus and Qingyuan Campus) of over 80.0%, which we believe we will be able to maintain going forward given the increasing demand for junior college education, our successful track record of providing high-quality vocational education and anticipated and continuous improvement of the school facilities and student dormitories; (iv) we expect student admission quota for junior college education to increase in the event the upgrade application is not approved. For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, Lingnan Institute of Technology had student admission quota of 8,000, 8,900, 8,900 and 8,900, respectively. Once we acquire additional land and construct new buildings in Qingyuan Campus, we will apply for additional student admission quota with the Education Department of Guangdong Province, the approval of which will depend on a number of factors, such as the existing school operating conditions and available resources; and (v) according to Frost & Sullivan, there is growing base of school-age population with high level of birth rate in Guangdong Province. The birth rate in Guangdong Province has maintained a relatively high level in recent years as compared to that of China, and the trend is expected to continue. In addition, the PRC government introduced a three-child policy on May 31, 2021, which is expected to stimulate birth rates. The growing base of school-age population is beneficial to the sustainable growth of the demand for junior college programs in the long run.

We intend to allocate approximately 55.0% of the net proceeds of the Global Offering to expand the Qingyuan Campus by acquiring additional land of approximately 400,200 sq.m. by 2021 and approximately 12.0% of the net proceeds of the Global Offering to construct additional teaching and administrative facilities in the Qingyuan Campus by 2023 in connection with Lingnan Institute of Technology's application to upgrade to a vocational university, which would not be impacted by any adverse MOE decision on such upgrade application as such land, once approved for use for educational purposes, would be eligible to be used by us to expand the Qingyuan Campus and expand the junior college program of Lingnan Institute of Technology.

Based on the foregoing, our Directors are of the view that there are currently no practical obstacles for us to expand the junior college program of Lingnan Institute of Technology in the event its application to upgrade to a vocational university is denied by the MOE.

The upgrade of Lingnan Institute of Technology from an associate college to a vocational university offers us the opportunities to, among other things, (i) further develop and introduce certain number of additional majors relating to TMT, Healthcare and science and engineering while maintaining high-quality education with respect to other majors Lingnan Institute of Technology currently offers; (ii) become an entrepreneur- and innovative-oriented university through industry-education integration and teachers' career development; and (iii) deepen the cooperation with foreign higher educational institutions to provide more international exchange programs to enhance students' learning experience.

In addition to the above efforts, we also plan to use approximately 3.0%, or HK$15.8 million, to construct an industry and education integrated industrial parks (產教融合產業園) in the Qingyuan Campus, focusing on providing primarily TMT Industry- and Healthcare Industry-related education and training to our students of Lingnan Institute of Technology. Please refer to the section headed " Future Plans and Use of Proceeds — Use of Proceeds" in this prospectus for further details.

We will recruit sufficient number of administrative staff in the PRC if any future increase in student enrollment is expected. We will continue to implement a rigorous selection process and impose relatively high standards to select qualified and suitable staff for our school.

The principal assumptions we made when calculating the expected breakeven period for a school include the tuition fees and boarding fees Lingnan Institute of Technology currently expects to charge for each student in each school year, the number of new students it expects to enroll in each school year, subject to the relevant student admissions quota approved by the relevant education authorities, the cost of sales and other operating expenses Lingnan Institute of Technology expects to incur when providing education services to students and the estimated tax liabilities it anticipates to be exposed to. In addition, we assume all other factors remain constant, the actual investment and construction costs of these schools will not materially deviate from the expected amounts, and we take into account the financial resources available to us.

The following table sets forth the expected total costs of investment, including the investment to acquire the relevant land use rights to expand the Qingyuan Campus, the amount incurred as of the Latest Practicable Date, remaining portion of the total estimated investment, funding plan and payment schedule, expected investment return, expected payback period and expected breakeven period in connection with the upgrade of Lingnan Institute of Technology, as well as the potential impact on our financial and operating performance. **This information is prepared on the basis of our current expansion plans and our management's present expectation, which are subject to various risks, assumptions and uncertainties. There is no assurance that our actual expansion plans will not deviate from our current expansion plans. Our management will consider making various adjustments to our business plans, including but not limited to, delaying or suspending our expansion plans and increasing our debt and/or equity financing when our working capital or business performance may be materially and adversely affected. In the event of material change in circumstances or our business plans, to comply with Rule 13.09 of the Listing Rules, we will make announcements as and when appropriate if our business might be materially or adversely affected. All information contained in the following table is for reference and illustration purposes only**.

School	Expected Total Investment	Amount Incurred as of the Latest Practicable Date	Remaining Portion of Expected Total Investment and Payment Schedule	Funding Plan	Expected Payback Period[(1)]	Expected Breakeven Period[(2)]	Expected Investment Return[(3)]	Potential Impact
	(RMB'000)	(RMB'000)	(RMB'000)		(Years)	(Years)	(%)	
Lingnan Institute of Technology . .	686,000[(4)]	–	686,000 (comprising 240,000 land acquisition cost for approximately 400,200 sq.m. of land to be obtained through land transfer from government for cash considerations, 360,000 construction cost (for approximately 120,000 sq.m. of teaching and administrative buildings), 60,000 equipment purchase cost and 26,000 construction cost of an industry and education integrated industrial park)	The expected total investment will be funded by 70.0% of the net proceeds of the Global Offering (approximately RMB306.8 million, of which RMB240.0 million will be used for land acquisition) with the remainder to be financed by our internally generated funds and/or external financing	6.5	3	20.9	Assuming we obtain for the upgrade from an associate college to a vocational university in the 2023/2024 school year, we expect that the upgrade application will result in the initial full-time student enrollment of approximately 15,600 starting from the 2022/2023 school year in order to comply with the applicable basic school operating conditions. In addition, we anticipate to increase the tuition fee and boarding fee rates initially once the upgrade is approved to an average of approximately RMB28,000 and RMB1,800 per full-time student per school year, which will be further adjusted in accordance with the cost of our operations in future school years. This will enable us to increase revenue and enhance our profitability.

Notes:

(1) Expected payback period refers to the period of time required to recover our expected total investment. It is the period of time during which the total future net cash flow generated from operating activities equals to the expected total investment. In connection with the calculation of expected payback period, we mainly assumed that (i) the number of student enrollments in the undergraduate program will gradually increase from approximately 4,500 for the 2023/2024 school year to approximately 22,000 (assuming that the Qingyuan Campus will continue to expand in the long run after the successful upgrade of Lingnan Institute of Technology to a vocational university, including the acquisition of additional land and the construction of new buildings and facilities, which we believe, will further enhance the student capacity of the Qingyuan Campus and enable us to apply for additional student admission quota with the relevant government authorities) for the 2027/2028 school year; (ii) we will be able generate more revenue of tuition fees from the undergraduate program of Lingnan Institute of Technology beginning in 2023 compared to that of the junior college program resulting from expected increase in average tuition fee for the undergraduate program; and (iii) we will be able to generate more rental income in connection with the expansion of school-enterprise collaboration from the Guangzhou Campus as some of school buildings not otherwise utilized by Lingnan Modern Technician College in connection with the upgrade of Lingnan Institute of Technology could be used for the school-enterprise collaboration program, partially offset by an anticipated increase in staff costs associated with the successful upgrade of Lingnan Institute of Technology to a vocational university.

(2) Expected breakeven period refers to the period of time required for a school to generate revenue equal to its cost of sales and other operating expenses of the first time.

(3) Expected investment return refers to the internal rate of return of discounting (i) the school's future cash flow from operating activities; and (ii) our Group's total investment in the school, to their present values.

(4) The expected total investment only applies to the Qingyuan Campus of Lingnan Institute of Technology.

As of the Latest Practicable Date, we were in the process of identifying suitable land in connection with the expansion plan of the Qingyuan Campus. We do not expect that the outbreak of the COVID-19 pandemic will adversely impact or delay our current construction timeline or our expansion plan. To the best of our knowledge, the local construction contractors have resumed work as of the Latest Practicable Date. In addition, we do not anticipate that the COVID-19 pandemic will cause any material fluctuation in the costs of labor and raw materials in connection with the expansion of the Qingyuan Campus.

Risks of Expansion

The execution of our expansion plan in the PRC and abroad may encounter certain risks and challenges, including, but not limited to, land acquisition and construction risks, operational risks, such as the risks relating to student recruitment, teaching quality and school management, financing risks and regulatory risks. In particular, in connection with the expansion of the Qingyuan Campus, we need to acquire the relevant land use rights, complete the construction, obtain the relevant construction project acceptance check, pass the fire control inspection and conduct environmental impact assessment before putting the expanded area of the Qingyuan Campus and newly constructed buildings to use. There is no guarantee that we will be able to timely obtain the approval for upgrade and complete these tasks. In the event this occurs, we will not be able to successfully execute our expansion plan, which could materially and adversely affect our business, financial condition, results of operations, business prospects and reputation. Please refer to the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to fully execute our growth strategies or manage our growth effectively, which may hinder our ability to capitalize on new business opportunities, or successfully integrate businesses that we acquire or invest in, which may cause us to lose the anticipated benefits from such acquisitions and investments and to incur significant additional expenses" in this prospectus for further details.

In addition, with respect to the upgrade of Lingnan Institute of Technology, since the expected payback period is approximately 6.5 years, we anticipate we will need to use a combination of internally generated funds and a portion of the net proceeds of the Global Offering to satisfy the initial funding requirements of the school. Moreover, we may need to consider obtaining external financing, through which we are expected to incur finance costs. Therefore, our future results of operations and financial condition could be adversely affected. Please refer to the sections headed "Risk Factors — Risks Relating to Our Business and Our Industry — Our historical financial and operating results may not be indicative of our future performance" and "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to secure additional funding to fund our planned operations" in this prospectus.

Our expansion plans may also be exposed to regulatory and policy change risks in China, including the 2016 Decision and the 2021 Implementation Rules. See the sections headed "— Potential Implications of the 2016 Decision and Related Implementation Rules" and "— The 2021 Implementation Rules" in this prospectus for more details.

POTENTIAL IMPLICATIONS OF THE 2016 DECISION AND RELATED IMPLEMENTATION RULES

The 2016 Decision

The 2016 Decision is the Decision of the Standing Committee of the NPC on Amending the Private Schools Promotion Law (《全國人民代表大會常務委員會關於修改<中華人民共和國民辦教育促進法>的決定》), which was promulgated on November 7, 2016, and came into force on September 1, 2017. It has made certain amendments to the Law for Promoting Private Education. Pursuant to the 2016 Decision, private schools will no longer be classified as either schools for which the school sponsor(s) require reasonable returns or schools for which the school sponsor(s) do not require reasonable returns. Instead, the school sponsor(s) of a private school may choose for the school to be a for-profit private school or a non-profit private school, with the exception that the schools providing nine-year compulsory education must be non-profit. The school sponsors of for-profit private schools are allowed to receive income from the operation of the school and the balance of running such schools. By contrast, the school sponsors of non-profit private schools are prohibited from receiving income from the operation of the school and the balance of running such schools shall be only used for the operation of the schools. In addition, for-profit private schools are entitled to have discretion in determining the fees collected from the students in accordance with the market conditions while the fee collection of non-profit private schools shall be subject to provincial government regulation. The following table sets forth key differences between a for-profit private school and a non-profit private school under the 2016 Decision.

Item	For-profit Private School	Non-profit Private School
Receipt of operating profits	Sponsors are allowed to receive operating profits, and the surplus from operations shall be handled in accordance with the provisions of the PRC Company Law and other laws and regulations	Sponsors are not allowed to receive operating profits, and all surplus from operations shall be used for the operation of the school
Licenses and registration	Private school operating licenses, business licenses	Private school operating licenses and legal person certificate of private non-enterprise/the legal person certificate of public institution
Fees to be charges..	Determined based on school operating costs and market demand, and no prior regulatory approval is required	Determined pursuant to the fee charge regulations to be promulgated by the local governments
Tax treatment..	Preferential tax treatment as stipulated by the State	Same preferential tax treatment as public schools
Land	Acquired either through land allocation or land transfer	Acquired through land allocation
Public funding	Public funding in the form of purchase of services, student loans, scholarships, lease and acquisition of unused State-owned assets	Public funding in the form of purchase of services, student loans, scholarships, lease or acquisition of unused State-owned assets, and government grants, incentive funds and donations

Item	For-profit Private School	Non-profit Private School
Liquidation.	Liquidated in accordance with the provisions of the PRC Company Law. Sponsors can obtain the school's remaining assets after the settlement of its indebtedness	For schools established before the promulgation of the 2016 Decision, if there are still remaining school assets after the settlement of its indebtedness, such assets shall be used continuously for the operation of non-profit school. Sponsor can apply for compensation or rewards, which shall be decided based on a number of factors

For details of the 2016 Decision, including the key differences between a for-profit private school and a non-profit private school under the 2016 Decision, please refer to the section headed "Regulatory Overview — Regulations on Private Education in the PRC — The Law for Promoting Private Education and the Implementation Rules for the Law for Promoting Private Education" of this prospectus.

In addition to the 2016 Decision, state-level government authorities also issued certain implementing rules. On December 30, 2016, five state-level government departments, including the MOE, jointly issued the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "Classification Registration Rules") without stipulating any definite time for their effectiveness. The Classification Registration Rules stipulates that if an existing private school chooses to register as a non-profit private school, it shall amend its articles of association in accordance with the relevant laws, continue its school operation and complete the new registration. If an existing private school chooses to register as a for-profit private school, it shall make financial settlement, clarify the ownership of the schools' land, buildings and accumulations with the consent of the relevant departments of the people's governments at or below the provincial level, pay relevant taxes and fees, obtain new school operation licenses, apply for re-registration and continue the school operations. The Classification Registration Rules also stipulates that the provincial people's government shall be responsible for formulating the detailed measures on the alteration of the registration of the private schools in accordance with national laws and various applicable local circumstances. There are also other state-level regulations, such as the Implementing Measures for the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理 實施細則》), which was published on December 30, 2016 and sets forth detailed measures regarding the establishment, modification and termination of a for-profit private school, education and teaching related activities carried out by and financial management of a for-profit private school, and the Notice of the State Administration for Industry and Commerce and the Ministry of Education on the Registration and Administration of the Name of For-Profit Private School (《工商總局、教育部關於營利性民辦學校名稱登記管理有關工作的通知》).

Guangdong Implementation Regulations

The 2016 Decision is silent on the specific measures regarding how existing private schools can choose to become for-profit private schools or non-profit private schools, which, according to the 2016 Decision, shall be regulated by the corresponding laws and regulations to be promulgated by the local government authorities. The Guangdong provincial government has promulgated implementation regulations under the 2016 Decisions, including the Implementation Opinions of the Government of Guangdong Province on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《廣東省人民政府關於鼓勵社會力量興辦教育促進民辦教育健康發展的實施意見》) promulgated by the Government of Guangdong Province on April 24, 2018, the Implementation Measures for the Supervision and Administration of For-Profit Private Schools (《關於營利性民辦學校監督管理實施辦法》), which were issued jointly by the Education Department of Guangdong Province, Department of Human Resources and Social Security of Guangdong Province and Department of Market Supervision and Administration of Guangdong Province and came into effect on December 30, 2018, and the Implementation Measures on Classification Registration of Private Schools (《關於民辦學校分類登記實施辦法》), which were issued jointly by five departments of the Guangdong provincial government(namely, the Education Department of Guangdong Province, Human Resources and Social Security Department of Guangdong Province, the Department of Civil Affairs of Guangdong Province, the Office of Organization Staffing Committee of CPC Guangdong Provincial Party Committee and the Market Supervision and Administration of Guangdong Province) and came into effect on December 30, 2018 (together, the "Guangdong Implementation Regulations"). Please refer to the section headed "Regulatory Overview — Regulations on Private Education in the PRC" in this prospectus for further details.

There are uncertainties in terms of the interpretation and enforcement of the 2016 Decision and the Guangdong Implementation Regulations by the relevant government authorities, such as (i) when should we notify the relevant authorities regarding our decision for our schools to be for-profit or non-profit private schools; (ii) the preferential tax treatments that may be enjoyed by a for-profit school or a non-profit school, respectively; (iii) whether respective public funding can be obtained by a for-profit school and a non-profit school; and (iv) respective costs for a for-profit and non-profit school to obtain land use rights. The relevant departments of the government authorities shall formulate the detailed rules to promote the aforesaid classification registration reform.

THE 2021 IMPLEMENTATION RULES

Overview

On May 14, 2021, the State Council released 2021 Implementation Rules, with the effective date of September 1, 2021, which made certain significant changes that may affect private schools. The 2021 Implementation Rules, promulgated by State Council, as the legislation of the lower authorities in the PRC, shall not contravene the Law for Promoting Private Education of the PRC, which was promulgated by the Standing Committee of the NPC, which was the legislation of higher authorities. Specifically, the 2021 Implementation Rules are the detailed implementation rules of the Law for Promoting Private Education of the PRC.

The following table sets forth the key provisions under the 2021 Implementing Regulations:

	2021 Implementing Rules	Applicability and Current Status
1 . .	A private school may enjoy the preferential tax policies, which are not defined under the 2021 Implementing Rules, as stipulated by the State and a non-profit private school may enjoy the same tax policies as enjoyed by a public school.	The academic education income from Lingnan Institute of Technology and Lingnan Modern Technician College, being non-profit private schools at the relevant time, shall be non-taxable. Uncertainties still exist with respect to the tax policies applicable to for-profit private schools, including whether we will be able to continue to enjoy tax exemption relating to academic education income. Our PRC Tax Consultant advised us that based on the applicable tax laws and regulations promulgated by the relevant authorities in the PRC and the publicly available tax filings and current operating practices as disclosed by our public company peers, and in light of the fact that neither Lingnan Institute of Technology nor Lingnan Modern Technician College has elected to register as a for-profit private school, the possibility of our schools being ordered by the relevant local tax authority to pay any back taxes during the Track Record Period is relatively low. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, including in the event our schools elect to register as for-profit private schools, or the local tax bureaus may change their policy, in each such case, we will be subject to PRC income tax on academic education income going forward.

	2021 Implementing Rules	Applicability and Current Status
2 . .	The local governments shall grant preferential treatment in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools and public schools equally, and for schools that provide education for academic qualifications, may provide land by means of bid invitation, auction or listing, assignment of contracts, long-term lease or combination of sale and as rental, and may allow to settle by installments.	As of the Latest Practicable Date, we owned land use rights for four parcel(s) of land with an aggregate gross site area of 511,303.34 sq.m., which were obtained by us through land transfer from government for cash considerations. Our Directors are of the view that the preferential treatment in terms of land use for non-profit private schools will not have any material impact on our Group.
3 . .	Private schools not providing compulsory education must conduct transactions with their interested parties in a manner that is open, justified and fair, shall be reasonably priced,, shall establish standardized decision-making for such transactions and shall not harm the interests of the State, schools and teachers and students, Private schools shall set up an information disclosure mechanism for dealing with their interested parties. The relevant governmental authorities such as the education department, the human resources and social security departments and the financial department are required to strengthen supervision of the agreements signed between non-profit private schools and their Interested Parties, and to review such transactions annually.	Given neither Lingnan Institute of Technology nor Lingnan Modern Technician College provides compulsory education, they are not subject to the prohibition on transaction with interested parties. Rather, they are required to enter into transactions with interest parties based on the open, fair and impartial basis. In the unlikely event that Contractual Arrangements are not deemed to have been entered into on an open, fair and impartial basis in accordance with the current applicable laws and regulations by the relevant PRC government authorities, Lingnan WFOE may need to reduce the amount of service fees it could charge from Lingnan Institute of Technology and Lingnan Modern Technician College or make other changes to the terms of the Contractual Arrangements to comply with the open, fair and impartial requirements. Accordingly, there would be no income for Lingnan WFOE to distribute as dividends to our Company thereafter. Only in the extreme scenario where we fail to make such changes to the terms of our Contractual Arrangements necessary to comply with the open, fair and impartial requirements and the relevant authorities demand that our Contractual Arrangements be terminated, or the relevant authorities are of the view that no service fees could be charged by Lingnan WFOE in order for the Contractual Arrangements to be open, fair and impartial, we will cease to be able to consolidate our PRC Affiliated Entities, which, in turn, will have a material adverse impact on our business, results of operations and financial condition.

	2021 Implementing Rules	Applicability and Current Status
4 . .	The registered capital of a private school must be paid in full when it formally established and shall be compatible with the type, level and scale of the school.	The registered capital of Lingnan Institute of Technology and Lingnan Modern Technician College has been paid in full. As advised by our PRC Legal Advisors, (i) there are no provisions elaborating the type, level and scale of the registered capital requirements in the 2021 Implementation Rules, or the amount of registered capital that would be considered appropriate for schools of different types, levels or scales under the current PRC laws or regulations; and (ii) the current registered capital of our schools does not contravene the currently applicable PRC laws or regulations. In the event we register our schools as for-profit private schools, even though the 2021 Implementation Rules do not stipulate, and Guangdong Province has not promulgated any detailed implementation rules that require, the minimum amount of registered capital, we believe that we will be able to increase the registered capital of our schools if necessary, and pay any requisite land transaction fees and any increased amount of registered capital by utilizing internally generated funds from our operations and to the extent necessary, obtaining external bank borrowings. We will closely monitor and make the relevant decision regarding the status of our schools in response to the development of the 2016 Decision and the 2021 Implementation Rules after consulting with our PRC Legal Advisors.

The 2021 Implementation Rules promote the development of private education by providing that a private school shall enjoy the relevant rights or preferential policies, which shall primarily include:

(i) a private school may enjoy the preferential tax policies stipulated by the State and a non-profit private school may enjoy the same tax policies as a public school; and

(ii) the local people's governments shall grant preferential treatments in terms of land use by means of allocation in accordance with the principle of treating non-profit private schools the same as public schools, and for schools that provide education for academic credentials, may provide lands by means of bid invitation, auction or listing, assigning contracts, long-term lease or a combination of sale and rental, and may permit payment in instalments.

The 2021 Implementation Rules stipulates further provisions of the operation and management of private schools. Among other things:

(i) a for-profit private school shall deposit the income into a specific settlement account of its own, and a non-profit private school shall use the accounts filed with the competent authorities for charging fees and financial transactions;

(ii) at the end of each financial year, for-profit schools shall set aside a portion of not less than 10% of its audited annual net income, and a non-profit school from its audited annual net increase in assets, as the development fund, which shall be used for the development of school;

(iii) private schools that provide compulsory education are not allowed to enter into transactions with their interested parties. Other private schools shall conduct transactions with their interested parties in a manner that is open, justified and fair, shall be reasonably priced, shall establish standardized decision-making for such transactions and shall not harm the interests of the State, schools and teachers and students. Private schools shall set up an information disclosure mechanism for dealing with their interested parties. The relevant governmental authorities, such as the education department, the human resources and social security departments and the financial departments, shall strengthen the supervision of the agreements entered into between non-profit private schools and their interested parties, and shall review the connected transactions annually;

(iv) the registered capital of a private school shall be paid in full when it is formally established and shall be compatible with the type, level and scale of the school;

(v) any social organizations or individuals shall not control compulsory education private schools or non-profit private schools that implement preschool education through mergers or "structured contracts";

(vi) for any change of school sponsor of a private school, an alteration agreement shall be entered into but shall not involve the legal property of the school, nor shall it affect the development of the school, or damage the rights and interests of teachers and students; the existing school sponsor may, in accordance with its lawful rights and interests, enter into agreements with the successional school sponsor to stipulate the income from the alteration; and

(vii) changes in the controlling shareholder(s) and actual controller(s) of the school sponsors of private schools who are legal persons (法人) shall be required to make filings of record with the relevant government authorities and issue public announcements.

In addition, the 2021 Implementation Rules encourage enterprises to establish or participate in the establishment of private schools that implement vocational education in various forms, such as sole proprietorship, joint venture and cooperation, and legalizes institutions that implement nationally recognized educational examinations, vocational qualification examinations and vocational skill level examinations.

Implications on Our Expansion Strategy

The implementation of the 2021 Implementation Rules may also have an impact on our expansion strategy. According to clause 12 of the 2021 Implementation Rules, changes in the controlling shareholder(s) and actual controller(s) of the school sponsors of private schools who are legal persons (法人) shall be required to make filings of record with the relevant government authorities and issue public announcements, which may prolong or hinder the acquisition progress of private schools. According to Clause 13 of the 2021 Implementation Rules, social organizations or individuals are not allowed to control compulsory education private schools or non-profit private schools implemented preschool education through ways such as merger or “structured contracts”. As advised by our PRC Legal Advisors, if our Contractual Arrangements are considered as a “structured contracts” under Clause 13 of the 2021 Implementation Rules, we may no longer be able to acquire or control private schools providing compulsory education or non-profit private schools providing preschool education by means of merger or through “structured contracts”, and our acquisition scope may also be limited. We currently do not anticipate we will acquire any non-profit private schools in the future.

The Impact of the 2016 Decision and the 2021 Implementation Rules on Our Group

Our PRC Legal Advisors advised us that there is no legal impediment for our schools to register as for-profit private schools in the future on condition that the requirements under the then applicable PRC laws are satisfied, and our Directors concur with such view. The overall impact of the 2016 Decision and 2021 Implementation Rules on our business is as follows:

- *Contractual Arrangements*: Contractual Arrangements may be regarded as connected transactions of our schools with interested parties and we may incur substantial compliance costs in relation to establishing disclosure mechanisms and undergoing review and audit by the relevant government authorities where it may find that one or more agreements underlying our Contractual Arrangements do not comply with applicable PRC laws and regulations and may subject us to severe penalties, resulting in material adverse impact on our business operations and financial condition. With respect to the Contractual Arrangements, as of the Latest Practicable Date, except for the provisions with respect to the transactions with interested parties on a open, fair and impartial basis without damaging the State's interests, the interests of the schools or the rights and interests of the teachers and students, no specific requirement has been promulgated regarding the existing Contractual Arrangements in accordance with the 2021 Implementation Rules. Nevertheless, assuming (i) our schools are able to successfully register as for-profit private schools under the 2016 Decision and the 2021 Implementation Rules; and (ii) the Contractual Arrangements are entered into on an open, fair and impartial basis, our PRC Legal Advisors advised us that the 2021 Implementation Rules do not stipulate additional requirements with respect to the Contractual Arrangements as compared to the 2016 Decision. Further, in light of the following, our Directors are of the view that nothing has come to their attention that the current terms of our Contractual Arrangements would damage the State's interest, the interests of our schools or the rights or interests of students and teachers or would otherwise render our Contractual Arrangements not open, fair or impartial.

We believe that our Contractual Arrangements would be deemed to have been entered into on an open, fair and impartial basis mainly due to the following:

◦ *Internal controls and implementation of our Contractual Arrangements.* Our Directors are of the view that our Contractual Arrangements and our Group has in place the mechanisms and measures to allow us to react timely and effectively to comply with any new implementation rules or interpretations by government authorities on the principles of openness, fairness and impartialness. In particular, our senior management has been tasked with closely monitoring the issuance of the detailed implementation rules in Guangdong Province to ensure that we have the latest information and understanding of the process and impact of registering our schools as for-profit private schools. Our senior management also maintains frequent communications with the relevant government authorities in order to be familiar with the specific regulatory requirements so as to be able to provide input to and be informed by the relevant government authorities as early as practicable with respect to any developments. It should be noted that our senior management are responsible for assessing the level of services fees or consideration to be charged under our Contractual Agreements, where applicable. Our Contractual Arrangements, which provide for the provision of commercial services in return for services fees or otherwise involve a payment of consideration, include the Business Cooperation Agreement and the Exclusive Technical Service and Management Consultancy Agreement. The amount of the service fees to be paid by Lingnan Institute of Technology and Lingnan Modern Technician College for services provided by Lingnan WFOE are not fixed in each of these agreements, and will be considered and determined from time to time having regard to various factors, including the scope of the services provided, the complexity and difficulty of technologies involved in the services provided by Lingnan WFOE, resources invested and time spent by the employees of Lingnan WFOE for the provision of the relevant services, content and commercial value of the services provided, market price of services provided and business operation of our PRC Affiliated Entities as the service recipients. Further, notwithstanding that the amount of service fees to be charged under the Exclusive Technical Service and Management

Consultancy Agreement are equivalent to the total amount of surplus from operations of our PRC Affiliated Entities, such service fees are only paid to Lingnan WFOE after deductions for costs, taxes, and other fees to be reserved or deducted as required by Lingnan Institute of Technology and Lingnan Modern Technician College under the relevant PRC laws and regulations, ensuring due and sustainable operation of the schools. Given that our senior management will be responsible for determining the service fees to be charged and the amount of cost to be deducted or reserved by each of Lingnan Institute of Technology and Lingnan Modern Technician College, and coupled with the internal control measures above, our Directors believe that it will be in a position to properly assess an appropriate amount of service fees to be charged and the costs to be deducted or reserved that would allow the Business Cooperation Agreement and the Exclusive Technical Service and Management Consultancy Agreement to comply with the principles of openness, fairness and impartialness due to its close attention to the developments of the relevant policies and regulations and proactive consultation with the authorities in charge;

◦ *Other terms of our Contractual Arrangements aim to protect our schools and prevent leakage*. Many of the terms of our Contractual Arrangements are designed to prevent leakage of assets and values of our PRC Affiliated Entities or prevent damage to our PRC Affiliated Entities, for example, undertakings not to compete from the Registered Shareholders, or undertakings not to conduct any activity or transaction which may have any actual impact on the assets, business, staff, obligations, rights or operations of our PRC Affiliated Entities, among other provisions. For details, please see the section headed "Contractual Arrangements" in this prospectus. Accordingly, provided that the transactions with interested parties under the Contractual Arrangements are deemed to have been entered into on an open, fair and impartial basis in accordance with the current applicable laws and regulations by the relevant PRC government authorities, our Contractual Arrangements were not entered into with a view to damage the interest of the State, our schools or our students or teachers;

◦ *Taking steps to comply with the "openness" requirement under the 2021 Implementation Rules.* Our Company will take steps to make the Contractual Arrangements public to comply with the principle of "openness", including making available our Contractual Arrangements on our websites and at our principal offices; and

◦ *Current terms of our Contractual Arrangements do not materially deviate from other similar arrangements adopted by PRC companies whose businesses are similar to ours*. In particular, companies which have indicated that they will elect to register as for-profit private schools have entered into similar business cooperation agreements, exclusive technical service and management consultancy agreements and exclusive call option agreements, whose economic terms, such as service scope and fee arrangements, largely follow the same principles underlying our Contractual Arrangements. Further, the objectives, structure and underlying principles of the other agreements in such companies' contractual arrangements are also largely in line with those underlying our Contractual Arrangements.

Accordingly, our Directors are of the view that the 2016 Decision and 2021 Implementation Rules currently do not adversely impact the execution and performance of the Contractual Arrangements by the parties thereto. In view of the above, as of the Latest Practicable Date, nothing has come to the Sole Sponsor's attention that causes the Sole Sponsor to cast doubt on the view of our Directors. However, since the 2021 Implementation Rules have not yet become effective, we cannot assure you that the implementation of the 2021 Implementation Rules by the competent authorities in September 2021 will not deviate from our current understanding or interpretation of these rules. Please refer to the sections headed "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the 2016 Decision and the 2021 Implementation Rule" and "Business — The 2021 Implementation Rules" in this prospectus for further details;

- *Regulatory filing and financial reporting*: As of the Latest Practicable Date, no specific requirement has been promulgated under the 2016 Decision and the 2021 Implementation Rules regarding the information disclosure mechanism, including, but not limited to, the requirements on financial reporting. Our Directors are of the view that the the 2016 Decision and 2021 Implementation Rules currently do not impose any regulatory filing and financial reporting obligations on our Group in connection with transactions with interested parties. However, compliance costs may be incurred due to the specific implementation rules of disclosure mechanisms promulgated in the future;

- *Financial settlement*: In accordance with applicable laws and regulations, if we elect our schools to register as for-profit private schools, we are required to conduct financial settlement involving our schools, which is a process to clarify the ownership their lands, buildings and accumulations, which will be subject to the consent of the relevant departments of the people's governments at or below the provincial level. Subsequently, we may be required to pay relevant taxes and fees, obtain new school operating licenses, apply for re-registration and thereafter, continue the school operations under the new private school operating licenses. Our PRC Legal Advisors advised us that with respect to financial settlement, there are no existing PRC laws or regulations which would prohibit or restrict our Group from taking the steps of financial settlement. Our PRC Legal Advisors further advised us that on the condition that the requirements under the then applicable PRC laws and regulations are satisfied, there is no legal impediment for us to carry out financial settlement in accordance with applicable PRC laws and regulations. Moreover, with respect to other higher education institutions in the PRC which were in the process of registering to become for-profit private schools and whose information was publicly available as of the Latest Practicable Date, our Directors have not observed any material additional costs incurred in respect of financial settlement by such higher education institutions. In light of the foregoing, as of the Latest Practicable Date, our Directors were not aware of any material additional costs that our schools may incur as a result of financial settlement and that the operation of our schools during the financial settlement process is not expected to be affected;

- *Current licenses for school operations*: Upon completing the financial settlement, both Lingnan Institute of Technology and Lingnan Modern Technician College are obliged to reapply for new licenses or apply to change their registration in accordance with the relevant PRC laws, as the case maybe. As advised by our PRC Legal Advisors, if our schools successfully register as for-profit private schools and carry out the financial settlement in accordance with applicable laws and regulations, given that the other licenses necessary to conduct their operations will be materially similar to the existing licenses held by our schools as of the Latest Practicable Date, and having regard to our prior successful track record in obtaining such licenses, we are not aware of any legal prohibition that would prevent our schools from reapplying for such licenses. In addition, given the licenses necessary for for-profit private schools to conduct their operations are materially similar to the existing licenses held by our schools as of the Latest Practicable Date, assuming the application costs for such licenses remain the same, our Directors are not aware of any material application costs that our schools may incur as a result of the reapplication of such licenses. Accordingly, our Directors are of the view that the requirements for our schools to reapply for new licenses or apply to change their registration under the 2016 Decision and the 2021 Implementation Rules will not adversely affect our business and operations;

- *Financing arrangements*: As of the Latest Practicable Date, no specific requirement has been stipulated under the 2016 Decision and the 2021 Implementation Rules to assess the risk tolerance of the private schools in accordance with current applicable laws and regulations. Accordingly, our Directors are of the view that the 2016 Decision and the 2021 Implementation Rules currently do not have any provisions that will directly accelerate our repayment obligations under the existing bank facilities, nor are there any provision prohibiting us from obtaining new bank facilities; and

- *Tax and other impact*: As of the Latest Practicable Date, there was an absence of other detailed implementation rules which remain to be promulgated by the relevant local governments under the 2016 Decision and the 2021 Implementation Rules for clarification on the substantial uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operation of a private school, in particular, regulations on the fees charged by non-profit schools and respective preferential tax treatments that may be enjoyed by a for-profit private school and a non-profit private school, and to provide an implementation timetable. Please see “Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the 2016 Decision and the 2021 Implementation Rules” in this prospectus for details. We will pay close attention to the 2021 Implementation Rules and consult with our PRC Legal Advisors for the developments of the 2021 Implementation Rules and other related publications and promulgations.

For illustrative purposes only, assuming that (i) our Lingnan Institute of Technology and Lingnan Modern Technician College had registered as for-profit private schools; and (ii) the Contractual Arrangements were effective during the entire Track Record Period under which all of the respective amount of surplus from operations (after deducting all costs, reasonable expenses and taxes in accordance with applicable PRC laws) of our PRC Affiliated Entities was paid to Lingnan WFOE in accordance with the Contractual Arrangements, and Lingnan WFOE is subject to EIT of 25% of the profit before tax and VAT of 6% in respect of the service fees it received from our PRC Affiliated Entities, our Directors estimate that our tax exposure, which comprises EIT and VAT, would have increased by approximately RMB34.4 million, RMB41.9 million and RMB45.5 million for the years ended December 31, 2018, 2019 and 2020, respectively, in the worst case scenario. In addition, assuming that we distributed 30% of our profits available for distribution generated in each financial year during the Track Record Period pursuant to our dividend policy, all of which would have been financed by the distribution of Lingnan WFOE, we would be subject to a withholding tax at a rate of 10% on the distribution of Lingnan WFOE. Our Directors estimate that our tax exposure would have further increased by approximately RMB3.4 million, RMB3.8 million and RMB4.2 million for the years ended December 31, 2018, 2019 and 2020, respectively. In aggregate, the maximum tax exposure under the aforementioned assumptions and tax impact of our Group would be approximately RMB37.8 million, RMB45.7 million and RMB49.7 million for the years ended December 31, 2018, 2019 and 2020, respectively, accounting for approximately 27.6%, 29.5% and 29.1%, respectively, of our net profit for the same years.

Based on the current legal framework in the PRC, including the 2016 Decision, Guangdong Opinion and Guangdong Measures and the 2021 Implementation Rules, our PRC Legal Advisors are of the view that there is no legal impediment for our schools to register as for-profit private schools in the future on condition that the requirements under the then applicable PRC laws are satisfied. Both Lingnan Institute of Technology and Lingnan Modern Technician College are obliged to reapply for new licenses or apply to change their registration in accordance with the relevant PRC laws, as the case maybe. Furthermore, based on our management's judgment on the current legal framework in the PRC, our Directors are of the view that there is no practical impediment that might preclude our schools from registering to be for-profit private schools. As of the Latest Practicable Date, local government authorities in some of the provinces in China, including Tianjin and Hainan, have promulgated regulations or policies that specified the recommended minimum registered capital for for-profit private schools or the deadline to elect to register as for-profit private schools. However, due to the lack of detailed implementation rules in Guangdong Province, the provincial government authorities have not specified any deadline for the existing private schools to elect to register as non-profit private schools or for-profit private schools, or stipulated any specific requirement to register as for-profit private schools. We currently expect to register each of our schools as a for-profit private school under the 2016 Decision after the detailed implementation rules on the classification registration of the existing private schools have been promulgated by the relevant local government authorities and become effective, subject to a number of factors, including the development of the private education industry in China and the development of the applicable laws and regulations in the PRC and the discretion of the competent authorities. Since Guangdong Province has not promulgated any detailed implementation rules for existing private schools to register as for-profit private schools under the 2016 Decisions and the 2021 Implementation Rules, as of the Latest Practicable Date, there had been no financial exposure of registering as for-profit private schools for Lingnan Institute of Technology and Lingnan Modern Technician College in accordance with the currently applicable PRC laws and regulations (including required registered capital and land transaction fees). As advised by our PRC Legal Advisors, (i) there are no provisions elaborating the type, level and scale of the registered capital requirements in the 2021 Implementation Rules, or the amount of registered capital that would be considered appropriate for schools of different types, levels or scales under the current PRC laws or regulations; and (ii) the current registered capital of our schools does not contravene the currently applicable PRC laws or regulations. In the event we register our schools as for-profit private schools, even though the 2021 Implementation Rules do not stipulate, and Guangdong Province has not promulgated any detailed implementation rules that require, the minimum amount of registered capital, we believe that we will be able to increase the registered capital of our schools if necessary, and pay any requisite land transaction fees by utilizing internally generated funds from our operations and to the extent necessary, obtaining external bank borrowings. Since Guangdong Province has not promulgated any detailed implementation rules for existing private schools to register as for-profit private schools under the 2016 Decisions and the 2021 Implementation Rules, it is currently impractical to calculate the maximum financial exposure on the amount of registered capital and land transactions fees that might become payable upon promulgation of future laws and regulations. We will closely monitor and make the relevant decision regarding the status of our schools in response to the development of the 2016 Decision and the 2021 Implementation Rules after consulting with our PRC Legal Advisors.

Our Control Measures

As part of our measures to mitigate our compliance risks in relation to the 2016 Decision, the 2021 Implementation Rules and other relevant legal and regulatory developments, including our decision to register our schools as for-profit private schools or non-profit private schools in the future, we have assigned the responsibility to our finance and legal departments to pay close attention to the developments of these policies and regulations and the operations of our schools. They will report to our Board on a regular basis and we will promptly consult with our PRC Legal Advisors as and when required. We will also ensure that our acquisition in the future will fully comply with the relevant rules and regulations in effect from time to time. We will ensure that any decision will be made on a fully-informed basis by our Board, taking into account the findings of our finance and legal departments, and will update our Shareholders and investors in this regard by way of disclosure in announcements and/or annual/interim reports, as and when appropriate.

Under the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》), sponsors of a private school are allowed to register and operate the school as a for-profit private school if such school is not providing compulsory education. Pursuant to the Implementing Measures on Classification Registration of Private Schools (《民辦學校分類登記實施細則》), the rules for changing the registration type of private schools shall be formulated by the provincial government in accordance with the relevant national legislations and in light of the local conditions. Under the Guangdong Opinion and Guangdong Measures, which were both promulgated to implement the Law for Promoting Private Education, with respect to classification registration of existing private schools, no explicit restrictions other than education level of compulsory education for such schools were imposed. Based on the foregoing, our PRC Legal Advisors are of the view that there is no legal impediment for our schools to register as for-profit private schools in the future on the condition that they satisfy the requirements under the then applicable PRC laws.

In view that the 2021 Implementation Rules have not taken effect and due to the absence of any other detailed implementation rules that have yet to be promulgated by the relevant PRC government authorities, including the Guangdong provincial government, under the 2021 Implementation Rules, we believe it is premature to further assess the implication of the rules governing the operation of private schools and registration of for-profit private schools under the 2021 Implementation Rules. We will use our best endeavors to satisfy the requirements to register our schools as for-profit private schools and comply with the rules and requirements applicable to us under the 2021 Implementation Rules when they become effective on September 1, 2021, and when the detailed implementation rules are released and implemented in Guangdong Province. We will also take proactive measures to ensure that our Contractual Arrangements will be deemed by the competent authorities to be entered into on an open, fair and impartial basis. Please see "Summary — The 2016 Decision and the 2021 Implementation Rules and Their Impact On Our Group" in this prospectus for further details of these measures.

COMPETITION

The private higher education services market in China is rapidly evolving, highly fragmented and competitive. We face competition primarily from public schools and other private education institutions in China. We also compete directly with public and other private education institutions in Southern China, where all of our schools are located. We believe our principal competitive advantages include:

- the reputation of each of our schools;
- our extensive operating experience;
- the high Initial Employment Rate of the graduates at Lingnan Institute of Technology and Lingnan Modern Technician College, and the extensiveness of the career planning guidance we provide to our students;
- the scope and quality of our education programs, services and course and/or major offerings at our schools;
- the abundance of practical training opportunities we are able to provide to our students at Lingnan Institute of Technology and Lingnan Modern Technician College;
- students' academic performance;
- our ability to attract and retain highly qualified teachers; and
- overall student experience and satisfaction.

We expect competition in the private education market to persist and intensify. We believe that we are able to compete effectively due to our strong reputation, diverse curriculums, high quality of our teaching staff, established practical training-focused programs, and the high Initial Employment Rate of the graduates of our schools. However, some of our existing and potential competitors, especially public universities, have governmental support in the form of government subsidies and other payments or fee reductions. Our competitors may devote greater resources, financial or otherwise, than we can to student recruitment, campus development and brand promotion, and respond more quickly than we can to changes in student demands and market needs. See "Risk Factors — Risks Relating to Our Business and Our Industry — We face intense competition in the PRC private higher vocational education industry which could lead to reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures if we are unable to compete effectively" for further details.

CUSTOMERS AND SUPPLIERS

The goods and services (as the case may be) provided by our Group to our five largest customers and purchases of goods and services (as the case may be) from our five largest suppliers accounted for less than 30% of our revenue and cost of sales, respectively, for each of the years ended December 31, 2018, 2019 and 2020.

Our customers primarily consist of students. Our suppliers primarily consist of publishing, furniture production/sales, planting and technology development service suppliers. All of our largest suppliers during the Track Record Period were Independent Third Parties. None of our Directors, their respective close associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, had any interest in any of our five largest suppliers during the Track Record Period and up to the Latest Practicable Date.

INTELLECTUAL PROPERTY

As of the Latest Practicable Date, we owned three trademarks in the PRC which we consider to be material to our business. We have registered two domain names for Lingnan Education. See "Appendix V — Statutory and General Information — C. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" in this prospectus for more information.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims which had any material adverse impact on our Group. See also "Risk Factors — Risks Relating to Our Business and Our Industry — If we fail to protect our intellectual property rights or prevent the loss or misappropriation of our intellectual property rights, we may lose our competitive edge and our brand, reputation and operations may be materially and adversely affected."

AWARDS AND RECOGNITIONS

We have received numerous awards and recognitions since our establishment in recognition of the quality of the education we provide and the outstanding achievements of our students. The following table sets forth some of the awards and recognition we have received:

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2020 . . .	2020 Comprehensive Impact Benchmarking Education Group (2020年度綜合影響力標桿教育集團)	Tencent Education (騰訊教育)	Our Group
2020 . . .	2020 China Comprehensive Strength Education Group (2020年度中國綜合實力教育集團)	China Internet News Center (中國互聯網新聞中心)	Our Group

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2020 . . .	Human Resources and Social Security Department of Guangdong Province Accredited Test Unit* (廣東省人力資源和社會保障廳職業技能等級認定試點單位)	Human Resources and Social Security Department of Guangdong Province	Lingnan Modern Technician College
2020 . . .	"Chuangke Guangdong" Industrial E-commerce Small- to Mid-sized Enterprise Innovation and Entrepreneurship Competition Outstanding Organizing Institution* ("創客廣東"工業電商中小企業創新創業大賽優秀組織獎)	Industry and Information Technology Department of Guangdong Province, Finance Department of Guangdong Province and the Association of E-commerce in Guangdong Province (廣東省工業和信息化廳、廣東省財政廳及廣東省電子商務協會)	Lingnan Modern Technician College
2019 . . .	Guangdong Province Model Higher Vocational Colleges* (廣東省示範性高等職業院校)	Education Department of Guangdong Province	Lingnan Institute of Technology
2019 . . .	Guangdong Province Innovation and Entrepreneurship Education Model School* (廣東省大學生創新創業教育示範學校)	Education Department of Guangdong Province	Lingnan Institute of Technology
2019 . . .	Provincial Vocational Education Teaching Achievement Second Prize* (廣東省教學成果獎二等獎)	Education Department of Guangdong Province	Lingnan Institute of Technology
2019 . . .	The Third Provincial Technician Institutions Course Competition Outstanding Organization Award* (第三屆全省技工院校微課比賽優秀組織獎)	Guangdong Province Vocational Technology Teaching and Researching Center (廣東省職業技術教研室)	Lingnan Modern Technician College
2018 . . .	Outstanding Research and Development Institution* (中國職協優秀科研單位)	Guangdong Provincial Association of Vocational Training (廣東省職業培訓和技工教育協會)	Lingnan Modern Technician College
2017 . . .	The 2017 Private Vocational School Talent and Innovation Award* (2017年度民辦職業院校人才培養創新獎)	The Chinese Society of Vocation and Technical Education (Private Education Branch) (中國職業技術教育學會民辦職業技術教育分會)	Lingnan Institute of Technology

Year	Award/Accreditation	Awarding Organization	Awarded Entity
2017 . . .	Guangdong Province Vocational Schools Technology Competition Contribution Award* (廣東省職業院校技能大賽特殊貢獻獎)	Education Department of Guangdong Province (廣東省教育廳)	Lingnan Institute of Technology
2016 . . .	Guangdong Province School of E-commerce Talent* (廣東省高校電子商務人才孵化基地)	Jingdong Group and Electronic Commerce Association of Guangdong Province (京東集團和廣東省電子商務協會)	Lingnan Modern Technician College
2016 . . .	Innovation and Entrepreneurship Educational Service Award* (創新創業教育指導服務獎)	The Chinese Association for Private Education (Higher Education Committee) (中國民辦教育協會高等教育專業委員會)	Lingnan Institute of Technology
2015 . . .	Guangdong Province Innovation and Entrepreneurship Education Model School* (廣東省大學生創新創業教育示範學校)	Education Department of Guangdong Province (廣東省教育廳)	Lingnan Institute of Technology
2015 . . .	Guangzhou Development Zone Science and Technology Enterprise Testing Unit* (廣州開發區科技企業孵化器試點單位)	Guangzhou Huangpu People's Government (廣州黃埔區政府)	Lingnan Institute of Technology
2013 . . .	Model Higher Vocational School in Guangdong Province* (廣東省示範性高等職院校建設單位)	Education Department of Guangdong Province and Treasury Department of Guangdong Province (廣東省財政廳)	Lingnan Institute of Technology
2013 . . .	National Vocational Education Advance Entity* (全國職業教育先進單位)	MOE	Lingnan Institute of Technology
2010 . . .	Guangdong Province Vocational and Technological Education Advancement Group* (廣東省職業技術教育工作先進集體)	The People's Government of Guangdong Province (廣東省人民政府)	Lingnan Modern Technician College

EMPLOYEES

As of December 31, 2018, 2019 and 2020, we had approximately 1,197, 1,244 and 1,114 employees, respectively. The following table sets forth the total number of employees by function as of December 31, 2020:

Function	Number of Employees	% of Total
Teachers[1]	906	81.3%
Logistics personnel	84	7.5%
Administrative staff	85	7.6%
Finance and accounting	29	2.6%
Management	10	0.9%
Total	1,114	100.0%

Note:

(1) Teachers with administrative responsibilities were included in "teachers".

As required by the PRC laws and regulations, we participate in various employee social security plans for our employees that are administered by local governments, including housing, pension, medical insurance, maternity insurance and unemployment insurance. We believe we maintain a good working relationship with our employees, and we have not experienced any material labor disputes during the Track Record Period. Nevertheless, during the Track Record Period, we did not make full contributions to the social insurance plans and housing provident fund. See "— Legal Proceedings and Non-compliance — Historical Immaterial and Non-Systemic Non-compliance Incidents — Social Insurance Plan and Housing Provident Fund" for details.

Furthermore, our Lingnan Institute of Technology has established a labor union. During the Track Record Period, we have not experienced any material labor union disputes.

PROPERTIES

As of the Latest Practicable Date, we owned the land use rights of four parcels of land in the PRC with a total gross site area of 511,303.34 sq.m. and occupied 31 buildings with a total gross floor area of 241,738.08 sq.m. Except for the properties we held and occupied at the Qingyuan Campus, no single property interest that forms part of non-property activities (as defined under Rule 50.1(2) of the Listing Rules) had a carrying amount of 15% or more of the total assets of our Group. The total market value of our property interests included in the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited was approximately RMB1,064.9 million as of March 31, 2021. As of the Latest Practicable Date, we also leased 38 properties with a total gross floor area of 243,931.01 sq.m. During the Track Record Period and up to the Latest Practicable Date, none of our owned properties or leased properties experienced any safety accidents.

Owned Properties

Land

As of the Latest Practicable Date, we owned land use rights for four parcel(s) of land with an aggregate gross site area of 511,303.34 sq.m, which were obtained by us through land transfer from government for cash considerations. The following table sets forth a summary of the land use rights we owned:

No.	Land Use Right Owner	Description/Location	Gross Site Area (sq.m.)	Existing Use	Expiry Date
1. .	Lingnan Institute of Technology	Located at Qingcheng District Dongcheng Street Pingtang Village Committee Vocational Education Park, Qingyuan (清遠市清城區東城街道平塘村委會職教園區內)	263,422.95	Education	September 5, 2064
2. .	Lingnan Institute of Technology	Located at Qingcheng District Dongcheng Street, 6 Da Xue Dong Lu, Qingyuan (清遠市清城區東城街道大學東路6號)	63,230.12	Education	October 28, 2065
3. .	Lingnan Institute of Technology	Located at Qingcheng District Dongcheng Street, 6 Da Xue Dong Lu, Qingyuan (清遠市清城區東城街道大學東路6號)	90,646.05	Education	December 30, 2066
4. .	Lingnan Institute of Technology	Located at Qingcheng District Dongcheng Street, 6 Da Xue Dong Lu, Qingyuan (清遠市清城區東城街道大學東路6號)	94,004.22	Education	December 30, 2066

Buildings

Overview

As of the Latest Practicable Date, we owned, occupied and possessed titles of an aggregate 31 buildings in the PRC with a total gross floor area of approximately 241,738.08 sq.m. The following table sets forth details of the buildings owned by our Group as of the Latest Practicable Date.

School	Number of Buildings Owned	GFA of Buildings with Title Certificates (sq.m.)
Lingnan Education		
Other buildings[1]	7	4,413.52
Subtotal	7	4,413.52
Lingnan Institute of Technology		
Teaching buildings, libraries, canteens, ancillary buildings and basements	11	100,961.43
Dormitories	9	135,291.32
Other buildings[2]	3	1,006.14
Subtotal	23	237,258.89
Lingnan Modern Technician College		
Other building[3]	1	65.67
Subtotal	1	65.67
TOTAL	31	241,738.08

Notes:

(1) Other buildings owned by Lingnan Education comprise the buildings for residential and commercial use and parking space.

(2) Other buildings owned by Lingnan Institute of Technology include buildings for residential and office use.

(3) Other building owned by Lingnan Modern Technician College include a building used for residential purposes.

Buildings with Building Ownership Certificates

As of the Latest Practicable Date, we had building ownership certificates for 31 buildings located in the PRC with an aggregate gross floor area of 241,738.08 sq.m., of which (i) seven buildings with a total gross floor area of 4,413.52 sq.m. were owned by Lingnan Education; (ii) 23 buildings with a total gross floor area of 237,258.89 sq.m. were owned by Lingnan Institute of Technology; and (iii) one building with a gross floor area of 65.67 sq.m. was owned by Lingnan Modern Technician College. 20 of the buildings that we own with a total gross floor area of 236,252.75 sq.m. have been designed for education-related usage (including teaching facilities, libraries, canteens, student dormitories and other ancillary usages). The remaining 11 buildings that we own with a total gross floor area of 5,485.33 sq.m. are used for office, residential and rental purposes.

Buildings with Completed Construction but without Title Certificates

As of the Latest Practicable Date, we had three buildings in the Qingyuan Campus with a total gross floor area of 30,898.89 sq.m. for which the construction had been completed and which were put into use without first passing the construction project completion acceptance check (竣工驗收). For details of this non-compliance incident, the legal consequences and potential maximum penalties and the remedies and rectification measures we have taken to prevent future breach and ensure ongoing compliance, please see "— Legal Proceedings and Non-compliance — Historical Immaterial and Non-Systemic Non-compliance Incidents — Buildings with Completed Construction but without Title Certificates" in this prospectus.

The following table sets forth the details of the buildings in the Qingyuan Campus, the construction of which had been completed but title certificates have yet to be obtained as of the Latest Practicable Date.

School	Number of Buildings	GFA of Buildings without Title Certificates (sq.m.)	GFA of Buildings without Passing Construction Project Completion Acceptance Check (sq.m.)	Materiality to Our Group[1]
Lingnan Institute of Technology				
Teaching buildings, libraries, canteens, ancillary buildings and basements	1	6,810.04	6,810.04	Important
Student dormitories	2	24,088.85	24,088.85	Important
Total	3	30,898.89	30,898.89	

Note:

(1) Buildings that are used for the purposes of teaching, student accommodation, libraries and/or canteens are generally considered by management to be important to our business operations. On the contrary, idle buildings and/or ancillary facilities are usually considered not to be important to our business operations.

Buildings under Construction

As of the Latest Practicable Date, we had four buildings in the Qingyuan Campus with a total gross floor area of 68,367.83 sq.m., which were under construction. We were in the process of arranging for environmental protection inspection and acceptance inspection upon completion, which are the prerequisites to obtaining the relevant building ownership certificates. We do not believe there are any legal impediments to obtaining the outstanding building ownership certificates.

Historical Immaterial and Non-Systemic Non-compliance

During the Track Record Period, Lingnan Institute of Technology had been subject to administrative penalties imposed by Qingyuan City Housing and Urban-rural Development Bureau (清遠市住房和城鄉建設局) in connection with commencing the construction of certain number of buildings in the Qingyuan Campus with an aggregate gross floor area of approximately 184,174.76 sq.m. by the school before first obtaining the relevant construction permits or completing the requisite engineering quality supervision procedures. For details of this non-compliance incident, the legal consequences and potential maximum penalties and the remedies and rectification measures we have taken to prevent future breach and ensure ongoing compliance, please see "— Legal Proceedings and Non-compliance — Historical Immaterial and Non-Systemic Non-compliance Incidents — Commencement of Construction before Obtaining Construction Permits or Completing the Requisite Engineering Quality Supervision Procedures" in this prospectus.

Leased Properties

As of the Latest Practicable Date, we leased 38 properties as lessee with a total gross floor area of approximately 243,931.01 sq.m., among which, (i) 21 properties with a total gross floor area of approximately 107,063.11 sq.m. were leased to Lingnan Institute of Technology by Guangzhou Xintang, an Independent Third Party; (ii) five properties with a total gross floor area of 77,078.86 sq.m. were leased to Lingnan Institute of Technology by Guangzhou Yangji Economic Development Co., Ltd. (廣州市楊箕經濟發展有限公司) ("Guangzhou Yangji"), an Independent Third Party; (iii) nine properties with a total gross floor area of approximately 47,412.38 sq.m. were leased to Lingnan Modern Technician College from Guangzhou Xintang; (iv) one property with a gross floor area of approximately 12,345.77 sq.m. was leased to Lingnan Modern Technician College from Guangzhou Yangji; and (v) two properties with an aggregate gross floor area of approximately 30.89 sq.m. were leased to Lingnan WFOE from Independent Third Parties. On March 29, 2021, Guangzhou Xintang and our Group entered into a legally binding framework agreement, pursuant to which both parties agreed to negotiate and execute a new lease agreement governing all leased properties under the Xintang Lease with a term of not less than 10 years from the date of the new lease agreement, subject to internal approval of the new lease agreement by Guangzhou Xintang. Our Directors are of the view that there are no material impediments for us to operate our schools on the underlying properties of the Xintang Lease until the new lease is entered into and for a period of not less than 10 years thereafter. As advised by our PRC Legal Advisors, this framework agreement is legally binding on Guangzhou Xintang and our Group.

The following table sets forth the details of our leased properties during the Track Record Period.

No.	Owner of Property	Lessee	Lease Term	Year the Relevant Lease Is No Longer Protected by the PRC Contract Law	Gross Floor Area	Location	Usage of the Property	Building Ownership Certificate	Fire Control Design Inspection[(1)]	Fire Control Inspection[(2)]
					(sq.m.)					
1 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 1999 – August 2049	2019	2,170	Guangzhou, Guangdong Province	Teaching facilities	No	Not completed	Not completed
2 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 2007 – May 2049	2027	25,210	Guangzhou, Guangdong Province	Teaching facilities	No	Completed	Completed
3 . .	Yuan Yi Chang	Lingnan Institute of Technology	May 1999 – May 2049	2019	4,450	Guangzhou, Guangdong Province	Teaching facilities	No	Not completed	Not completed
4 . .	Yuan Yi Chang	Lingnan Institute of Technology	May 1999 – May 2049	2019	4,457	Guangzhou, Guangdong Province	Stadium	No	Completed	No Completed
5 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 2006 – May 2049	2026	18,099.39	Guangzhou, Guangdong Province	Library	No	Completed	Completed
6 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 1999 – August 2049	2019	1,153	Guangzhou, Guangdong Province	Office	No	Not completed	Not completed
7 . .	Yuan Yi Chang	Lingnan Institute of Technology	May 1999 – May 2049	2019	2,000	Guangzhou, Guangdong Province	Office	No	Not completed	Not completed
8 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 1999 – August 2049	2019	270.37	Guangzhou, Guangdong Province	Vacant	No	Not completed	Not completed
9 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 2007 – May 2049	2027	776	Guangzhou, Guangdong Province	Teaching facilities	No	Not completed	Not completed
10 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 1999 – August 2049	2019	2,667.48	Guangzhou, Guangdong Province	Student dormitory	No	Not completed	Completed
11-13 .	Yuan Yi Chang	Lingnan Institute of Technology	September 2002 – September 2049	2022	13,288.53	Guangzhou, Guangdong Province	Student dormitory	No	Not completed	Completed
14 . .	Yuan Yi Chang	Lingnan Institute of Technology	May 1999 – May 2049	2019	3,166	Guangzhou, Guangdong Province	Student dormitory	No	Not completed	Completed

No.	Owner of Property	Lessee	Lease Term	Year the Relevant Lease Is No Longer Protected by the PRC Contract Law	Gross Floor Area	Location	Usage of the Property	Building Ownership Certificate	Fire Control Design Inspection[(1)]	Fire Control Inspection[(2)]
					(sq.m.)					
15 . .	Yuan Yi Chang	Lingnan Institute of Technology	May 1999 – May 2049	2019	3,166	Guangzhou, Guangdong Province	Student dormitory	No	Not completed	Completed
16 . .	Yuan Yi Chang	Lingnan Institute of Technology	May 1999 – May 2049	2019	3,166	Guangzhou, Guangdong Province	Student dormitory	No	Not completed	Completed
17 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 2005 – May 2049	2025	8,295.96	Guangzhou, Guangdong Province	Student dormitory	No	Completed	Completed
18 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 2005 – May 2049	2025	7,714.38	Guangzhou, Guangdong Province	Student dormitory	No	Completed	Completed
19 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 2005 – May 2049	2025	4,450	Guangzhou, Guangdong Province	Student dormitory	No	Completed	Completed
20 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 2005 – May 2049	2025	2,368	Guangzhou, Guangdong Province	Canteen	No	Completed	Completed
21 . .	Yuan Yi Chang	Lingnan Institute of Technology	September 1999 – August 2049	2019	195	Guangzhou, Guangdong Province	Canteen	No	Not completed	Not completed
22 . .	Guangzhou Yangji	Lingnan Institute of Technology	September 2010 – August 2030	N/A	15,000	Guangzhou, Guangdong Province	Student dormitory	No	Completed	Completed
23 . .	Guangzhou Yangji	Lingnan Institute of Technology	January 2014 – December 2033	N/A	32,443	Guangzhou, Guangdong Province	Teaching facilities	No	Completed	Completed
24 . .	Guangzhou Yangji	Lingnan Institute of Technology	January 2014 – December 2033	N/A	10,011.66	Guangzhou, Guangdong Province	Student dormitory	No	Completed	Completed
25 . .	Guangzhou Yangji	Lingnan Institute of Technology	January 2014 – December 2033	N/A	11,896.2	Guangzhou, Guangdong Province	Student dormitory	No	Completed	Completed
26 . .	Guangzhou Yangji	Lingnan Institute of Technology	January 2014 – December 2033	N/A	7,728	Guangzhou, Guangdong Province	Student dormitory	No	Completed	Completed
27 . .	Yuan Yi Chang	Lingnan Modern Technician College	September 2007 – August 2057	2027	5,335.86	Guangzhou, Guangdong Province	Student dormitory	No	Not completed	Completed

No.	Owner of Property	Lessee	Lease Term	Year the Relevant Lease Is No Longer Protected by the PRC Contract Law	Gross Floor Area	Location	Usage of the Property	Building Ownership Certificate	Fire Control Design Inspection(1)	Fire Control Inspection(2)
					(sq.m.)					
28 . .	Yuan Yi Chang	Lingnan Modern Technician College	September 2007 – August 2057	2027	7,177.58	Guangzhou, Guangdong Province	Student dormitory	No	Not completed	Completed
29 . .	Yuan Yi Chang	Lingnan Modern Technician College	September 2007 – August 2057	2027	2,367	Guangzhou, Guangdong Province	Student dormitory	No	Not completed	Completed
30 . .	Yuan Yi Chang	Lingnan Modern Technician College	April 2010 – March 2030	2030	5,848.5	Guangzhou, Guangdong Province	Subleased to third parties	No	Not completed	Not completed
31 . .	Yuan Yi Chang	Lingnan Modern Technician College	September 2007 – August 2057	2027	7,542	Guangzhou, Guangdong Province	Teaching facilities	No	Not completed	Completed
32 . .	Yuan Yi Chang	Lingnan Modern Technician College	September 1999 – August 2049	2019	2,158	Guangzhou, Guangdong Province	Student dormitory	No	Not completed	Completed
33 . .	Yuan Yi Chang	Lingnan Modern Technician College	September 2005 – May 2049	2025	3,188.8	Guangzhou, Guangdong Province	Student dormitory	No	Completed	Completed
34 . .	Guangzhou Yangji	Lingnan Modern Technician College	January 2014 – December 2033	N/A	12,345.77	Guangzhou, Guangdong Province	Student dormitory	No	Completed	Completed
35 . .	Yuan Yi Chang	Lingnan Modern Technician College	September 1999 – August 2049	2019	2,560	Guangzhou, Guangdong Province	Teaching facilities	No	Not completed	Not completed
36 . .	Yuan Yi Chang	Lingnan Modern Technician College	February 2000 – August 2049	2020	11,234.64	Guangzhou, Guangdong Province	Teaching facilities	No	Not completed	Completed
37 . .	Two Individuals	Lingnan WFOE	January 12, 2021 – January 12, 2023	N/A	25.89	Zhuhai, Guangdong Province	Office	Yes	Completed	Completed
38 . .	Guangzhou Mingchi Property Management Co., Ltd.* (廣州明馳物業管理有限公司)	Lingnan WFOE	December 29, 2020 – December 28, 2021	N/A	5.0	Guangzhou, Guangdong Province	Registered office of Lingnan WFOE	No	Not completed	Not completed

Notes:

(1) Fire control design inspection (消防設計審查驗收) is an inspection of the design of fire protection measures to be conducted by the relevant PRC authorities as a prerequisite before commencing the construction work of a construction project.

(2) Fire control inspection (消防驗收) is a fire protection inspection to be conducted by the relevant PRC authorities before a completed construction project can be put into use.

With respect to the 30 properties with a total gross floor area of approximately 154,475.49 sq.m. leased by Lingnan Education from Guangzhou Xintang (including nine properties with a total gross floor area of approximately 47,412.38 sq.m. that were subleased to Lingnan Modern Technician College), leases with respect to such properties were entered into on or after May 18, 1999, pursuant to which Yuan Yi Chang agreed to lease the relevant land and buildings to Lingnan Education for the purpose of establishing and operating Lingnan Institute of Technology for a term of 50 years, which was subsequently supplemented, including a supplemental lease agreement entered into in December 2015 when Yuan Yi Chang transferred its rights and obligations under the Xintang Lease to Guangzhou Xintang. However, according to our PRC Legal Advisors, the PRC Contract Law, which was promulgated on October 1, 1999, stipulated that property leases cannot exceed a term of 20 years, and when the original lease term expires and the lessee continues to lease the underlying property, and if the lessor raises no objection, the original lease contract would continue to be valid, but the lease term would be irregular. The parties to an irregular lease contract can terminate the lease at any time. However, the lessor shall notify the lessee for a reasonable period of time before terminating the lease contract. Since the Xintang Lease was originally entered into prior to the promulgation of the PRC Contract Law, the 20-year lease term shall begin to run on the day the PRC Contract Law became effective, and that the remaining 30 years of the Xintang Lease could be deemed invalid. Accordingly, the rights of the parties to the relevant leases of a number of properties under the Xintang Lease were no longer protected by the PRC Contract Law on or after October 1, 2019. If Guangzhou Xintang claims in court that the part of the Xintang Lease exceeding 20 years is invalid after the original lease term expires, the court may support such claim. However, if no objection is raised, the Xintang Lease will continue to be valid, but the lease term would be irregular, and Guangzhou Xintang can terminate the lease at any time, provided that it shall notify the lessees for a reasonable period of time before terminating the lease. Thus, in the event Guangzhou Xintang challenges the validity of the remaining term of the Xintang Lease, the court could support such claim, in which case Lingnan Institute of Technology and Lingnan Education will not be able to continue to lease relevant land and buildings under the Xintang Lease.

With respect to the Xintang Lease, Lingnan Institute of Technology, Lingnan Modern Technician College, Lingnan Education and Guangzhou Xintang have concluded a supplementary agreement on November 30, 2017, pursuant to which Lingnan Institute of Technology and Lingnan Modern Technician College undertake the rights and obligations of Lingnan Education provided in the Xintang Lease and agree to pay rents thereunder to Guangzhou Xintang. In this regard, Guangzhou Xintang acknowledged and confirmed that Lingnan Modern Technician College and Lingnan Institute of Technology are entitled to lease and pay the rent in accordance with the Xintang Lease. With respect to the properties leased from Guangzhou Yangji by Lingnan Institute of Technology, Guangzhou Yangji has issued a written consent letter on subleasing to Lingnan Institute of Technology on November 19, 2020. Accordingly, Lingnan Institute of Technology is entitled to sublease the relevant properties to its connected parties. Based on the foregoing, our PRC Legal Advisors advised us that the subleasing arrangement between our Group and our connected persons does not contravene any provision of the leases between Guangzhou Yangji or Guangzhou Xintang and our Group, and does not violate applicable PRC laws and regulations.

We conducted an interview with Guangzhou Xintang on November 21, 2020, which confirmed that it will permit us to continue to lease the premises under the Xintang Lease, and will work with us to enter into a new lease agreement. The term of the new lease and the amount of rental payments, among other terms and conditions, will be negotiated and reflected in the new lease agreement. We made prepayments for rent to Guangzhou Xintang under the original terms of the Xintang Lease that will enable us to continue to use those properties until December 2021, whose lease term for which the rights of the parties to the relevant leases were no longer protected by the Civil Code of the PRC as of the Latest Practicable Date. Guangzhou Xintang has accepted such prepayments for rent from us.

On March 29, 2021, Guangzhou Xintang and our Group entered into a legally binding framework agreement, pursuant to which, it is agreed that both parties will negotiate and execute a new lease agreement governing all leased properties under the Xintang Lease with a term of not less than 10 years from the date of the new lease agreement, subject to internal approval of the new lease agreement by Guangzhou Xintang. As of the Latest Practicable Date, Guangzhou Xintang and we have verbally agreed on the commercial terms of the new lease agreement, including the new rent to be charged, which is expected to increase at an estimated rate of approximately 1.5% per annum based on the rental appraisal conducted by an independent property valuer. For the year ended December 31, 2020, the aggregate amount of rent we paid to Guangzhou Xintang was approximately RMB24.0 million. We believe that the annual rent increment is insignificant and will not materially and adversely affect our business or result of our operations. As the new lease agreement has not been entered into by the relevant parties, the actual rent to be charged may differ from our current estimation. The signing of the new lease agreement is pending Guangzhou Xintang completing its internal procedures and obtaining the approval from its shareholder and the relevant local government authorities which supervise Guangzhou Xintang, the timing of which is beyond our control. From the date of the framework agreement until the new lease agreement is entered into by the parties, we are entitled to continue to use all leased properties and pay the same rent under the Xintang Lease. The parties also agreed that if the rent stipulated by the new lease agreement is higher than the rent we are obligated to pay under the Xintang Lease, the new rent will be applicable retroactive to the date of this framework agreement. In light of the foregoing, the Directors are of the view that there are no material impediments for us to operate our schools on the underlying properties of the Xintang Lease until the new lease is entered into and for a period of not less than 10 years thereafter. As advised by our PRC Legal Advisors, this framework agreement is legally binding on Guangzhou Xintang and our Group.

We believe that the risk of not being able to continue to operate our business on the underlying properties under the Xintang Lease is relatively low considering the following factors:

(i) although the lease term of 50 years exceeded the stipulated maximum lease term under the existing PRC Civil Code, such lease term was nevertheless mutually agreed by Guangzhou Xintang and our Group prior to the promulgation of the PRC Contract Law in October 1999. As of the Latest Practicable Date, the commercial terms of the new lease agreement have largely been finalized, including the new rent to be charged. In addition, Guangzhou Xintang confirmed in an interview with us on November 21, 2020 that it agreed to continue to lease all of the properties under the Xintang Lease to us as originally agreed. We have also entered into a legally binding framework agreement on March 29, 2021, which legally binds Guangzhou Xintang to enter into a new lease agreement with us. Additionally, we have paid, and Guangzhou Xintang has accepted, the rent of leased properties for the year ending December 31, 2021, which includes the rent for a portion of the properties for which the rights of the parties to the relevant leases were no longer protected by the PRC Contract Law as of the Latest Practicable Date;

(ii) Considering that most of such properties are located within our Guangzhou Campus, are supervised by the local government and are unlikely to be used for any other purpose by the parties to the Xintang Lease, it is unlikely and impracticable for Guangzhou Xintang to find any third party willing to lease such properties and therefore not to renew the lease with us.

(iii) given that the signing of any new lease agreement with Guangzhou Xintang is subject to the completion of all internal procedures of Guangzhou Xintang and obtaining the local government approvals, before the completion of such formalities, Guangzhou Xintang would not be in a position to enter into any lease agreement with any other party with respect to such properties during this time; and

(iv) the Education Department of Guangdong Province and Human Resources and Social Security Department of Guangdong Province did not raise any concern with respect to the Xintang Lease during the annual renewal of the private school operating licenses of Lingnan Institute of Technology and Lingnan Modern Technician College.

In the unlikely event that the Xintang Lease cannot be renewed and we are asked to relocate, we believe the impact to our Group is relatively limited because:

(i) among all leased properties under the Xintang Lease, the properties with a total gross floor area of approximately 26,624 sq.m. had exceeded the lease term of 20 years as of December 31, 2020, accounting for approximately 17.3% of the total gross floor area of the leased properties under the Xintang Lease. By 2025, the properties with a total gross floor area of approximately 70,652 sq.m. will exceed the legal limit of 20 years of lease term, accounting for less than 45.7% of the total gross floor area of the leased properties under the Xintang Lease. Therefore, we are entitled to occupy most of the properties we lease under the Xintang Lease in the short term and we believe our business operations and financial performance will not be materially and adversely affected during such time;

(ii) we have not fully utilized all of the student dormitories at the Guangzhou Campus of our Lingnan Institute of Technology and Lingan Modern Technician College. As of the Latest Practicable Date, the total number of students that may be affected by a portion of the properties under the Xintang Lease, for which rights of the parties to the relevant lease are no longer protected by the PRC Contract Law as of the Latest Practicable Date, would be 1,890. In the unlikely event that Xintang Lease cannot be renewed, we plan to relocate 1,614 of these students to the unutilized dormitories in our Guangzhou Campus (the lease term of which are still protected under the PRC Contract Law as of the time of relocation). For the remaining 276 students, we plan to relocate them to one of our existing teachers' dormitories (which are properties in our Guangzhou Campus leased from Guangzhou Yangji) and reimburse teachers affected by such student relocation for off-campus living expenses, which we estimate will not exceed an aggregate amount of approximately RMB850,000 per year;

(iii) we plan to acquire additional land with a total site area of approximately 400,200 sq.m. and construct additional teaching and administrative facilities with a total gross floor area of 120,000 sq.m. to expand our Qingyuan Campus. We also plan to construct additional student dormitories going forward. We believe, even in the unlikely event that Guangzhou Xintang does not renew the Xintang Lease, we will be able to relocate our teaching activities and students to the Qingyuan Campus, and our business operations and financial performance of our Group will not be materially and adversely affected. We believe there will be no difficulty for students currently in the Guangzhou Campus to relocate to Qingyuan Campus considering that (i) the Qingyuan Campus is only approximately one and a half hour away by car from the Guangzhou Campus; and (ii) we do not expect any decrease in education quality as our Qingyuan Campus has been put into use since 2014 and is well developed. We plan to have the relocated students study and board in our Qingyuan Campus for one to two years and therefore, no daily transportation between the Guangzhou Campus and Qingyuan Campus will need to be arranged for such students.

(iv) we subleased certain of the leased properties under the Xintang Lease with a total gross floor area of approximately 40,163.44 sq.m. to our connected parties, and the remaining lease term of which is more than ten years. According to the terms of the subleases we entered into with our connected parties, we can terminate the relevant subleases upon an one-year advance notice. In addition, according to the PRC Civil Code, Guangzhou Xintang is obligated to inform us within a reasonable time in the event it does not renew the Xintang Lease. In the unlikely event Guangzhou Xintang elects not to renew such lease, we will terminate the relevant subleases and relocate our teaching activities and students to such properties;

(v) as advised by our PRC Legal Advisors, according to the PRC Civil Code, in the event that the original lease term expires and the lessee continues to occupy the relevant properties, the original lease shall be deemed valid with an irregular lease term absent the lessor's objection and the lessee has the preemptive right to lease such properties under the same terms and conditions. Therefore, even in the unlikely event Guangzhou Xintang does not renew the Xintang Lease, we will have the preemptive right to lease all such properties under the same terms and conditions from Guangzhou Xintang; and

(vi) in the unlikely event that Guangzhou Xintang does not renew the Xintang Lease, our Directors believe that we will be able to negotiate a reasonable transition period of at least two to three years to relocate our teaching activities and students in order to minimize the adverse impact to teaching activities involving our students.

The following table shows the details of all leased properties under the Xintang Lease and our contingency plans for each of such properties.

No.	Property	Gross Floor Area	Purpose of the Property	Number of Students Occupied as of December 31, 2020	Year the Relevant Lease is No Longer Protected by PRC Contract Law	Contingency Plans	Materiality to Our Group(1)
		(sq.m.)					
1. . . .	East No. 2 Dormitory	2,158	Dormitory	255	2019	Relocate to unutilized student dormitories in our Guangzhou Campus(1).	Important
2. . . .	East No. 1 Dormitory	2,667.48	Dormitory	288	2019	Relocate to unutilized student dormitories in our Guangzhou Campus(2).	Important
3. . . .	Office Building (B)	2,000	Office	N/A	2019	Relocate to the 6th to 8th floor of the library, which are currently vacant.	Important
4. . . .	East No. 6 Building	3,166	Dormitory	456	2019	Relocate to unutilized student dormitories in our Guangzhou Campus(1).	Important
5. . . .	East No. 7 Building	3,166	Dormitory	435	2019	Relocate to unutilized student dormitories in our Guangzhou Campus(1).	Important
6. . . .	East No. 8 Building	3,166	Dormitory	456	2019	Relocate to currently unutilized student dormitories in our Guangzhou Campus(1).	Important
7. . . .	Finance Center Office	270.37	Vacant	N/A	2019	No need to relocate considering its vacancy.	Not Important
8. . . .	Office building A	1,153	Office	N/A	2019	Relocate to the 6th to 8th floors of the library, which are currently vacant.	Not Important
9. . . .	No. 2 Teaching building	2,170	Teaching	N/A	2019	Planned to relocate to our Qingyuan Campus in the 2021/2022 school year.	Not Important
10 . . .	Vegetarian Canteen	195	Canteen	N/A	2019	Relocate to No. 2 and No. 6 canteen.	Not Important

No.	Property	Gross Floor Area (sq.m.)	Purpose of the Property	Number of Students Occupied as of December 31, 2020	Year the Relevant Lease is No Longer Protected by PRC Contract Law	Contingency Plans	Materiality to Our Group[(1)]
11 . . .	No. 1 Teaching building	6,512.22	Teaching	N/A	2020	Relocate to the 1st to 3rd floors of one of the properties leased to Health Valley with approximately 11,203 sq.m..	Important
12 . . .	No. 1 Teaching building	4,722.42	Teaching	N/A	2021	Relocate to the 1st to 3rd floors of one of the properties leased to Health Valley with approximately 11,203 sq.m..	Important
13 . . .	East 3, 4 and 5 Dormitory	13,288.53	Dormitory	1,368	2022	Relocate to the new dormitories in our Qingyuan Campus, which will be put into use in March 2022.	Important
14 . . .	No. 12 Dormitory	8,295.96	Dormitory	1,269	2025	Relocate to the dormitories in our Qingyuan Campus or other alternative buildings to be identified.	Important
15 . . .	No. 13 Dormitory	7,714.38	Dormitory	1,077	2025	Relocate to the dormitories in our Qingyuan Campus or other alternative buildings to be identified.	Important
16 . . .	No. 7 Canteen	2,368	Canteen	N/A	2025	Relocate to our Qingyuan Campus or other canteens.	Important
17 . . .	No. 18 Dormitory	3,188.8	Dormitory	374	2025	Relocate to the dormitories in our Qingyuan Campus or other alternative buildings to be identified.	Important

No.	Property	Gross Floor Area	Purpose of the Property	Number of Students Occupied as of December 31, 2020	Year the Relevant Lease is No Longer Protected by PRC Contract Law	Contingency Plans	Materiality to Our Group[1]
		(sq.m.)					
18 . . .	No. 14 Dormitory	4,450	Dormitory	690	2025	Relocate to the dormitories in our Qingyuan Campus or other alternative buildings to be identified.	Important
19 . . .	Library	18,099.39	Library, 6th to 8th floor vacant	N/A	2026	Relocate to the dormitories in our Qingyuan Campus or other buildings.	Important
20 . . .	Science center	25,210	Teaching, partially subleased to third parties	N/A	2027	Relocate to our Qingyuan Campus or other alternative buildings to be identified.	Important
21 . . .	Pharmacy Training Building	4,450	Teaching	N/A	2027	Relocate to our Qingyuan Campus or other alternative buildings to be identified.	Not important
22 . . .	Stadium	4,457	Stadium	N/A	2027	Relocate to our Qingyuan Campus or other buildings.	Not important
23 . . .	No. 4 Teaching Building	7,542	Teaching	N/A	2027	Relocate to our Qingyuan Campus or other alternative buildings to be identified.	Important
24 . . .	Boya No. 1 Dormitory	5,335.86	Dormitory	622	2027	Relocate to our Qingyuan Campus or other buildings.	Important
25 . . .	Boya No. 2 Dormitory	7,177.58	Dormitory	791	2027	Relocate to our Qingyuan Campus or other alternative buildings to be identified.	Important
26 . . .	Boya No. 3 Dormitory	2,367	Dormitory	166	2027	Relocate to our Qingyuan Campus or other alternative buildings to be identified.	Important
27 . . .	Modern Manufacturing Training Building	2,560	Teaching	N/A	2027	Relocate to our Qingyuan Campus or other alternative buildings to be identified.	Not Important

No.	Property	Gross Floor Area	Purpose of the Property	Number of Students Occupied as of December 31, 2020	Year the Relevant Lease is No Longer Protected by PRC Contract Law	Contingency Plans	Materiality to Our Group(1)
		(sq.m.)					
28 . . .	E2 Dormitory	5,848.5	Dormitory	625	2030	Relocate to our Qingyuan Campus or other alternative buildings to be identified.	Important
Total .		153,699.81		8,872			

Notes:

(1) Buildings that are used for the purposes of teaching, student accommodation, libraries and/or canteens are generally considered by management to be important to our business operations. On the contrary, idle buildings and/or ancillary facilities are usually considered not to be important to our business operations.

(2) As of the Latest Practicable Date, the total number of students that may be affected by a portion of the properties under the Xintang Lease, for which the rights of the parties to the relevant lease are no longer protected by the PRC Contract Law as of the Latest Practicable Date, would be 1,890. In the unlikely event that Xintang Lease cannot be renewed, we plan to relocate 1,614 of these students to the unutilized dormitories in our Guangzhou Campus (the lease term of which are still valid and enforceable protected under the PRC Contract Law as of the time of relocation). For the remaining 276 students, we plan to relocate them to one of our existing teachers' dormitories (which are properties in our Guangzhou Campus leased from Guangzhou Yangji) and reimburse teachers affected by such student relocation for off-campus living expenses, which we estimate will not exceed an aggregate amount of approximately RMB850,000 per year.

Pursuant to our current contingency plans, our operation using the properties under the Xintang Lease may be relocated to other buildings we owned in the Qingyuan Campus or leased in the Guangzhou Campus that were not in compliance with the applicable laws and regulations. Our Directors believe such relocation plan is effective because based on the consultations we had with the relevant government authorities and the views of our PRC Legal Advisors, we will be able to continue to use these properties and the risk that we are subject to administrative penalties is remote.

The following table summarizes the leased properties under the Xintang Lease by the year in which the rights of the parties under the relevant lease would no longer be protected by the PRC Contract Law from 2019 to 2022 and the details of the relocation plan.

	2019	2020	2021	2022
Leased properties to which the rights of the parties is no longer protected by the PRC Contract Law				
— Gross floor area of the properties	20,111.85	26,624.07	31,346.49	44,635.02
— Affected students	1,890	1,890	1,890	3,258
Relocation plan				
— Beds of unutilized dormitories(1) in the Guangzhou Campus	N/A	N/A	1,614	1,614
— Beds of unutilized dormitories(2) in the Qingyuan Campus	N/A	N/A	2,572	3,000
— Beds of the teachers' dormitories(3)	N/A	N/A	276	276

Notes:

(1) Unutilized dormitories in the Guangzhou Campus also include the leased properties under the Xintang Lease to which the rights of the parties are still protected by the PRC Contract Law by the end of each respective year.

(2) Unutilized dormitories in the Qingyuan Campus are included as part of the 120,000 sq.m. teaching and administrative buildings we plan to construct by 2023.

(3) Beds of the teachers' dormitories are located in Guangzhou and included the beds for relocation of 276 affected students, and the teachers who will be affected by such student relocation will be reimbursed for off-campus living expenses, which we estimate will not exceed an aggregate amount of approximately RMB850,000 per year.

In addition, with respect to the nine buildings with a total gross floor area of 47,412.38 sq.m. leased by Lingnan Modern Technician College from Guangzhou Xintang, the purpose of the land under such lease was designed to be agricultural. Accordingly, as advised by Our PRC Legal Advisors, Lingnan Modern Technician College may not be able to use the land and the buildings constructed thereon under normal circumstances. In the event Guangzhou Xintang is ordered by the relevant PRC government authorities to return illegally occupied land, demolish or confiscate the newly constructed buildings and other facilities within a prescribed period of time, Lingnan Modern Technician College may be forced to vacate these premises. As of the Latest Practicable Date, we have obtained a confirmation from the Guangzhou Municipal Planning and Natural Resources Bureau, Huangpu District Bureau (廣州市規劃和自然資源局黃埔區分局) that the relevant government authority currently has no plans to demolish such leased properties and we can continue to lease and use such properties pursuant to the Xintang Lease.

On September 29, 2020, our PRC Legal Advisors conducted an interview with the Guangzhou Municipal Planning and Natural Resources Bureau, Huangpu District Bureau, which confirmed that it had approved the use of the land for education purposes from an urban and rural planning perspective. Due to historical reasons, certain land use procedures were incomplete. However, the bureau has no plan to recover or demolish the aforementioned properties, and our schools can continue to lease and use such properties. As of the date of the interview, except for the circumstances mentioned above, the bureau had not found any violation of laws or regulations in the use of the land by our schools. Furthermore, neither Lingnan Institute of Technology nor Lingnan Modern Technician College has been or may be subject to any investigation or penalty by the bureau for violating the relevant laws, regulations, rules or normative document, and there has not been any previous, ongoing or potential dispute between the bureau and our schools in relation to their use of the land. As of the same date, the bureau had not received any complaint or report against our schools. Based on such interview, our PRC Legal Advisors are of the view that (i) the Guangzhou Municipal Planning and Natural Resources Bureau, Huangpu District Bureau is a competent authority for providing such confirmations; and (ii) due to the approval by the Planning and Natural Resources Bureau of Guangzhou, Huangpu District Bureau, of the use of the abovementioned properties for education purposes by our schools, the risk of the bureau ordering our schools to return illegally occupied land and demolish or confiscate illegally constructed new buildings and other facilities on such land within a prescribed time limit is remote. As of the Latest Practicable Date, we were in the process of negotiating with Guangzhou Xintang to enter into a new lease.

Guangzhou Yangji, the landlord of the five properties leased by Lingnan Education and Lingnan Institute of Technology with a total gross floor area of 77,078.86 sq.m. and one property leased by Lingnan Modern Technician College with a gross floor area of 12,345.77 sq.m. did not go through the corresponding formalities for constructing the above-mentioned buildings and did not obtain the relevant title certificates, the validity of the relevant lease agreements between the landlords and Lingnan Education, Lingnan Institute of Technology and Lingnan Modern Technician College are uncertain, and the Lingnan Institute of Technology and Lingnan Modern Technician College may not be able to use such properties under normal circumstances. For details of this non-compliance incident, the legal consequences and potential maximum penalties and the remedies and rectification measures we have taken to prevent future breach and ensure ongoing compliance, please see "— Legal Proceedings and Non-compliance — Historical Immaterial and Non-Systemic Non-compliance Incidents — Leased Properties from Guangzhou Xintang and Guangzhou Yangji without Relevant Building Ownership Certificates" in this prospectus.

As of the Latest Practicable Date, 14 properties with a total gross floor area of 36,468.38 sq.m. leased by Lingnan Institute of Technology did not complete the fire control design inspection (消防設計審核) before commencing construction, and eight properties with a total gross floor area of 15,471.37 sq.m. leased by Lingnan Institute of Technology were put into use without completing the fire control inspection (消防驗收). Additionally, eight properties with a total gross floor area of 44,223.58 sq.m. leased by Lingnan Modern Technician College did not complete fire control design inspection before commencing construction, and two properties with a total gross floor area of 8,408.5 sq.m. leased by Lingnan Modern Technician College were put into use without completing the fire control inspection. For details of this non-compliance incident, the legal consequences and potential maximum penalties and the remedies and rectification measures we have taken to prevent future breach and ensure ongoing compliance, please see "— Legal Proceedings and Non-compliance — Historical Immaterial and Non-Systemic Non-compliance Incidents — Leased Properties which Commenced Construction before Completing Fire Control Design Inspection or Fire Control Inspection" in this prospectus.

As of the Latest Practicable Date, the lease agreement with respect to a property with a total gross floor area of approximately 25.89 sq.m. leased by Lingnan WFOE from two individuals who are Independent Third Parties had not been registered and filed with relevant land and real estate management departments in China. Under the applicable PRC laws and regulations, the parties to a lease agreement are required to register and file the executed lease agreement with the relevant government authorities. As advised by our PRC Legal Advisors, the validity and enforceability of the lease agreements are not affected by the failure to register or file the lease agreements with the relevant government authorities. According to the relevant PRC regulations, we may be ordered by the relevant government authorities to register the relevant lease agreements within a prescribed period, failing which we may be subject to a fine ranging from RMB1,000 to RMB10,000 for each non-registered lease. As at the Latest Practicable Date, we did not receive any such request or suffered any such fine from the relevant government authorities.

For further details on the risks associated with the properties we use for our operations, see the section headed "Risk Factors — Risks Relating to Our Business and Industry — We are subject to extensive governmental approvals and compliance requirements for establishing our campuses and school premises" and "Risk Factors — Risks Relating to Our Business and Our Industry — We leased several buildings for our schools and may not be able to control the quality, maintenance and management of these buildings, nor can we ensure we will be able to find suitable buildings to replace our existing buildings in the event the relevant lease agreements are terminated."

Property Used by Us for Free

According to the confirmation issued by Yuan Yi Chang to Lingnan Institute of Technology on January 15, 2002 and the confirmation issued by Lingnan Institute of Technology to Lingnan Education on January 18, 2002, Lingnan Education is able to use one property from Yuan Yi Chang for free for an unspecified period of time as registered address only. We used this property as the registered address for Lingnan Education mainly because the existing buildings owned or leased by our Group were all used for the school operations of, or occupied by, Lingnan Institute of Technology and Lingnan Modern Technician College. As advised by our PRC Legal Advisors, Lingnan Education is able to use the relevant property for free until otherwise indicated by Yuan Yi Chang, primarily because this property was provided to Lingnan Education only for the purpose of filing its registered address with the relevant government authority and Lingnan Education did not actually have any employee staffed at such premises or otherwise occupied or used such property. We have not used and do not intend to use the property for any purposes other than as a registered address of Lingnan Education. As of the Latest Practicable Date, Yuan Yi Chang had the relevant building ownership certificate for the building at which such property is located. The relevant building is located in Guangzhou, Guangdong Province.

Regulatory Requirements Relating to the Ratio between Site Area/Building Area and the Number of Students

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, our Lingnan Institute of Technology is subject to the School Condition Notice in relation to the prescribed ratio between our schools' site area and the number of full-time students enrolled. According to the School Condition Notice, there are two types of indicators, namely, the Basic Indicators and the Monitoring Indicators. The Basic Indicators prescribed two levels of compliance standards: Qualified Standard (合格標準) and Restrictive Standard (限制招生標準). The teaching and administrative building area per student belongs to the Basic Indicators. According to the School Condition Notice, the applicable Qualified Standard of teaching and administrative building area per full-time student for universities is 14 sq.m. The site area per student belongs to the Monitoring Indicators, which is supplementary to the Basic Indicators to primarily reflect improvements to the operating conditions of such higher education institution. According to the School Condition Notice, the eligibility threshold of site area per student for universities is 54 sq.m. under the Monitoring Indicators.

As advised by our PRC Legal Advisors, during the Track Record Period and up to the Latest Practicable Date, our Lingnan Modern Technician College is subject to the Notice on Printing Standards for Technical Schools and Colleges (Trial) in relation to school building area and site area requirement promulgated by the Ministry of Human Resources and Social Security in 2012. The total school building area shall be at least 50,000 sq.m. for senior technical schools and 80,000 sq.m. for technician colleges, and the total site area shall be at least 66,000 sq.m. for senior technical schools and 100,000 sq.m. for technician colleges.

The table below sets forth the teaching and administrative or school building area per student for the school years indicated and the prescribed requirement for each school during the Track Record Period:

	Teaching and Administrative/School Building Area per Student(1)				
	School Year				
School	2017/2018	2018/2019	2019/2020	2020/2021	Prescribed Requirement
Lingnan Institute of Technology(1)	22.0 sq.m./ student	20.9 sq.m./ student	22.1 sq.m./ student	21.8 sq.m./ student	9-16 sq.m./ student
Lingnan Modern Technician College(2)	59,758.15 sq.m.	59,758.15 sq.m.*	59,758.15 sq.m.*	59,758.15 sq.m.*	80,000 sq.m.

Notes:

* The ratios marked with "*" represents the ratios that are lower than the corresponding prescribed ratio.

(1) According to the School Condition Notice, the teaching and administrative building area per full-time student = total floor area of teaching and administrative buildings/number of full-time students. The floor area refers to the floor area of the teaching and administrative buildings used by the school.

(2) Lingnan Modern Technician College was upgraded from a senior technical school to a technician college in January 2019. According to the Notice on Printing Standards for Technical Schools and Colleges (Trial), the total school building area shall be at least 50,000 sq.m. for senior technical schools and 80,000 sq.m. for technician colleges. Therefore, prior to January 2019, the prescribed requirement for the then existing Lingnan Modern Senior Technical School would be 50,000 sq.m., and beginning in January 2019, the prescribed requirement for our Lingnan Modern

Technician College shall be 80,000 sq.m. In the 2017/2018 school year, the total school building area of our then existing Lingnan Modern Senior Technical School was in compliance with the prescribed requirement and in the 2018/2019, 2019/2020 and 2020/2021 school years, the total school building area of our Lingnan Modern Technician College was lower than the prescribed requirement.

The table below sets forth the site area per full-time student of Lingnan Institute of Technology and the total site area of Lingnan Modern Technician College for the school years indicated and the prescribed requirement for each school during the Track Record Period:

	Site Area per Student/Total Site Area				
	School Year				Prescribed
School	**2017/2018**	**2018/2019**	**2019/2020**	**2020/2021**	**Requirement**
Lingnan Institute of Technology . . .	40.2 sq.m./ student*	36.1 sq.m./ student*	35.1 sq.m./ student*	34.6 sq.m./ student*	54-59 sq.m./ student(1)
Lingnan Modern Technician College(2)	83,805.19 sq.m.	83,805.19 sq.m.*	83,805.19 sq.m.*	83,805.19 sq.m.*	100,000 sq.m.

Notes:

* The ratios marked with "*" represents the ratios that are lower than the corresponding prescribed ratio.

(1) According to the School Condition Notice, the site area per student = total site area / number of full-time students. The site area refers to the site area of the land used by the school.

(2) Lingnan Modern Technician College was upgraded from a senior technical school to a technician college in January 2019. According to the Notice on Printing Standards for Technical Schools and Colleges (Trial), the total site area shall be at least 66,000 sq.m. for senior technical schools and 100,000 sq.m. for technician colleges. Therefore, prior to January 2019, the prescribed requirement for the then existing Lingnan Modern Senior Technical School would be 66,000 sq.m., and beginning in January 2019, the prescribed requirement for our Lingnan Modern Technician College shall be 100,000 sq.m.

During the Track Record Period, Lingnan Institute of Technology had complied with the regulatory requirements in terms of the teaching and administrative building area per student but did not fully meet the regulatory requirements in terms of the site area per student. According to the School Condition Notice, the site area per full-time student belongs to the Monitoring Indicators, which is supplementary to the Basic Indicators to primarily reflect improvements to the operation conditions of such higher education institution. As advised by our PRC Legal Advisors, as of the Latest Practicable Date, the relevant legislation does not state any legal consequences for a breach of the Monitoring Indicators.

During the Track Record Period, Lingnan Modern Technician College did not fully comply with the regulatory requirements under the Notice on Printing Standards for Technical Schools and Colleges in terms of the school building area or the site area as set forth in the notice. As advised by our PRC Legal Advisors, as of the Latest Practicable Date, the aforementioned notice did not state any legal consequences for our failure to meet the regulatory requirement.

For details of such non-compliance incidents, the legal consequences and potential maximum penalties and the remedies and rectification measures we have taken to prevent future breach and ensure ongoing compliance, please see "— Legal Proceedings and Non-compliance — Historical Immaterial and Non-Systemic Non-compliance Incidents — Teaching and Administrative/School Building Area and Site Area" in this prospectus.

INSURANCE

We maintain various insurance policies to safeguard against risks and unexpected events, such as school liability insurance and student safety insurance. We do not maintain business interruption insurance, product liability insurance or key-man life insurance. We believe our insurance coverage is generally consistent with industry practice in the PRC and provides adequate protection for our assets and operations. Nevertheless, we may be exposed to other claims or liabilities not covered by our insurance. See "Risk Factors — Risks Relating to Our Business and Our Industry — We may not have sufficient insurance coverage" for more information.

LICENSES AND PERMITS

Our PRC Legal Advisors, Commerce & Finance Law Offices, have advised us that during the Track Record Period and up to the Latest Practicable Date, we had obtained all material licenses, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licenses, permits, approvals and certificates remained in full effect, and there are no legal impediments to renew such licenses, permits, approvals and certificates. The table below sets forth the details of our material licenses and permits:

License/Permit[1]	Holder	Granting Authority	Grant Date	Expiry Date
Private school operating license* (民辦學校辦學許可證)	Lingnan Institute of Technology	People's Government of Guangdong Province (廣東省人民政府)	January 5, 2021	January 4, 2025
Private non- enterprise registration certificate* (民辦非企業登記證)	Lingnan Institute of Technology	Department of Civil Affairs of Guangdong Province (廣東省民政廳)	March 23, 2020	March 22, 2024
Private school operating license	Lingnan Modern Technician College	Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)	January 24, 2021	January 23, 2023
Private non-enterprise Registration certificate	Lingnan Modern Technician College	Department of Civil Affairs of Guangdong Province (廣東省民政廳)	July 1, 2019	June 30, 2023

Notes:

(1) To maintain our private school operating licenses, the school is required to pass an annual inspection regardless of whether such license bears an expiry date or not. As of the Latest Practicable Date, our school had passed the latest annual inspection.

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. We provide routine medical services for our students and faculty by outsourcing such services to qualified third-party medical service providers.

In view of the recent COVID-19 outbreak, and to better protect the safety and health of our students and faculty, we postponed the commencement of spring semester of the 2019/2020 school year for both Lingnan Institute of Technology and Lingnan Modern Technician College and set different back-to-school timelines for the students of these schools during the period from August to October in 2020. Before our students are back in school, we have conducted online courses for the spring semester beginning on March 2, 2020. We have also made thorough plans to prepare the return of our students, including, (i) setting up a special epidemic prevention committee to oversee the overall implementation of the measures to combat the COVID-19 outbreak. In the event of any suspected/confirmed cases, we will report to the committee immediately, raise pandemic alarm and act promptly; (ii) closely monitoring updates from the national and local government and public health authorities; (iii) recording each employee's and student's health profile (including body temperature) and ensuring that they have not been exposed to the virus and they are in good health within 14 days prior to their return to school. The health profiles will be updated daily with their health conditions; (iv) closing the school campuses to the public and measuring body temperature of all employees twice each day and all students before they return to school to ensure no one with COVID-19 symptoms enter or work on our campuses; (v) suggesting employees not to use public transportation for commuting to our schools; (vi) avoiding gatherings and encouraging employees to participate in video and telephone conferences instead of attending physical meetings on campus if possible; (vii) providing sanitary masks to employees, requiring them to wear sanitary masks before entering the campuses, and providing disinfecting products, including hand cleansing gel and alcohol disinfectant, to employees for their personal hygiene; (viii) arranging lunch delivery for all employees and making sure no employee sits next to each other or talks to each other within close proximity during lunch; and (ix) increasing the frequency of sterilization and ventilation at all of the facilities on our school campuses.

During the Track Record Period and up to the Latest Practicable Date, except for one of our students who contracted and tested positive for COVID-19 outside our school campuses, we did not experience any serious accident, medical situation or safety issue involving our students.

ENVIRONMENTAL AND SOCIAL MATTERS

We are committed to promoting a compliance culture and will adopt policies and procedures on various compliance matters, including the Stock Exchange's requirements on corporate governance and environmental, social and governance matters. We aim to improve and optimize our environmental, social and governance ("ESG") strategies to create an efficient and diversified development environment. Our Board will be collectively responsible for establishing, adopting and reviewing the ESG vision and targets of our Group, identifying key performance indicators ("KPIs") and the relevant measurements and evaluating, determining and addressing our ESG-related risks in accordance with Appendix 27 to the Listing Rules. Our Directors will be involved in the formulation of the mechanisms and the related policies. We will assess and evaluate the ESG related risks and review our existing strategy, targets and internal control measures on an ongoing basis. Where necessary, we will implement improvement to mitigate these risks.

We are a private formal vocational education service provider and we identify our ESG-related KPIs to include energy conservation and emissions reduction. For energy conservation, the metrics we use generally include energy consumption, water consumption, electricity consumption, natural gas consumption and gasoline consumption. For emissions reduction, the metrics we use mainly include emissions, greenhouse gas emissions, discharge of hazardous wastes and recycled harmless waste. We will use these KPIs to evaluate the ESG results of our Group annually in order to ensure that they have met our requirements and to make corrective actions when necessary. We pay close attention to the impact on the operating environment and society.

Since we provide formal vocational education services to students, the climate change will not have any major impact on our business operation. In case of extreme natural weather, we will actively respond to the relevant policies of local government, make contingency plans, to ensure the safety of students and staffs. In the case of acute physical risks such as flood and fire, we also make the corresponding contingency plans ad disaster preparedness plan, in addition to the various property and life insurances contributed by our Group, we believe that we have the ability to deal with every climate crisis.

We will adopt various strategies and measures to identify, assess, manage and mitigate environmental, social and climate-related risks, including but not limited to:

- reviewing and assessing the ESG reports of similar companies in the industry to ensure that all relevant ESG-related risks are identified on a timely basis;

- discussing among management from time to time to ensure all the material ESG areas are recognized and reported;

- discussing with key stakeholders on key ESG principles and practices to ensure that the significant aspects are covered;

- organising a specific ESG risk management process to identify and consider ESG risks and opportunities separate from other business risks and opportunities;

- setting targets for each major ESG KPI, including with regard to emission, pollution and other impact on the environment aimed at reducing emissions and natural resource consumption; and

- adopting incentives for the management of ESG matters, including for meeting announced ESG targets.

In addition, during the Track Record Period, our Group demonstrated our commitment to our corporate social responsibilities. We have put in place a set of social policies to promote health and safety of our employees. In order to provide a safe working environment, we set out a series of work safety measures in the staff manual for our staff to follow. In addition, it is our policy to provide our employees with occupational safety training and updates to enhance their awareness of safety issues. Our human resources and legal departments are responsible for the implementation of our work safety measures and compliance record keeping. We have kept a proper system of recording and handling accidents. We believe that we were in compliance with health and work safety requirements in all material respects during the Track Record Period up to the Latest Practicable Date.

We also emphasize employee trainings and career development, and invest in the education and training programs for our employees with the purpose of upgrading their knowledge on the latest trends and developments of the industry. Moreover, we promote social responsibility and care about our relationship with different stakeholders in the community. We are dedicated to utilizing our advantages to contribute in social innovation, rural revitalization and youth growth to further optimize local public welfare projects. We formulate special educational public welfare model that offers vocational education focused on public welfare. Further, we provide vocational training programs for the disabled and residents from rural areas to empower them in their career development. We will also engage stakeholders on an ongoing basis, including maintaining close contact with our employees, suppliers and students, in order to understand their concerns and better meet their expectations.

During the Track Record Period and up to the Latest Practicable Date, there was no incident jeopardizing the health and safety of our employees during our operation, neither was there any penalty or fine in connection with the breach of relevant laws or regulations imposed on our Group.

With respect to corporate governance, we strictly comply with the Anti-Money Laundering Law of the PRC (《中華人民共和國反洗錢法》). We have established the conflict of interest declaration policy, which includes the definition of conflict of interest and reporting procedures and has been circulated to our employees for compliance. In addition, we required our Directors and senior management to complete a conflict of interest declaration form in a timely manner and to report to the relevant personnel immediately in the event of a conflict of interest. During the Track Record Period and up to the Latest Practicable Date, to the best of our knowledge, there were no legal proceedings regarding corrupt practices brought against us or any of our directors and employees.

As of the Latest Practicable Date, we were not aware of any actual or potential environmental, social and climate-related risks that could negatively impact our Group's businesses, strategies and financial performance. To the best knowledge and belief of our Directors, there is no material non-compliance or violation of environmental protection laws and regulations currently exist or persist that could materially and adversely affect our business operations and financial conditions.

For the years ended December 31, 2018, 2019 and 2020, the amount of the costs we incurred in complying with environmental and social requirements was approximately RMB3.3 million, RMB3.4 million and RMB2.0 million, respectively. During the Track Record Period and up to the Latest Practicable Date, we did not record any non-compliance with applicable environmental and social requirements that resulted in the prosecution, conviction or penalty being brought or imposed against us.

LEGAL PROCEEDINGS AND NON-COMPLIANCE

From time to time, we may be subject to legal proceedings, investigations and claims incidental to the conduct of our business. During the Track Record Period and up to the Latest Practicable Date, we had not been, and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors, which, in the opinion of our management, could have a material adverse effect on our business operations or financial condition. Our Directors also confirmed that none of our schools are currently engaged in any material litigation, arbitration or administrative proceeding.

During the Track Record Period and up to the Latest Practicable Date, we did not commit any non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, are likely to have a material and adverse effect on our business, financial condition or results of operations. During the same periods, we also did not experience any non-compliance of the laws or regulations, which taken as a whole, in the opinion of the Directors, reflects negatively on the ability or tendency of our Company, the Directors or our senior management, to operate our business in a compliant manner. According to our PRC Legal Advisor, other than disclosed in the "Risk Factor" section and this section of the prospectus, we have complied with all relevant PRC laws and regulations in all material respects during the Track Record Period and up to the Latest Practicable Date.

Below sets forth the details of certain historical immaterial and non-systematic non-compliance incidents of our Group during the Track Record Period and up to the latest Practicable Date. We will periodically update the market by way of announcements after Listing in terms of our status of achieving compliance for each non-compliance incident until all non-compliance incidents are duly addressed.

Historical Immaterial and Non-systemic Non-compliance Incidents

Teacher-to-student Ratio

Background

As of December 31, 2018, 2019 and 2020, the teacher-to-student ratio of Lingnan Institute of Technology was 1:19.9, 1:20.5 and 1:21.5, respectively. As of the same dates, the teacher-to-student ratio of Lingnan Modern Technician College was 1:27.0, 1:30.1 and 1:32.5, respectively.

As advised by our PRC Legal Advisors, the teacher-to-student ratio of Lingnan Institute of Technology, being a higher education institution, shall satisfy the Qualified Standard of not less than 1:18 and the Restrictive Standard of not less than 1:22 in accordance with applicable rules and regulations in the PRC, and Lingnan Institute of Technology had not met the prescribed ratio of the Qualified Standard, but had met the Restrictive Standard during the Track Record Period.

In addition, as advised by our PRC Legal Advisors, with regard to secondary vocational institution, teacher-to-student ratio shall be at least 1:20 for senior technical schools and at least 1:18 for technician colleges according to the Notice on Printing Standards for Technical Schools and Colleges (Trial) (《關於印發技工院校設置標準(試行)的通知》), which was promulgated by the Ministry of Human Resources and Social Security in 2012. Lingnan Modern Technician College was upgraded from a senior technical school to a technician college on January 25, 2019. Therefore, prior to January 25, 2019, the teacher-to-student ratio requirement for the then existing Lingnan Modern Senior Technical School would be at least 1:20 and beginning on January 25, 2019, the teacher-to-student ratio requirement for Lingnan Modern Technician College would be at least 1:18. Lingnan Modern Technician College had not met either of the abovementioned ratios during the Track Record Period and up to the Latest Practicable Date.

Reasons for Non-Compliance

Failure to meet the relevant regulatory teacher-to-student ratio occurred mainly due to administrative oversight of our schools and the lack of understanding of the applicable laws and regulations involving our administrative and human resources staff.

Legal Consequences and Potential Maximum Penalties

As advised by our PRC Legal Advisors, according to the School Condition Notice which are applied to higher education institution, the teacher-to-student ratio is one of the Basic Indicators under the relevant PRC regulations for higher education institutions. Furthermore, as advised by our PRC Legal Advisors, there is no provision under the School Condition Notice stipulating that a school that meets the Restrictive Standard but fails to meet the Qualified Standard will be subject to any legal consequence. In the event that one of the Basic Indicators of a school does not meet the Restrictive Standard, the school shall receive a yellow card issued by the competent authority and its student admission will be subject to certain restrictions; and in the event that a school receives a yellow card for three consecutive years or that two or more of the Basic Indicators of a school do not meet the Restrictive Standard, it shall receive a red card issued by the competent government authority and its student admission will be subject to suspension. With a view to understanding whether the teacher-to-student ratios of our schools below the prescribed levels would have any adverse effect on our school operations, on August 28, 2020, we, with the assistance of our PRC Legal Advisors, consulted with a deputy chief (副處長) of the Education Department of Guangdong Province with respect to Lingnan Institute of Technology, who is responsible for the supervision and inspection of school-operating behaviors of private higher education institutions in Guangdong Province. During such consultation, we were informed that (i) the official has the authority to give the confirmation; and (ii) such situation is, to a certain extent, common in private higher education institutions and as Lingnan Institute of Technology has been proactively improving the situation, their various ratios, including the student-to-teacher ratios, were generally in line with the requirements stipulated by the applicable laws and regulations. As advised by our PRC Legal Advisors, the Education Department of Guangdong Province is a competent authority and the official consulted had appropriate authority to give the relevant confirmations during the consultation.

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, the Notice on Printing Standards for Technical Schools and Colleges (Trial) did not state any legal consequence for the failure by Lingnan Modern Technician College to meet the prescribed teacher-to-student ratio for senior technical schools or technician colleges. On November 11, 2020, we consulted with a deputy chief of the Human Resources and Social Security Department of Guangdong Province, who is responsible for the supervision and inspection of school-running behaviors of technical schools in Guangdong Province. During such consultation, we were informed that (i) the official has the authority to give the confirmation; (ii) such situation is to a certain extent common in private higher education institutions; and (iii) as Lingnan Modern Technician College had passed annual inspections in consecutive years, such failure to meet the prescribed ratios has not adversely affected and will not adversely affect its operations. As advised by our PRC Legal Advisors, the Human Resources and Social Security Department of Guangdong Province is a competent authority and the official consulted had appropriate authority to give the relevant confirmation during the consultation.

In addition, Lingnan Institute of Technology and Lingnan Modern Technician College had passed all annual inspections conducted by the relevant government authorities during the Track Record Period. Each of Lingnan Institute of Technology and Lingnan Modern Technician College has also conducted interviews with the competent government authorities, according to which there was no record of administrative penalty imposed on the schools as a result of any breach of PRC laws and regulations. Our executive Directors have confirmed that Lingnan Institute of Technology had never received any yellow or red card from, and neither Lingnan Institute of Technology nor Lingnan Modern Technician College had been or will be subject to any form of administrative penalty by, competent authorities in relation to its compliance with the teacher-to-student ratio during the Track Record Period and up to the Latest Practicable Date. For separate details of the ratio of teaching and administrative building area to the number of full-time students enrolled, please refer to the section headed "— Properties — Regulatory Requirements Relating to the Ratio between Site Area/Building Area and the Number of Students" in this prospectus.

Based on the fact that (i) while the teacher-to-student ratio of Lingnan Institute of Technology has met the "Restrictive Standard" but not the "Qualified Standard", there is no provision under the Notice stipulating the legal consequences for the failure to meet the "Qualified Standard" of teacher-to-student ratio (while the failure to comply with the Restrictive Standard of basic school operating condition indicators may subject our Group to yellow card or red card); (ii) the teacher-to-student ratio of Lingnan Institute of Technology is thereby acknowledged and no administrative penalty has been imposed by the Education Department of Guangdong Province; (iii) while Lingnan Modern Technician College has failed to comply with the legal requirements of teacher-to-student ratio under the Notice on Printing Standards for Technical Schools and College (Trial), no legal consequence for such non-compliance is provided. In addition, with reference to our consultation with the Human Resources and Social Security Department of Guangdong Province on November 11, 2020, it is provided that non-compliance with prescribed teacher-to-student ratio is not expected to have any material impact on the operation of Lingnan Modern Technician College, unless other major deficiencies in school operations are found; and (iv) the teacher-to-student ratio of Lingnan Modern Technician College is thereby acknowledged without imposition of any administrative penalty by the Human Resources and Social Security Department of Guangdong Province, our PRC Legal Advisors are of the view that (i) the risk of Lingnan Institute of Technology being subject to any penalties imposed by the Education Department of Guangdong Province for the above matters regarding its teacher-to-student ratio is remote; and (ii) the risk of Lingnan Modern Technician College being subject to any administrative penalties imposed by the Human Resources and Social Security Department of Guangdong Province for the aforesaid failure to meet the prescribed teacher-to-student ratio is remote. Our Directors are of the view that this failure to meet the prescribed ratios will not have any material and adverse effect on the operation of our schools.

Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure Ongoing Compliance

We endeavor to continuously improve the quality of our education and the teacher-to-student ratio is one of the many metrics under consideration. We will monitor and adjust the teacher-to-student ratio as necessary and where practicable based on the needs of our increasing student enrolments and our schools' education plans and activities without compromising the quality of our education or profitability. We intend to devote additional resources to stepping up our teacher recruitment and retention efforts going forward to further improve our teacher-to-student ratio and our overall teaching quality in light of our growth in full-time student enrollment and the complexity of our course offerings. Our efforts include (i) gradually increase the number of teachers at our schools each year so that they will be able to meet the respective teacher-to-student ratio requirement within three years; (ii) implement a mechanism for introducing teaching talents to hire additional high-quality teaching talents with strong education background and/or working experience; and (iii) offering higher salaries to retain and attract teaching talents. We have put into place these measures in 2021. In addition, we will continue to offer targeted trainings to teachers at different experience levels to improve their lecturing and training skills. For instance, in 2019, an aggregate of more than 180 of our teachers at Lingnan Institute of Technology and Lingnan Modern Technician College participated in these trainings. Through our various approaches in recruitment, we believe that we have sufficient access to an abundant source of teaching resources that would enable us to improve our teacher-to-student ratio and, most importantly, the quality of our education. According to the Frost & Sullivan Report, the resource of qualified teachers is adequate in China and Guangdong Province, and is expected to grow. Such trend is supported by the sustainable growth of the number of full-time teachers of higher education institutions and the recent graduates and newly enrolled students (who are in effect talent reserves for teachers) in teacher education institutions. From 2015 to 2019, the number of full-time teachers of higher education institutions in China and Guangdong Province increased at CAGRs of 2.6% and 3.8%, respectively. During the same years, the number of graduates from teacher education institutions in China and Guangdong Province increased steadily at CAGRs of 2.8% and 1.1%, respectively. The number of graduates from teacher education institutions in China and Guangdong Province is expected to grow at a CAGR of 5.2% and 6.6%, respectively, from 2019 to 2024, which is mainly attributable to the higher growth rate of newly enrolled students in teacher education institutions in China and Guangdong Province from 2015 to 2019.

Although the teacher-to-student ratio of our Lingnan Institute of Technology increased during the Track Record Period and the teacher-to-student ratio of Lingnan Modern Technician College fluctuated during the Track Record Period, our Directors are of the view that we have adopted effective measures as we have increased the number of teachers at our schools from 1,145 as of October 31, 2020 to 1,159 as of December 31, 2020 and expect to engage more teachers during the period from June to July in 2021 as we typically hire more teachers during the period to be prepared for the fall semester. We plan to adjust the teacher-to-student ratio of our Lingnan Institute of Technology to meet the Qualified Standard of 1:18 on or before December 31, 2023. Specifically, for Lingnan Institute of Technology in connection with its upgrade from an associate college to a vocational university in the 2023/2024 school year, we plan to use our internal resources to engage an aggregate of approximately 1,065 teachers by September 30, 2021, 863 teachers by September 30, 2022 and 843 teachers by September 30, 2023 as a result of the expected reduction in student enrollment at the school. We also plan to increase the teacher-to-student ratio of our Lingnan Modern Technician College to meet the regulatory requirement of 1:18 on or before December 31, 2023, especially in connection with the reduction of student enrollment at Lingnan Institute of Technology resulting from its upgrade from an associate college to a vocational university in the 2023/2024 school year, pursuant to which we believe Lingnan Modern Technician College may be able to utilize such available space in the Guangzhou Campus in the event it expands its secondary and post-secondary vocational programs beginning in the 2022/2023 school year. Specifically, for Lingnan Modern Technician College, we plan to engage an aggregate of approximately 231 teachers by September 30, 2021, 531 teachers by September 30, 2022 and 831 teachers by December 31, 2023. For details, please refer to the section headed "— Our Expansion Plans" in this prospectus. Since we will likely need fewer teachers for Lingnan Institute of Technology after it upgrades to a vocational university resulting from a reduction in student enrollment, we intend to assign the extra teachers from Lingnan Institute of Technology to teach at Lingnan Modern Technician College as it increases student enrollment based on their background and the relevant courses they teach. The teachers who currently teach at Lingnan Institute of Technology are generally qualified to also teach at Lingnan Modern Technician College.

Teaching and Administrative/School Building Area and Site Area

Background

For the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, the teaching and administrative building area per student of Lingnan Institute of Technology was 22.0 sq.m., 20.9 sq.m., 22.1 sq.m. and 21.8 sq.m. For the same school years, the site area per student of Lingnan Institute of Technology was 40.2 sq.m., 36.1 sq.m., 35.1 sq.m. and 34.6 sq.m., respectively. As advised by our PRC Legal Advisors, Lingnan Institute of Technology had complied with the regulatory requirements in terms of the teaching and administrative building area per student but did not fully meet the regulatory requirements in terms of the site area per student. According to the School Condition Notice, the site area per full-time student belongs to the Monitoring Indicators, which is supplementary to the Basic Indicators to primarily reflect improvements to the operation conditions of such higher education institution.

For each of the 2017/2018, 2018/2019, 2019/2020 and 2020/2021 school years, the total school building area of Lingnan Modern Technician College was 59,758.15 sq.m. and the total site area of Lingnan Modern Technician College was 83,805.19 sq.m. Lingnan Modern Technician College did not fully comply with the regulatory requirements under the Notice on Printing Standards for Technical Schools and Colleges in terms of the school building area or the site area as set forth in the notice. As advised by our PRC Legal Advisors, as of the Latest Practicable Date, the relevant legislation does not state any legal consequences for a breach of the prescribed school building area or the site area ratio.

Reasons for Non-Compliance

Failure to meet the relevant regulatory teaching and administrative/school building area and site area ratios occurred primarily due to administrative oversight of our schools and the lack of understanding of the applicable laws and regulations involving our administrative staff.

Legal Consequences and Potential Maximum Penalties

As advised by our PRC Legal Advisors, as of the Latest Practicable Date, the relevant legislation does not state any legal consequences for a breach of the Monitoring Indicators under the School Condition Notice and the Notice on Printing Standards for Technical Schools and Colleges did not state any legal consequences for our failure to meet the regulatory requirement.

On August 28, 2020, we consulted with a deputy chief of the Education Department of Guangdong Province who is responsible for the supervision and inspection of school-operating behaviors of private higher education institutions in Guangdong Province, being the competent authority as advised by our PRC Legal Advisor to confirm the matters relating to the basic conditions for the higher education institutions which were applicable to Lingnan Institute of Technology. Based on the consultations, we were advised that (i) the official has the authority to give the confirmation; (ii) failure to comply with such requirement stipulated in the regulations will not subject our Lingnan Institute of Technology to any fines or penalties; Lingnan Institute of Technology had passed the annual inspections conducted by the relevant authorities during the Track Record Period; and (iii) Lingnan Institute of Technology obtained the confirmation from the competent authorities that there was no record of administrative penalty imposed on the school caused by their breach of the PRC laws and regulations.

On November 11, 2020, we consulted with a deputy chief of the Human Resources and Social Security Department of Guangdong Province who is responsible for the supervision and inspection of school-operating behaviors of technical schools in Guangdong Province, being the competent authority as advised by our PRC Legal Advisors to confirm the matters relating to the total school building area requirements which were applicable to Lingnan Modern Technician College. Based on the consultations, we were advised that (i) the official has the authority to give the confirmation; (ii) the failure to comply with such requirement stipulated in the regulations will not subject our Lingnan Modern Technician College to any fines or penalties; (iii) Lingnan Modern Technician College had passed the annual inspections conducted by the relevant authorities during the Track Record Period; and (iv) Lingnan Modern Technician College obtained the confirmation from the competent authorities that there was no record of administrative penalty imposed on the school caused by their breach of the PRC laws and regulations. Based on the foregoing, our PRC Legal Advisors is of the view that the relevant officials consulted had appropriate authority to give the relevant confirmations during the consultations, and the risk of Lingnan Institute of Technology being penalized by the Education Department of Guangdong Province for its lower ratios between school site area and numbers of students and the risk of Lingnan Modern Technician College being subject to any administrative penalties imposed by the Human Resources and Social Security Department of Guangdong Province for its failure to meet the regulatory requirements in terms of its school building area and site area are remote.

Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance

Our Directors are of the view that this failure to meet the prescribed ratios will not have any material and adverse effect on the operation of our schools. We endeavor to improve the site area per student ratio and teaching and administrative building area per student ratio of Lingnan Institute of Technology by expanding the Qingyuan Campus through land acquisition and teaching building construction, respectively. We will also monitor and adjust the these ratios as necessary and where practicable based on the needs of the school. For details of our expansion plan, please see the section headed "— Our Expansion Plans" in this prospectus. With respect to our Lingnan Modern Technician College, we believe that the total site area and school building area standards can be improved as we expand the Qingyuan Campus, through which we will be able to relocate some of the students of Lingnan Institute of Technology from the Guangzhou Campus to the Qingyuan Campus and it will result in additional space for the students of Lingnan Modern Technician College. Our Directors are of the view that we have adequate measures in place to improve the ratios of teaching and administrative or school building area per student and site area per student going forward as we intend to use (i) 55.0% of the net proceeds of the Global Offering, or HK$290.0 million, to expand our Qingyuan Campus by acquiring additional land of approximately 400,200 sq.m., which will increase the school site area of Lingnan Institute of Technology to 911,500 sq.m. so that the site area per student of Lingnan Institute of Technology will be approximately 60 sq.m. to meet the regulatory requirement on or before December 31, 2021 assuming student enrollment of our Lingnan Institute of Technology of approximately 15,600; and (ii) 12.0% of the net proceeds of the Global Offering, or HK$63.3 million, for constructing additional teaching and administrative facilities in the Qingyuan Campus and purchasing teaching equipment, which will increase the teaching and administrative or school building area. We also aim to increase the total school building area of Lingnan Modern Technician College to meet the regulatory requirement of 80,000 sq.m. and the total site area of Lingnan Modern Technician College to meet the regulatory requirement of 100,000 sq.m. on or before December 31, 2023 by leasing additional properties from third parties or use the vacant properties occupied by Lingnan Institute of Technology as it reduces its student enrollment in connection with its upgrade to a vocational university.

Buildings with Completed Construction but without Title Certificates

Background

As of the Latest Practicable Date, we had three buildings in the Qingyuan Campus with a total gross floor area of 30,898.89 sq.m. for which the construction had been completed and which were put into use without first passing the construction project completion acceptance check (竣工驗收). All such buildings had been put into use as teaching facilities and student dormitories as of the Latest Practicable Date.

Reasons for Non-Compliance

Failure to pass the construction project completion acceptance check before putting such buildings into use occurred mainly due to administrative oversight of our Lingnan Institute of Technology and lack of understanding of the local environmental, fire control and construction project completion acceptance check policies of our administrative staff.

Legal Consequences and Potential Maximum Penalties

As advised by our PRC Legal Advisors, for construction projects we have put into use without passing the construction project completion acceptance check, we may be ordered to rectify and may be obliged to pay compensation where any damage has been caused. A fine of not less than 2% but not more than 4% of the contract price of the construction may also be imposed.

The total potential maximum penalties that we may be subject to are estimated to be approximately RMB5.5 million.

A consultation was conducted with a chief of Qingyuan City Housing and Urban Development Bureau (清遠市住房和城鄉建設局) who is responsible for the supervision of building design and construction (including construction approval, engineering quality supervision) in Qingyuan, on October 22, 2020, pursuant to which the relevant official confirmed that (i) the official has the authority to give the confirmation; and (ii) the bureau does not object to the fact that some of the properties on the Qingyuan Campus were put into use without first passing the construction project completion acceptance check, and it did not foresee any major impediment for Lingnan Institute of Technology to handle these procedures. The bureau further confirmed that it will not take any action against Lingnan Institute of Technology and that the school can continue to use these properties as is. Based on the foregoing, our PRC Legal Advisors are of the view that the relevant official consulted had appropriate authority to give the relevant confirmation during the consultation, and the risk that Lingnan Institute of Technology may be subject to any administrative penalty by such bureau for the abovementioned non-compliance is remote.

Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance

We are in the process of preparing the relevant documents required to complete the construction project completion acceptance checks, and plan to apply for the construction project completion acceptance checks for the three owned buildings in July 2021, which we expect to complete in October 2021. Upon completion of the construction project completion acceptance check, we will be able to apply for the building ownership certificates, which we expect to obtain in or around June 2022.

In addition, we have adopted the following internal control measures in September 2020 to mitigate any future recurrence of such non-compliance: (i) standardizing the process of construction projects, requiring approval of each construction project, ongoing compliance during construction and the completion of all necessary inspection and check procedures before putting the properties into use; (ii) enhancing our internal supervision of construction projects by appointing our finance department, projects department, internal control department and logistics department to supervise and monitor our administrative staff with respect to such matters; and (iii) motivating employees by establishing an reward and punishment system. After adopting these internal control measures, our Directors are of the view that we have adequate internal control systems in place for our property-related compliance in the future, and therefore, are able to comply with the internal control requirements under the Listing Rules.

Commencement of Construction before Obtaining Construction Permits or Completing the Requisite Engineering Quality Supervision Procedures

Background

During the Track Record Period, Lingnan Institute of Technology had been subject to administrative penalties imposed by Qingyuan City Housing and Urban-rural Development Bureau (清遠市住房和城鄉建設局) in connection with commencing the construction of certain number of buildings in the Qingyuan Campus with an aggregate gross floor area of approximately 184,174.76

sq.m. by the school before first obtaining the relevant construction permits or completing the requisite engineering quality supervision procedures. All such buildings had been put into use as teaching facilities, canteen and student dormitories as of the Latest Practicable Date.

Reasons for Non-Compliance

Failure to obtain the relevant construction permits or complete the requisite engineering quality supervision procedures before commencing construction of certain number of buildings in the Qingyuan Campus occurred mainly due to administrative oversight of our Lingnan Institute of Technology and the lack of understanding of the local supervision policies of our administrative staff.

Legal Consequences and Penalties Paid

The aggregate administrative penalties amounted to approximately RMB2.9 million. As of the Latest Practicable Date, we had fully settled these administrative penalties and have obtained the relevant construction permits or completed the requisite engineering quality supervision procedures, as the case may be, and accordingly, our title to and use of the relevant buildings are unaffected. We had the above-mentioned property non-compliances at the Qingyuan Campus primarily as result of our management's oversight and the responsible administrative staff's unfamiliarity with the relevant compliance requirements.

Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance

As of the Latest Practicable Date, we had obtained the relevant construction permits or completed the requisite engineering quality supervision procedures.

We have adopted the following internal control measures in September 2020 to mitigate any future recurrence of such non-compliance: we have appointed our finance department, projects department, internal control department and logistics department to supervise and monitor our administrative staff with respect to property-related activities. After adopting these internal control measures, our Directors are of the view that we have adequate internal control systems in place for our property-related compliance in the future, and therefore, are able to comply with the internal control requirements under the Listing Rules. Considering the nature, scale, reasons and potential impact of the non-compliances as disclosed in the section headed "— Properties" in this prospectus, the Directors are of the view that none of the non-compliances was fundamental to the daily operations of our schools.

Based on the consultations conducted on November 27, 2018 and October 22, 2020, the Qingyuan City Housing and Urban-rural Development Bureau (清遠市住房和城鄉建設局) confirmed with us that (i) since Lingnan Institute of Technology had rectified title defects and paid the administrative penalties in full, the bureau will not punish Lingnan Institute of Technology again due to the aforementioned circumstances, including but not limited to, requiring Lingnan Institute of Technology to stop using the corresponding buildings, ordering corrections within a time limit or requesting the demolition of the corresponding buildings; (ii) as of the date of the interview, apart from the above-mentioned circumstances, the bureau has not found any other violation of laws and regulations within the jurisdiction of the bureau's authority; (iii) Lingnan

Institute of Technology has not been or may be investigated or punished by the bureau for violating the relevant laws, regulations, rules or regulatory documents; (iv) there are no previous, ongoing or potential disputes or disputes between Lingnan Institute of Technology and the bureau; and (v) the bureau has not received any complaints or reports against Lingnan Institute of Technology.

Leased Properties from Guangzhou Xintang and Guangzhou Yangji without Relevant Building Ownership Certificates

Background

As of the Latest Practicable Date, (i) Guangzhou Xintang, the landlord of 21 properties leased by Lingnan Institute of Technology with a total gross floor area of 107,063 sq.m. and nine properties leased by Lingnan Modern Technician College with a total gross floor area of 47,412.38 sq.m.; and (ii) Guangzhou Yangji, the landlord of five properties leased by Lingnan Institute of Technology with a total gross floor area of 77,078.86 sq.m. and one property leased by Lingnan Modern Technician College with a gross floor area of 12,345.77 sq.m., did not go through the corresponding formalities for constructing the above-mentioned buildings and did not obtain the relevant title certificates, as a result of which, the validity of the relevant lease agreements between the landlords, on the one hand, and Lingnan Institute of Technology and Lingnan Modern Technician College, on the other hand, are uncertain. Consequently, Lingnan Institute of Technology and Lingnan Modern Technician College may not be able to use such properties under normal circumstances. All such buildings had been put into use as teaching facilities and student dormitories as of the Latest Practicable Date.

Reasons for Non-Compliance

Guangzhou Xintang and Guangzhou Yangji did not have the relevant building ownership certificates for these buildings due to historical defects, including the failure to obtain the relevant construction land planning permits and/or construction permits.

Legal Consequences and Potential Maximum Penalties

The above-mentioned buildings which did not go through the corresponding formalities for construction may be recovered or demolished by order. If the buildings cannot be demolished, the buildings may be confiscated by the relevant authorities in charge. On September 29, 2020, we conducted a consultation with a deputy chief (副處長) of the Guangzhou Municipal Planning and Natural Resources Bureau, Huangpu District Bureau who is responsible for urban-rural planning and land use in Huangpu District, Guangzhou, we were informed that (i) the official has the authority to give the confirmation; and (ii) the bureau had approved the use of the land for education purposes from an urban and rural planning perspective. Due to historical reasons, certain land use procedures were incomplete. However, the bureau has no plan to recover or demolish the aforementioned properties, and our schools can continue to lease and use such properties. As of the date of the interview, except for the circumstances mentioned above, the bureau had not found any violation of laws or regulations in the use of the land by our schools. Furthermore, neither Lingnan Institute of Technology nor Lingnan Modern Technician College has been or may be subject to any investigation or penalty by the bureau for violating the relevant laws, regulations, rules or normative document, and there has not been any previous, ongoing or potential dispute between the bureau and our schools in relation to their use of the land. As of the same date, the bureau had not received any complaint or report against our schools. Accordingly, our PRC Legal Advisors advised us that the relevant official consulted had appropriate authority to give the relevant confirmation during the consultation, and based on the confirmation of the Guangzhou Municipal Planning and Natural Resources Bureau, Huangpu District Bureau, the bureau had no plan to recover or demolish the aforementioned properties, and accordingly, the risk of our schools being unable to use the above-mentioned properties under normal circumstances is remote.

Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance

To the best knowledge of our Directors, as of the Latest Practicable Date, we were not aware of any step taken by the relevant landlords with respect to remedying such non-compliance. We will proactively follow up with the relevant landlords in relation to the compliance status and make our best efforts to urge them to rectify these non-compliance incidents as soon as practicable.

We have adopted the following internal control measures in September 2020 to mitigate any future recurrence of such non-compliance: (i) standardizing the process of property lease, making sure every leased property has obtained all necessary certificates and/or approvals; (ii) enhancing our internal supervision of property-related activities by appointing our finance department, projects department, internal control department and logistics department to supervise and monitor our administrative staff with respect to such matters; and (iii) motivating employees by establishing an reward and punishment system. After adopting these internal control measures, our Directors are of the view that we have adequate internal control systems in place for our property-related compliance in the future, and therefore, are able to comply with the internal control requirements under the Listing Rules.

Leased Properties which Commenced Construction before Completing Fire Control Design Inspection or Fire Control Inspection

Background

As of the Latest Practicable Date, 14 properties with a total gross floor area of 36,468.38 sq.m. leased by Lingnan Institute of Technology did not complete the fire control design inspection (消防設計審核) before commencing construction, and eight properties with a total gross floor area of 15,471.37 sq.m. leased by Lingnan Institute of Technology were put into use without completing the fire control inspection (消防驗收). Additionally, eight properties with a total gross floor area of 44,223.58 sq.m. leased by Lingnan Modern Technician College did not complete fire control design inspection before commencing construction, and two properties with a total gross floor area of 8,408.5 sq.m. leased by Lingnan Modern Technician College were put into use as teaching facilities and student dormitory without completing the fire control inspection.

Reasons for Non-compliance

Failure to complete the requisite fire control inspection for these buildings was primarily caused by historical defects involving these buildings, which resulted in our inability to complete the requisite fire control design inspection and fire control inspection.

Legal Consequences and Potential Maximum Penalties

We are advised by our PRC Legal Advisors that for construction projects (i) that are constructed without completing the fire control design inspection; and (ii) we have put into use without completing the fire control inspection, we are subject to the risk of being prohibited from using these buildings or closing our business relevant to the affected buildings and being fined between RMB30,000 and RMB300,000 per building. The total potential maximum penalties we may be subject to are estimated to be approximately RMB9.6 million.

According to the confirmations obtained from the competent fire control authorities of Huangpu District, Guangzhou Municipal on December 5, 2018, September 29, 2020 and February 3, 2021, other than disclosed in this section, Lingnan Institute of Technology and Lingnan Modern Technician College had complied with the Fire Protection Law of the People's Republic of China, and there was neither any record of fire accidents involving these properties nor any record of any administrative punishment imposed on the school by the relevant government authority in Huangpu District. According to our consultation with Fire and Rescue Brigade of Guangzhou Huangpu District Branch (廣州市黃埔區消防救援大隊), which is currently responsible for reviewing and approving the fire control assessment of construction projects and supervising the fire control in Huangpu District, on June 8, 2021, the relevant government authority confirmed that we are able to continue to use these properties without fire control inspection before completing the process of re-applying for the fire control inspection procedures. Based on the above, our PRC Legal Advisors are of the view that the risk of us being prohibited from using such properties without fire control inspection is remote. As of the Latest Practicable Date, we were in the process of completing the fire control design inspection and/or arranging for fire control inspection, as the case may be.

Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance

Our Directors confirm that we are currently in discussions with the relevant authorities with a view to re-complying with fire control design inspection and fire control inspection procedure as soon as practicable. Based on our Directors' current understanding of the process involved, (i) barring any unforeseen circumstance, we endeavor to complete the relevant fire control design inspection and fire control inspection and re-comply with the relevant fire control requirements for these leased buildings, where practicable, in the next two to three years; and (ii) we expect that such re-compliance will be primarily administrative and procedural in nature and do not expect to incur any substantial cost. We expect that any costs in relation to such re-compliance will be funded from our operating cash flow. Our Directors are of the view that there is no practicable impediment that might prevent us from re-complying with the relevant fire control requirements. We will proactively follow up with the relevant landlords in relation to the compliance status and make our best efforts to urge them to rectify these non-compliance incidents as soon as practicable.

To ensure the fire safety of such buildings, in September 2020, we engaged a qualified independent fire safety inspection company in Guangdong Province to conduct safety appraisals in terms of fire safety features of the relevant buildings leased by our schools. Such independent fire safety inspection company issued an inspection report on November 12, 2020, which confirmed, among other things, that the fire safety features of these buildings meet the PRC national fire protection technical codes and standards.

In addition, we have adopted the following internal control measures in September 2020 to mitigate any future recurrence of such non-compliance: we have appointed our finance department, projects department, internal control department and logistics department to supervise and monitor our administrative staff with respect to property-related activities. After adopting these internal control measures, our Directors are of the view that we have adequate internal control systems in place for our property-related compliance in the future, and therefore, are able to comply with the internal control requirements under the Listing Rules.

Considering the satisfactory results from the inspection report issued by the independent fire safety inspection company, and that no major fire safety issue has occurred on these leased properties since they came into operations, our Directors are of the view that there is no material impediment for us to complete the fire safety filing for these properties once the historical defects are rectified by Guangzhou Xintang.

Based on the foregoing, our Directors consider the fact that these buildings have not completed the requisite fire control design inspection and fire control inspection would not have any material adverse effect on our operations as a whole.

Our Directors confirm that as of the Latest Practicable Date, all our owned and leased properties with non-compliance issues relating to fire control inspection have met the applicable fire protection standards, no accidents had occurred on our premises, and there was no material impediment for our Group to complete the fire safety filings and/or fire control inspection procedures.

Social Insurance Plan and Housing Provident Fund

Background

During the Track Record Period and up to the Latest Practicable Date, Lingnan Education, Lingnan Institute of Technology and Lingnan Modern Technician College did not pay social insurance and housing provident fund in full for certain employees based on such employees' actual wages in accordance with the applicable PRC laws and regulations. We estimate that the amount of social insurance payments and housing provident fund contributions that we did not pay for the years ended December 31, 2018, 2019 and 2020 was approximately RMB11.3 million, RMB12.2 million and RMB11.1 million, respectively.

Reasons for Non-Compliance

Failure to pay social insurance and housing provident fund in full for certain employees occurred mainly due to (i) administrative oversight, as our administrative personnel were unfamiliar with the relevant regulatory requirements; and (ii) the inconsistent implementation or interpretation of the relevant regulations by the responsible local authorities.

Legal Consequences and Potential Maximum Penalties

Our PRC Legal Advisors has advised us that if any competent PRC government authority is of the view that the social insurance payments we made for our employees breached the requirements under the relevant PRC laws and regulations, we may be ordered by the competent

PRC government authority to pay the outstanding balance to the relevant PRC local authorities within a prescribed time period and a late fee of 0.05% of the total outstanding balance per day from the date of such failure of payment. If we fail to do so within the prescribed period, we may be subject to an additional fine ranging from one to three times of the total outstanding balance. Our PRC Legal Advisors has also advised us that, if any PRC competent government authority is of the view that the contributions for the housing provident fund do not satisfy the requirements under the relevant PRC laws and regulations, we may be ordered by the competent PRC government authority to pay the outstanding balance to the relevant PRC local authorities within a prescribed period. If we fail to do so within the prescribed period, we may be enforced to pay the outstanding balance by the relevant PRC local court. Our Directors undertake to pay all outstanding balance of social insurance and housing provident fund contributions promptly if requested by the relevant PRC government authorities. Accordingly, we do not expect that we will be subject to any administrative penalty in connection with this non-compliance.

During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, we had not been notified of any employee complaint by the relevant government authorities or that any employee is unsatisfied with the amount of social insurance and housing provident fund contributions we made. Therefore, there is no reason for our Directors to believe that our employees are not satisfied with our existing social insurance and housing provident fund contribution arrangements and would initiate any complaint to the relevant government authorities. Based on written confirmations from, and consultations with, the relevant local competent authorities in September 2020, November 2020 and January 2021, with respect to our failure to make full social insurance contributions, the relevant authorities have confirmed that (i) they had accepted the bases on which our contributions to the social insurance plans were made; (ii) no administrative penalties had been imposed, nor had any requirement to settle the outstanding amount of social insurance contributions been imposed as of the date of the consultation; and (iii) they would not proactively initiate any actions to compel us to make supplementary contributions or impose penalty on us absent of employee complaints. Based on the foregoing, our PRC Legal Advisors are of the view that, in the absence of employee complaints, the risk of us being subject to administrative penalty and the risk of local authorities proactively initiating any actions to compel us to make supplemental contributions to the social insurance plan will be remote.

Based on written confirmations from, and consultations with, the relevant local competent authority in September 2020, October 2020 and January 2021, with respect to our failure to make full housing provident fund contributions, the relevant authority has confirmed that, (i) it had accepted the bases on which our contributions to the housing provident fund were made; (ii) no administrative penalties had been imposed, nor had any requirement to settle the outstanding amount of housing provident fund contributions been imposed as of the date of the consultation; and (iii) it would not proactively initiate any actions to compel us to make supplementary contributions or impose penalty on us absent of employee complaints. Based on the foregoing, our PRC Legal Advisors are of the view that, in the absence of employee complaints, the risk of government authority proactively initiating any actions to compel us to make supplemental contributions to the housing provident fund will be remote.

As of the Latest Practicable Date, no administrative action, fine or penalty had been imposed by the relevant PRC government authorities with respect to this non-compliance incident, nor has any order been received by our Company to settle the outstanding amount of social insurance payments and housing provident fund contributions. We have reviewed our internal control policy and designated our human resources department to closely monitor our on-going compliance with the social insurance and housing provident fund contribution regulations and oversee the implementation of any necessary measures. As of the Latest Practicable Date, we had made full provision for the outstanding balance of the social insurance and housing provident fund based on the estimation of the aggregate amount of social insurance and housing provident fund contributions that we failed to fully pay during the Track Record Period. As of the same date, we did not receive any notice from the relevant government authorities ordering us to make up underpayments or pay any late fees, nor have we been subject to any fines imposed by them for the shortage in payment of social insurance and housing provident funds. Based on the aforesaid facts, our Directors are of the view that the risk of us being ordered to make up the underpayments, pay any late fees or be subject to fines for the social insurance and housing fund-related non-compliance by the relevant government authorities is remote.

Remedies and Rectification Measures Taken to Prevent Future Breach and Ensure On-going Compliance

We are committed to be fully compliant with the applicable laws and regulations by gradually making statutory contributions to the social insurance based on the actual salary level of our employees going forward. We will make full contributions to housing provident fund for the majority of our employees based on the respective employee's actual salary level in the immediately preceding year according to PRC laws and regulations on or before the Listing. We have been proactively liaising with the relevant authorities for such purpose. As an upward adjustment of our payment base will also correspondingly increase the contribution amount by our employees, we are also in the process of communicating with our employees with a view to seeking their understanding and cooperation in complying with the applicable payment base. Accordingly, we expect to gradually rectify our payment base for all of our employees beginning in the second half of 2021. The authorities have not imposed any deadline for our compliance. Our compliance with employee social welfare plans is in part subject to cooperation from our employees, who may not be receptive and may have a different attitude towards such plans due to the requirement that they co-contribute. We will seek assistance from our legal advisors and confirm with the relevant authorities on our assessment of the adjusted payment base.

Therefore, based on the foregoing, our Director believe that this non-compliance incident has no material impact on our operations, and does not reflect negatively on the ability of our Group, our Directors or our senior management to operate in a compliant manner.

Views of the Directors and the Sole Sponsor

Our Directors confirm that none of them were directly involved in the above-mentioned non-compliance incidents. In addition to the remedies and rectification measures described above, we have also established a dedicated internal control unit comprising of two staff. As of the Latest Practicable Date, we were in the process of designating the head of such dedicated internal control unit and we expect to complete such designation by June 30, 2021. The internal audit unit shall be responsible for, among other things, (i) monitoring our daily business operations to ensure on-going compliance with the applicable laws and regulations; (ii) overseeing the specific measures implemented to rectify our past non-compliances; and (iii) reporting any newly discovered non-compliance issue to the audit committee of the Board and assisting in rectifying such non-compliance issue. Our Directors confirm that there had been no recurrences of any new non-compliance incidents subsequent to the implementation of the relevant remedies, rectification measures and internal control measures. Based on the foregoing, our Directors are of the view that the above-mentioned internal control measures our Group implemented are effective. After discussing with our management and considering the remedies and rectification measures taken by our Group to prevent future breaches and ensure on-going compliance, nothing has come to the attention of the Sole Sponsor that such measures are materially inadequate or ineffective for the purpose of complying with applicable laws and regulations in all material respects.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent business consulting firm (the “Internal Control Consultant”) to conduct an evaluation of our internal control system in connection with the Listing. As part of the engagement, we have consulted with our Internal Control Consultant to identify the factors relevant to enhancing our internal control system and the steps to be taken, and the Internal Control Consultant made a number of recommendations. The Internal Control Consultant conducted its work in September 2020 and provided a number of findings and recommendations in its report. We have subsequently taken remedial actions in response to such findings and recommendations. The Internal Control Consultant performed follow-up procedures on our Company’s system of internal control with regard to those actions taken by us and reported further commentary in October 2020. In its follow-up reviews, the Internal Control Consultant noted that we had followed all of its recommendations and accordingly taken corrective actions to address its internal control deficiencies and weaknesses.

We have established an internal control department and each of our schools has designated relevant personnel who will be responsible for monitoring our on-going compliance with the relevant PRC laws and regulations that govern our business operations and overseeing the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our schools) and employees involved with continuing training programs and/or updates regarding the relevant PRC laws and regulations on a regular basis with a view to proactively identify any concerns and issues relating to potential non-compliance. Our Legal and Supervision Department is responsible for ensuring our overall on-going compliance.

With respect to our on-going compliance generally, we have implemented the following internal control measures to ensure our compliance with applicable laws and regulations and to enhance our internal control:

- implementing internal control system manuals on corporate governance, operations, management, legal matters, finance and auditing that set out the internal approval and review procedures pursuant to which our employees are required to comply with;

- supervision and guidance by our audit committee, which is empowered to provide an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group and the relevant audit processes;

- hiring additional personnel to support our continued growth and development, including candidates with relevant professional experience and qualifications; and

- engaging external professional advisors (including our compliance advisor, as well as legal advisors as to Hong Kong laws, PRC laws and laws of the jurisdiction in which we may expand our operations, and tax advisors) to provide professional advice and guidance to our Group to ensure compliance with applicable laws and regulations. We will also arrange our external professional advisors to provide internal training to our Directors and employees from time to time to ensure they are kept up-to-date with any legal and regulatory developments.

Risk Management

We are exposed to various risks in the operations of our business and we believe that risk management is important to our success. Key operational risks faced by us include market recognition of our brand, reputation of our schools, our ability to attract and retain our senior management and other qualified personnel, our ability to recruit and retain dedicated and qualified teachers, our ability to increase student enrollment at our schools, new legislation or changes in the PRC regulatory requirements regarding private education which may affect our business operations and prospects. Please refer to the section headed "Risk Factors" in this prospectus for disclosures on various risks we face. In addition, we also face numerous market risks, such as interest rate, credit and liquidity risks that arise in the normal course of our business. For a discussion on these market risks, please see the section headed "Financial Information — Financial Risk Management Objectives and Policies" in this prospectus.

To properly manage these risks, we have established the following risk management structures and measures:

- our Board is generally responsible for making strategic decisions for both of our schools on matters such as school budgets, investments, acquisitions and further development. Our Board further appoints boards of directors of our schools (subject to the approval by the Education Department of Guangdong Province), which are the decision-making bodies of the schools led by the respective principals. Under the guidance of the school boards, the principal's offices are responsible for the ongoing risk management of each school. Serious incidents and violations to our internal control policies are reported to our Board, which shall make the decisions regarding the remedial measures. Information related to the incidents will be archived for record. Such archives generally consist of incident reports, monitoring and inspection records, inspection reports, inspection recommendations, inspection decisions and other material. We would also carefully learn from our experiences of such incidents, understand the weaknesses discovered and use this information as guidance for our future work;

- we maintain certain insurance, including school liability insurance, the coverage of which we believe is in line with customary practice in the PRC education industry; and

- we have made arrangements with certain banks to ensure that we are able to obtain credit to support our business operation and expansion.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalization Issue and the Global Offering, the Controlling Shareholders will together control the exercise of voting rights of more than 30% of the Shares eligible to vote in the general meeting of our Company (assuming the Over-allotment Option is not exercised).

Information on Other Companies Owned by Our Controlling Shareholders

We are currently engaged in the provision of private formal vocational education in the Greater Bay Area. Through our schools, we primarily offer junior college program as well as secondary vocational program and post-secondary vocational program to our students from within and outside Guangdong Province. Other than interests in our Group, our Controlling Shareholders hold direct or indirect interests in companies outside of our Group, which are engaged in education business. These include Lingnan International Kindergarten, Lingnan International School, a foreign language school named Guangzhou Kaifaqu Foreign Language School Affiliated to the South China Normal University* (廣州開發區華南師範大學附屬外國語學校) (the "Foreign Language School"), a non-formal vocational training school named Guangzhoushi Lingnan Vocational Training School* (廣州市嶺南職業培訓學校) (the "Non-formal Vocational Training School"), an education and training center named Guangzhoushi Huangpuqu Lingnan Education Training Center* (廣州市黃埔區嶺南教育培訓中心), (the "ECA Center") and a Chinese art training center Guangzhoushi Huangpuqu Lingnan Shuyuan Training Center* (廣州市黃埔區嶺南書院培訓中心) (the "Chinese Art Center"). The premises of Lingnan International Kindergarten, the Lingnan International School, the Foreign Language School, the Non-formal Vocational Training School, the ECA Center and the Chinese Art Center are all located in Guangdong Province.

Lingnan International Kindergarten and Lingnan International School

Lingnan International Kindergarten is a private kindergarten primarily engaged in the provision of preschool kindergarten education to children aged between three to six. Lingnan International School is a private school primarily engaged in the provision of primary education to students from the 1st grade to the 6th grade. Mr. He Huishan is the sole school sponsor of Lingnan International Kindergarten and Ms. He Huifang is the sole school sponsor of Lingnan International School.

During the Track Record Period, Ms. He Huifang served as a council member at Lingnan International Kindergarten and Lingnan International School, and Mr. Du Wenyu, the spouse of Ms. He Huifang, served as a supervisor of Lingnan International School and Lingnan International Kindergarten. Upon the Listing, Ms. He Huifang will change her role from a council member to a supervisor and Mr. Du Wenyu will remain as a supervisor of Lingnan International Kindergarten and Lingnan International School.

To the best of the knowledge of our Directors after all reasonable enquiry, neither Lingnan International Kindergarten nor Lingnan International School was subject to any material non-compliant incidents, claims, litigation or legal proceedings during the Track Record Period and up to the Latest Practicable Date.

The Non-formal Vocational Training School

The Non-formal Vocational Training School primarily provides non-formal vocational skills training programs, covering areas that include computer office software application, computer design and drawing, multimedia works production, secretarial skills, human resources management and elderly care. It generally targets the students who have at least finished middle school as their final formal education but wishes to enhance certain vocational skills from non-formal vocational training programs. Since 2019 and up to the Latest Practicable Date, the Non-formal Vocational Training School has not been in active operation. Ms. He Huifen is the sole school sponsor and principal of the Non-formal Vocational Training School. It was noted that pursuant to a copy of the articles of associations of the Non-formal Vocational School filed with the Bureau of Civil Affairs of Guangzhou Tianhe District, the school sponsor of the Non-formal Vocational School was said to be Lingnan Education. As confirmed by the board of directors of Lingnan Education, the board of directors of the Non-formal Vocational School and Ms. He Huifen, the school sponsor was incorrectly recorded due to the Non-formal Vocational School's internal administrative errors on the filing application materials. Pursuant to a confirmation letter issued by the Human Resources and Social Security Bureau of Tianhe District of Guangzhou on November 24, 2020, the school sponsor of the Non-formal Vocational School has always been Ms. He Huifen since its establishment in 2006. On November 23, 2020, the Non-formal Vocational School filed its application with the Department of Civil Affairs of Guangdong Province to rectify such recording mistake of involving the school sponsor in the articles of associations, which is expected to be completed by the end of 2020.

Foreign Language School and ECA Center

The Foreign Language School provides integrated programs to primary and secondary students from 1st grade to 12th grade with reference to, and infusion of, international teaching and learning concepts and styles such as international baccalaureate in the students' day-to-day studies. The ECA Center primarily provides supplemental academic tutorial courses designed to give additional help to its students with their school work under standard school curriculum (such as Chinese, mathematics, English, physics, chemistry, biology, geography, history, etc.) and extra-curriculum interest courses to its students to foster their all-rounded development (such as golf, drama, chess, jazz, equestrian, poetry and sports, etc.). The ECA Center targets students from kindergarten to 12th grade. Tongwen Education holds 80% equity interests in the school sponsor, Tongwen Investment, which in turn holds 100% and 51% school sponsor's interests in the Foreign Language School and the ECA Center, respectively. The remaining 49% school sponsor's interests in the ECA Center are held by Mr. Han Liqing, the spouse of Ms. He Huifen and Ms. Zhou Lanqing, as to 24.5% and 24.5%, respectively.

During the Track Record Period, each of Ms. He Huifen, Ms. Zhou Lanqing and Mr. Du Wenyu served as a council member at the Foreign Language School, and each of Ms. He Huifen and Ms. Zhou Lanqing served as a council member at the ECA Center. Upon the Listing, Ms. He Huifen will remain as a council member at the Foreign Language School and change her role from a council member to a supervisor at the ECA Center, Ms. Zhou Lanqing will change her role from a council member to a supervisor at each of the Foreign Language School and the ECA Center, and Mr. Du Wenyu will change his role from a council member to a supervisor at the Foreign Language School.

Chinese Art Center

The Chinese Art Center primarily provides extra-curriculum interest courses relating to the Chinese national art and culture, including lessons of teachings from ancient Chinese philosophers such as Confucius and Lao Zi, and calligraphy lessons with an aim to promoting the Chinese philosophy and rituals to the next generation. The Chinese Art Center targets students from 1st grade to university students. Mr. Du Wenyu, the spouse of Ms. He Huifang, is the sole school sponsor and principal of the Chinese Art Center.

These education institutions/education and training centers are not included in our Group because (i) being an education group providing formal vocational education, we are not currently engaged in, and have no intention in the future to engage in, the operation of kindergarten, primary and secondary education, non-formal vocational training school, or education and training center which provides supplemental academic tutorial courses or extra-curriculum interest courses (collectively, the "Excluded Business"); and (ii) the operation of the Excluded Business involves resources and personnel that are different from our schools.

Our Directors are of the view that the Excluded Business is clearly delineated from that of our Group and there is no potential competition, direct or indirect, between the Excluded Business with our Group, on the basis that:

(i) students of our schools seek to receive formal vocational trainings with practical and employment-oriented curriculums to equip themselves with the relevant educational degrees as well as the knowledge and skills that are required for their future career and employment. Our schools offer junior college program as well as secondary vocational program and post-secondary vocational program. Unlike our schools, the Excluded Business provides kindergarten, compulsory education, non-formal vocational training programs, and ancillary education courses to students to support their school work and to foster their development of extra-curriculum interest. The programs offered by our schools is different from that offered by the Excluded Business;

(ii) the students in the kindergarten, primary and secondary schools and the education and training centers in which our Controlling Shareholders are interested in are mainly students from kindergarten to 12th grade, and the non-formal vocational training school primarily targets students who have finished their formal education and who intend to enhance their vocational skills but do not require recognition of their skill level by way of formal qualification, while the schools operated by our Group are mainly for middle school and high school graduates who need to attain formal qualification for their education. The age group of our target students is generally different from that targeted by the Excluded Business. In addition, formal and non-formal vocational education are two distinct types of education in China. Formal vocational education is part of the formal education regime in China and conforms to the different levels of formal education under the laws of the PRC, being vocational university education, junior college education and secondary vocational education. Students of formal vocational education programs are granted degrees recognized by the government upon their graduation, whereas non-formal vocational education consists of different kinds of trainings from which students will earn completion certificates that are granted by the institutions but may not acquire the degrees recognized by the government;

(iii) the course structures of our schools are different from those of the Excluded Business in which our Controlling Shareholders are interested in and the knowledge, experience and qualifications requirements on our school teachers are different from those of the Excluded Business;

(iv) the operation of our schools and the Excluded Business are under different management teams and our school principals do not have any management roles at, and are not involved in the decision making and daily operations of, the Excluded Business; and

(v) our Controlling Shareholders have executed the Deed of Non-competition in favour of our Company, details of which are set out in the paragraph headed "Non-Competition Undertaking of the Controlling Shareholders" below.

NON-COMPETITION UNDERTAKING OF THE CONTROLLING SHAREHOLDERS

Our Controlling Shareholders have entered into the Deed of Non-competition on June 23, 2021 in favour of our Company, pursuant to which our Controlling Shareholders have jointly and severally and irrevocably undertaken with our Company (for itself and for the benefit of its subsidiaries) that it or he or she would not, and would procure that its/his/her associates (except any members of our Group) would not, during the restricted period set out below, directly or indirectly, either on its/his/her own account or in conjunction with or on behalf of any person, company (enterprise or corporate entity), partnership or associate (whether of an economic nature), among other things, carry on, participate or be interested or engaged in or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of our Group from time to time (the "Restricted Business").

The non-competition undertaking above does not apply to:

(a) any opportunity to invest, participate, be engaged in and/or operate with a third party any Restricted Business which has first been offered or made available to our Company, and at the request of our Company, the offer should include: (i) terms of offer between our Company and such third party, or (ii) terms for our Company to engage in the Restricted Business with them and/or their associates, and our Company, after review and approval by our independent non-executive Directors, has declined such opportunity to invest, participate, be engaged in or operate the Restricted Business with such third party or together with them and/or their associates, provided that the principal terms by which our Controlling Shareholder(s) (or its/his/her relevant associate(s)) subsequently invests, participates, engages in or operates the Restricted Business are not more favourable than those disclosed to our Company; or

(b) any interests in the shares of any member of our Group; or

(c) interests in the shares of a company other than our Group which shares are listed on a recognized stock exchange provided that:

(i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 10% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or

(ii) the total number of the shares held by our Controlling Shareholders and/or its/his/her respective associates in aggregate does not exceed 5% of the issued shares of that class of that company and such Controlling Shareholders and/or its/his/her respective associates are not entitled to appoint a majority of the directors of that company and at any time there should exist at least another shareholder of that company whose shareholdings in that company should be more than the total number of shares held by our Controlling Shareholders and its/his/her respective associates in aggregate; and

(iii) our Controlling Shareholders and/or their respective associates do not have the control over the board of such company.

The "restricted period" stated in the Deed of Non-competition refers to the period during which (i) the Shares of our Company remain listed on the Stock Exchange; (ii) in relation to each Controlling Shareholder, the relevant Controlling Shareholder or any of its/his/her associates still holds directly or indirectly an equity interest in our Company; and (iii) our Controlling Shareholders and/or its/his/her respective associates jointly or severally are entitled to exercise or control the exercise of not less than 30% in aggregate of the voting power at general meetings of our Company.

Under the Contractual Arrangements, Mr. He Huishan, Ms. He Huifen and Ms. He Huifang also provided certain non-competition undertakings in favour of our Company. See "Contractual Agreements — Arrangement to Address Potential Conflict of Interest" in this prospectus for details of the non-competition undertaking provided by Mr. He Huishan, Ms. He Huifen and Ms. He Huifang under the Contractual Arrangements.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently from our Controlling Shareholders and its/his/her respective associates after completion of the Global Offering:

Management Independence

Our Board comprises four executive Directors and three independent non-executive Directors. Mr. He Huishan, Ms. He Huifen and Ms. He Huifang, all being our Controlling Shareholders, are also our executive Directors. Save as disclosed above, no other Controlling Shareholder holds any directorship in our Company. The remaining executive Director of our Company is Mr. Lao

Hansheng, who has over 30 years of experience in education industry. For details of his background and experience, please refer to "Directors and Senior Management" in this prospectus. We have our own independent management team and school principals to carry out the business decisions of our Group independently.

Each of our Directors is aware of his/her fiduciary duties as a director of our Company which requires, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from our Controlling Shareholders following the completion of the Global Offering.

Operational Independence

We believe that we are capable of carrying on our business independently of our Controlling Shareholders and their close associates upon Listing for the following reasons:

(i) we hold or enjoy the benefit of all relevant licenses necessary to operate our business;

(ii) we have an independent management team and independent school principals to engage in our business;

(iii) we can make decisions and carry out our own business operations independently;

(iv) we have our own organizational structure and departments independent from our Controlling Shareholders;

(v) we have established a set of internal control procedures to facilitate the effective operation of our business;

(vi) we own or have the right to use all the operational facilities relating to our business; and

(vii) we have sufficient capital, facilities and employees to operate our business independently.

Financial Independence

Our Group has its own internal control and accounting systems, accounting and finance department and is able to make financial decisions and operate independently from our Controlling Shareholders from a financial perspective.

During the Track Record Period, there were certain trade and non-trade related amounts due to/from our Controlling Shareholders or their respective close associates and guarantees/pledges provided to the Group by our Controlling Shareholders or their respective close associates. See note 33 to the Accountants' Report included in Appendix I to this prospectus and the section headed "Financial Information — Related party transactions" in this prospectus for more information. All the aforesaid amounts due from our Controlling Shareholders or their respective close associates is expected to be fully repaid before Listing. In addition, we have obtained written confirmation from the relevant banks that they will release all the aforesaid guarantees/pledges provided to us by our Controlling Shareholders or their respective close associates and replace them with guarantees to be provided by our Company before Listing.

Other than the above, none of our Controlling Shareholders or their respective associates, financed our operations during the Track Record Period. Our Group's accounting and finance functions are independent of our Controlling Shareholders. Our Directors confirm that our Group does not intend to obtain any borrowings, guarantees, pledges or mortgages from any of our Controlling Shareholders or entities controlled by our Controlling Shareholders. Therefore, we have no financial dependence on our Controlling Shareholders.

Confirmation Given by Directors

Each Director confirms that he/she does not have any competing business with the Group.

CORPORATE GOVERNANCE MEASURES

Our Company will adopt the following measures to avoid any conflict of interests arising from competing business and to safeguard the interests of our Shareholders:

(i) our independent non-executive Directors will review, on an annual basis, the compliance with the undertaking given by our Controlling Shareholders under the Deed of Non-competition;

(ii) our Controlling Shareholders undertake to provide all information requested by our Company which is necessary for the annual review by our independent non-executive Directors and the enforcement of the undertaking under the Deed of Non-competition;

(iii) our Company will disclose decisions on matters reviewed by our independent non-executive Directors relating to compliance and enforcement of the non-competition undertaking of our Controlling Shareholders under the Deed of Non-competition in the annual reports of our Company; and

(iv) our Controlling Shareholders will make annual declarations on compliance with their undertaking under the Deed of Non-competition in the annual report of our Company.

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the listing of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

No.	Transactions	Applicable Listing Rules	Waiver Sought	Proposed annual cap (in RMB) For the year ending December 31 2021	2022
	Non-exempt continuing connected transactions				
1.	Brand Licensing Cooperation Agreements	14A.34 14A.35 14A.76	Requirements as to announcement	3,180,000	1,777,000
2.	Property Lease Agreements	14A.34, 14A.35, 14A.36, 14A.46, 14A.51 to 59, 14A.76	Requirements as to announcement, circular and shareholders' approval	33,349,000	18,808,000
3.	Contractual Arrangements	14A.34 14A.35 14A.36 14A.52 14A.51 to 59	Requirements as to announcement, circular, shareholders' approval, annual cap, and terms not more than three years	N/A	N/A

Non-exempt Continuing Connected Transactions

1. Brand Licensing Cooperation Agreements

During the Track Record Period, our Group licensed its trademark* to both Lingnan International Kindergarten and Lingnan International School (the "Relevant Schools") which had been operated under our brand since their establishment. As part of the Corporate Reorganization, the entire 100% school sponsor's interest in Lingnan International Kindergarten and Lingnan International School was transferred from Lingnan Education to Mr. He Huishan and Ms. He

* The registration number of this trademark is 12590267. See "Appendix V — Statutory and General Information — C. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" in this prospectus for more details.

Huifang, respectively, who became the sole school sponsor of Lingnan International Kindergarten and Lingnan International School, respectively. After the Corporate Reorganization, the Relevant Schools intended to continue to be operated under our brand, therefore, our Group agreed to enter into a brand licensing cooperation agreement with each of the Relevant Schools. Pursuant to the brand licensing cooperation agreement entered into by Lingnan Education with Lingnan International Kindergarten (the "Brand Licensing Cooperation Agreement I") and the brand licensing cooperation agreement entered into by Lingnan Education with Lingnan International School (the "Brand Licensing Cooperation Agreement II", together with Brand Licensing Cooperation Agreement I, the "Brand Licensing Cooperation Agreements"), both dated January 1, 2020, Lingnan Education agreed to license its trademark* exclusively to each of the Relevant Schools and permit each of the Relevant Schools using the trademark for branding and marketing on various online and offline platforms in relation to their respective operations. For each of the Relevant Schools, the use of trademark shall be restricted within the territory of PRC and any sub-licensing by each of the Relevant Schools without prior authorization from Lingnan Education shall be prohibited. In consideration of the foregoing services, each of the Relevant Schools shall pay to Lingnan Education an annual brand licensing fee equivalent to 8% of their respective revenue for each year. The Brand Licensing Cooperation Agreement I is for a term of three years from January 1, 2020 to December 31, 2022. The Brand Licensing Cooperation Agreement II was for a term of three years from January 1, 2020 to December 31, 2022 upon execution, and was further agreed among the parties to be terminated on August 31, 2021 in light of the promulgation of the 2021 Implementation Rules on May 14, 2021 which will take effect from September 1, 2021. The 2021 Implementation Rules prohibit private schools that provide compulsory education from entering into transactions with their interested parties. Such interested parties include the sponsor, the actual controller, the principal, the director, the supervisor, the person in charge of the financial matters of a privately-operated school, and entity or individual who has the relationship of mutual control and influence over the above-mentioned entities or individuals, which may lead to any type of interest transfer by the schools providing compulsory education. Lingnan International School, one of our interested parties, is engaged in the provision of compulsory education. The transactions contemplated under the Brand Licensing Cooperation Agreement II is thus subject to the aforesaid prohibition under the 2021 Implementation Rules in relation to interested party transactions and shall not be continued on and after September 1, 2021. Upon termination of the Brand Licensing Cooperation Agreement II, Lingnan International School will cease to be authorised to use the relevant trademark licensed under the Brand Licensing Cooperation Agreement II. According to information provided by Lingnan International School, it will adopt a new trademark to replace the trademark licensed by our Group under the Brand Licensing Cooperation Agreement II upon termination of such agreement.

The Directors are of the view that the transactions contemplated under each of the Brand Licensing Cooperation Agreements are on normal commercial terms or terms more favorable to our Group.

* The registration number of this trademark is 12590267. See "Appendix V — Statutory and General Information — C. Further Information about Our Business — 2. Intellectual Property Rights of Our Group" in this prospectus for more details.

Listing Rules Implications

Each of Lingnan International Kindergarten and Lingnan International School is wholly-owned by Mr. He Huishan and Ms. He Huifang, respectively. Each of Mr. He Huishan and Ms. He Huifang is a Director and a substantial shareholder. Therefore, each of Lingnan International Kindergarten and Lingnan International School is an associate of Mr. He Huishan and Ms. He Huifang, respectively, and a connected person of our Company according to Rule 14A.12(1)(c) of the Listing Rules. Accordingly, we consider it appropriate to aggregate the brand licensing fees payable by each of the Relevant Schools under the each of the Brand Licensing Cooperation Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules for the Brand Licensing Cooperation Agreements.

Based on annual caps of the brand licensing fees payable to Lingnan Education under the Brand Licensing Cooperation Agreements as aggregated, we expect that all of the applicable percentage ratios (other than the profits ratio) for each of the Brand Licensing Cooperation Agreements calculated in accordance with Rule 14A.77 of the Listing Rules will be higher than 0.1% but less than 5% and the largest annual cap of the brand licensing fees payable to Lingnan Education under the Brand Licensing Cooperation Agreements as aggregated exceed HK$3,000,000. Thus the transactions contemplated under the Brand Licensing Cooperation Agreements constitute non-exempt continuing connected transactions of our Company which are subject to the annual review, reporting and announcement requirements under Chapter 14A of the Listing Rules.

Historical Amounts

The historical amounts of the fees charged to each of the Relevant Schools by Lingnan Education under each of the Brand Licensing Cooperation Agreements for licensing its trademark and permitting the Relevant Schools to use its trademark for branding and marketing on various online and offline platforms, among other things, for the years ended December 31, 2018, 2019 and 2020, both on an individual basis and on an aggregated basis, are set out as follows.

	Historical amounts (RMB)		
	For the year ended December 31		
Name of the agreement	**2018***	**2019**	**2020**
Brand Licensing Cooperation Agreement I	1,032,000	1,213,000	1,441,000
Brand Licensing Cooperation Agreement II	1,506,000	1,646,000	2,007,000
Brand Licensing Cooperation Agreements (in aggregate)	2,538,000	2,859,000	3,448,000

* Inclusive of amounts of transactions conducted prior to the disposal of the Relevant Schools by our Group in September 2018, which were not recorded as the amounts of related party transactions in our Company's consolidated financial statements for the year ended December 31, 2018 as they were eliminated upon consolidation during such period.

Annual Caps and the Basis of Annual Caps

The annual caps for the brand licensing fees charged to each of the Relevant Schools under each of the Brand Licensing Cooperation Agreements are estimated with reference to (i) the range of percentage of revenue adopted by comparable companies in the market as the basis for calculating the brand licensing fees, i.e., 6% to 10% of their revenue, as provided and confirmed by an independent consultant; and (ii) the estimated revenue of each of the Relevant Schools for each of the years ending December 31, 2021 and 2022 (as the case may be), respectively, as provided and confirmed by the respective Relevant School. The revenue of Lingnan International Kindergarten for each of the years ending December 31, 2021 and 2022 is estimated with reference to (i) the estimated average number of students for each program provided by the school; and (ii) the estimated average rate of tuition fee of each program during the same periods. The revenue of Lingnan International School for the eight months ending August 31, 2021 is estimated with reference to (i) the estimated average number of students for each program provided by the school; (ii) the estimated average rate of tuition fee of each program; (iii) the estimated average number of students living in the school dormitories; (iv) the estimated average boarding fee rate; and (v) the estimated average fee rate for ancillary services to students during the same period.

The annual caps for the brand licensing fees payable by each of the Relevant Schools under each of the Brand Licensing Cooperation Agreements for each of the years ending December 31, 2021 and 2022 (as the case may be), both on an individual basis and on an aggregated basis, are set out as follows.

	Annual caps (RMB)	
	For the year ending December 31	
Name of the agreement	**2021**	**2022[(2)]**
Brand Licensing Cooperation Agreement I	1,687,000	1,777,000
Brand Licensing Cooperation Agreement II	1,493,000	–[(1)]
Brand Licensing Cooperation Agreements (in aggregate)	3,180,000	1,777,000

Notes:

(1) The annual caps for the Brand Licensing Cooperation Agreement II is nil for the year ending December 31, 2022 as it will be terminated on August 31, 2021 in light of the promulgation of the 2021 Implementation Rules on May 14, 2021 which will take effect from September 1, 2021. For more details, please refer to "Connected Transactions — Continuing Connected Transactions — Non-exempt Continuing Connected Transactions — 1. Brand Licensing Cooperation Agreements" in this prospectus.

(2) As the Brand Licensing Agreement I was entered into on January 1, 2020 for a term of three years, upon expiry of the relevant waiver on December 31, 2022, we will re-comply with relevant Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

Application for Waiver

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement requirement under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Brand Licensing Cooperation Agreements, provided that the total value of transactions under the Brand Licensing Cooperation Agreements as aggregated for each of the years ending December 31, 2021 and 2022 will not exceed the relevant proposed annual caps set forth above.

In addition, our Company has confirmed that we will comply with the applicable requirements set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transaction, and will re-comply with relevant Listing Rules if the annual caps set out above are exceeded, or when the Brand Licensing Cooperation Agreement I is renewed or when there is a material change to the terms of any of the Brand Licensing Cooperation Agreements unless we apply for and obtain a separate waiver from the Stock Exchange.

In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on these non-exempt continuing connected transactions, our Company will take immediate steps to ensure the compliance with such new requirements within a reasonable time. Such transactions will continue to be subject to the annual reporting requirement under the Listing Rules.

Views of Directors and the Sole Sponsor

Our Directors (including the independent non-executive Directors) consider and the Sole Sponsor concurs that (i) the transactions contemplated under each of the Brand Licensing Cooperation Agreements have been and will be entered into in the ordinary and usual course of business, on normal terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under each of the Brand Licensing Cooperation Agreements are fair and reasonable and in the interests of the Shareholders as a whole.

2. Property Lease Agreements

During the Track Record Period, our Group sub-leased certain properties which were leased from Guangzhou Yangji or Guangzhou Xintang to our connected persons for use in the operation of their respective schools, education and training center and elderly care center. The term of the lease agreement between our Group and Guangzhou Yangji was from September 2010 to August 2030. We consider it more practical and cost-saving for us to sub-lease relevant properties directly to our connected persons, rather than terminating the current effective lease agreement between our Group and Guangzhou Yangji and having our connected persons enter into new lease agreements with Guangzhou Yangji. The lease agreement between our Group and Guangzhou Xintang was entered into in 1999 and is in the process of being amended by way of entering into a new lease agreement to reflect the changed requirements of relevant PRC law. For details of relevant background, please refer to the section headed "Business — Properties — Leased Properties" in this prospectus. Though Guangzhou Xintang can directly enter into different lease agreements with our different connected persons for the lease of relevant properties, Guangzhou Xintang, the landlord, which is a state-owned enterprise, is inclined to enter into one single lease agreement with one single entity rather than multiple entities, such that (i) its related administrative costs can be maintained at the minimum level, and (ii) it would be more practicable and convenient for Guangzhou Xintang to monitor its lease arrangement with our Group while the properties can be used by different entities through the sub-leasing arrangement between our Group and its connected persons. Taking into consideration the historical long-term lease arrangement with our Group, Guangzhou Xintang prefers to maintain the current arrangement and only make amendment to the lease agreement with our Group to the extent necessary to comply with the relevant PRC law. Therefore, the leases between our Group and our connected persons shall continue upon Listing and set out below are the details regarding the lease agreements ("Property Lease Agreements") entered into between us and connected persons. Our PRC Legal Advisors are of the view that such sub-leasing arrangement between our Group and our connected persons is not against any provision of the lease between Guangzhou Yangji or Guangzhou Xintang and our Group, and does not violate the relevant PRC laws and regulations.

After the end of the Track Record Period, the 2021 Implementation Rules were promulgated on May 14, 2021. Pursuant to the 2021 Implementation Rules, schools engaged in provision of compulsory education are prohibited from entering into transactions with interested parties. Such interested parties include the sponsor, the actual controller, the principal, the director, the supervisor, the person in charge of the financial matters of a privately-operated school, and entity or individual who has the relationship of mutual control and influence over the above-mentioned entities or individuals, which may lead to any type of interest transfer by the schools providing compulsory education. Under the two Property Lease Agreements to which Tongwen Investment (which is primarily engaged in the provision of primary and secondary school education through Foreign Language School it owns) is the lessee (the "Tongwen Leases"), we sub-lease certain properties to Tongwen Investment for use by Foreign Language School, one of our interested parties, which provides compulsory education. In compliance with the 2021 Implementation Rules, we agreed with Tongwen Investment to terminate the Tongwen Leases and the sub-leasing arrangement thereunder with effect from September 1, 2021 except for one property with gross floor area of 790.18 sq.m. utilised by Tongwen Investment (and not Foreign Language School) (the "Remaining Tongwen Property"). In connection with this sub-leasing arrangement, Guangzhou Xintang consented to charging and accepting rental payments from Foreign Language School in respect of the properties currently leased under the Tongwen Leases (except for the Remaining Tongwen Property) and allowing Foreign Language School to continue to use such properties on the existing terms under the Tongwen Leases from September 1, 2021. Guangzhou Xintang will issue an invoice to Foreign Language School upon receipt of annual rental payment from Foreign Language School according to the relevant terms of the Tongwen Leases. The beneficial owners of Tongwen Investment, namely, Ms. He Huifen, Ms. He Huifang, Ms. Zhou Lanqing and Mr. Han Liqing, undertake to us that they shall indemnity us for any loss or liability incurred by us arising from any breaches or non-compliance with Foreign Language School's payment obligations towards Guangzhou Xintang and any other matters in connection with termination of the Tongwen Leases.

The particulars of the Property Lease Agreements are summarized below.

	Date of the Lease Agreement	Lessor	Lessee	Duration of the Lease	Description and Use of the Property Lease	Rental (RMB)	Historical amounts (RMB) For the year ended December 31			Proposed annual caps (RMB) For the year ending December 31	
							2018	2019	2020	2021	2022
1.	August 20, 2020	Lingnan Institute of Technology(1)	Tongwen Investment	For a term of one year ending August 31, 2021(5)	Six properties used as teaching complex, dormitory, canteen, supporting and administrative office for Tongwen Investment's primary and secondary school business and vacant lots with the total gross floor area of approximately 69,017 sq.m. located at No. 2 Science Boulevard, Science City, Development Zone, Guangzhou, Guangdong Province, the PRC, comprising • supporting office with the gross floor areas of 790.18 sq.m.; • vacant lots with the gross floor areas of 28,853 sq.m.; and • teaching complex, dormitory and canteen with the aggregate gross floor area of 39,373.33 sq.m.	Rental rate for each type of properties for the school year ending August 31, 2021 are as follows: • supporting office: 60.78/sq.m. per month; • vacant lots: 7.64/sq.m. per month; and • teaching complex, dormitory and canteen: 38.20/sq.m. per month. The rental rates set out above shall be increased by 5% for each of the subsequent school years.	18,281,000	18,681,000	19,615,000	13,916,000	587,000(6)

	Date of the Lease Agreement	Lessor	Lessee	Duration of the Lease	Description and Use of the Property Lease	Rental (RMB)	Historical amounts (RMB) For the year ended December 31 2018	2019	2020	Proposed annual caps (RMB) For the year ending December 31 2021	2022
2.	August 20, 2020	Lingnan Education	Tongwen Investment	For a term of one year ending August 31, 2021(5)	One property primarily used as school area for Tongwen Investment's primary and secondary school with the total gross floor area of approximately 7,026 sq.m. located at No. 2 Science Boulevard, Science City, Development Zone, Guangzhou, Guangdong Province, the PRC.	38.20/sq.m. per month for the school year ending August 31, 2021, and shall be increased by 5% for each of the subsequent school years.	2,694,000	2,829,000	2,970,000	2,079,000	–
3.	August 10, 2020	Lingnan Education	Guangzhou Lingnan Health Valley Investment Co., Ltd.* (廣州嶺南養生谷投資有限公司) ("Health Valley")	For a term of three years ending August 31, 2023(3)	Two properties used as elderly care building, nursing building and supporting and administrative office for Health Valley's elderly care and nursing business with the total gross floor area of approximately 23,549 sq.m. located at No. 492 Daguang Middle Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.	The rent of the properties shall be 38.20/sq.m. per month for the school year ending August 31, 2021, and shall be increased by 5% for each of the subsequent school years.	2,097,000	5,181,000	7,430,000	10,452,000	10,975,000

	Date of the Lease Agreement	Lessor	Lessee	Duration of the Lease	Description and Use of the Property Lease	Rental (RMB)	Historical amounts (RMB) For the year ended December 31 2018	2019	2020	Proposed annual caps (RMB) For the year ending December 31 2021	2022
4.	August 12, 2020	Lingnan Institute of Technology(2)	Health Valley	For a term of three years ending August 31, 2023(3)	Four properties used as elderly care building, nursing building and supporting and administrative office for Health Valley's elderly care and nursing business with the total gross floor area of approximately 15,546 sq.m. located at No. 492 Daguang Middle Road, Tianhe District, Guangzhou, Guangdong Province, the PRC.	The rent of the properties shall be 38.20/sq.m. per month for the school year ending August 31, 2021, and shall be increased by 5% for each of the subsequent school years.	4,063,000	5,970,000	6,572,000	6,901,000	7,246,000

Notes:

(1) Lingnan Education was the lessor for the school years ended August 31, 2016, 2017 and 2018, and Lingnan Institute of Technology was the lessor for the school years ended August 31, 2019 and 2020, and is the lessor for the school year ending August 31, 2021.

(2) Lingnan Education was the lessor for the school years ended August 31, 2016, and Lingnan Institute of Technology was the lessor for the school years ended August 31, 2017, 2018, 2019 and 2020, and is the lessor for the school years ending August 31, 2021, 2022 and 2023.

(3) Upon expiry of the relevant waiver on December 31, 2022, we will re-comply with relevant Listing Rules unless we apply for and obtain a separate waiver from the Stock Exchange.

(4) Under each of the Property Lease Agreements, the lessee shall be responsible for the relevant utilities fees to be paid on a monthly basis.

(5) This Property Lease Agreement was for a term of three years from August 31, 2020 to August 31, 2023 upon execution, and was further agreed among the parties to be terminated on August 31, 2021 (except for the Remaining Tongwen Property under the first Property Lease Agreement listed in the table above) in light of the promulgation of the 2021 Implementation Rules on May 14, 2021 which will take effect from September 1, 2021. The 2021 Implementation Rules prohibit private schools that provide compulsory education from entering into transactions with their interested parties. Such interested parties include the sponsor, the actual controller, the principal, the director, the supervisor, the person in charge of the financial matters of a privately-operated school, and entity or individual who has the relationship of mutual control and influence over the above-mentioned entities or individuals, which may lead to any type of interest transfer by the schools providing compulsory education. Some of the properties leased by Tongwen Investment from us under this Property Lease Agreement are for use by Foreign Language School, one of our interested parties, which provides compulsory education. The transactions contemplated under the relevant Property Lease Agreement between the Group and Tongwen Investment is therefore subject to the aforesaid prohibition under the 2021 Implementation Rules in relation to interested party transactions and shall not be continued on and after September 1, 2021.

(6) The annual caps for this Tongwen Lease for the year ending December 31, 2022 refer to the rental of the Remaining Tongwen Property for the same period.

Principal Terms

The rental payable for each school year is decided by reference to the market rate as determined by our independent property valuer, JLL, pursuant to applicable laws and regulations and the Listing Rules. Pursuant to each of the Property Lease Agreements, a party shall not terminate the agreement without serving a written notice of 12 months and obtaining the consent of the other party. Upon expiry of each of the Property Lease Agreements, if the parties intend to continue the lease arrangements in respect of the properties concerned, they shall enter into a new governing agreement.

As stated above, the lease agreement between our Group and Guangzhou Xintang was entered into in 1999 and is in the process of being amended by way of entering into a new lease agreement (the “New Xintang Lease”) to reflect the changed requirements of relevant PRC law. The Remaining Tongwen Property leased by us to Tongwen Investment pursuant to the relevant Tongwen Lease is expected to be part of the properties under the New Xintang Lease. Lingnan Institute of Technology, as lessor, and Tongwen Investment, as lessee, agreed that within three (3) months of the date of the New Xintang Lease, Lingnan Institute of Technology shall have the right (but not the obligation) to raise the rental rate(s) under the relevant Tongwen Lease to which it is a party, subject to compliance with applicable laws and regulations and applicable requirements under the Listing Rules, provided that if the new rental rate proposed by Lingnan Institute of Technology is higher than the rental rate at which our Group is charged by Guangzhou Xintang for the Remaining Tongwen Property under the New Xintang Lease, an opinion confirming that such rental rate is fair and reasonable and consistent with the prevailing market rates for similar premises in similar location in the PRC issued by an independent professional valuer shall be obtained by Lingnan Institute of Technology prior to such new rental rate becoming effective. Tongwen Investment, as lessee, shall have the right to terminate the relevant Tongwen Lease within one month upon receipt of notification of the new rental rate proposal from Lingnan Institute of Technology.

Listing Rules Implications

Each of Mr. He Huishan, Ms. He Huifen and Ms. He Huifang is an executive Director and each of Mr. He Huishan, Ms. He Huifen, Ms. Zhou Lanqing and Ms. He Huifang is a substantial shareholder upon the Listing, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

As of the Latest Practicable Date, Tongwen Education is owned as to 44.5% by Ms. He Huifen, 12.75% by Mr. Han Liqing, 24% by Ms. Zhou Lanqing and 18.75% by Ms. He Huifang and hence an associate of our Controlling Shareholders and a connected person of our Company. Tongwen Investment is owned as to 80% by Tongwen Education, and hence is an associate of our Controlling Shareholders and a connected person of our Company.

As of the Latest Practicable Date, Health Valley is owned as to 80% by Mr. He Huishan and 20% by Ms. Zhou Lanqing, respectively, and hence is an associate of our Controlling Shareholders and a connected person of our Company.

Since the Property Lease Agreements as set out above are to be entered into by our Group on one hand, and associates of our Controlling Shareholders on the other hand, the Property Lease Agreements may be aggregated by the Stock Exchange under Rule 14A of the Listing Rules. Accordingly, we consider it appropriate to aggregate the annual rental under the Property Lease Agreements to calculate the applicable percentage ratios under Chapter 14 of the Listing Rules for the Property Lease Agreements.

Based on the current annual rent payable to us as aggregated, we expect that one or more of the applicable percentage ratios (other than the profits ratio) for the Property Lease Agreements will be more than 5%, and thus the connected transaction contemplated under the Property Lease Agreements as aggregated constitute non-exempt continuing connected transactions of our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Historical Amounts

For details of the historical amounts, please refer to the table above.

Annual Caps and the Basis of Annual Caps

For details of the annual caps, please refer to the table above. The rental rates of the relevant properties under the Property Lease Agreements were determined with reference to the historical transaction amounts for the relevant lease and a report issued by our independent property valuer, JLL on the rental rates under each of the Property Lease Agreements, and the annual caps for each Property Lease Agreements were calculated based on the terms of such agreements.

JLL, our independent property valuer, has confirmed that the terms and conditions of the Property Lease Agreements are fair and reasonable and represent the prevailing market terms for similar properties in the vicinity that are used for similar purposes.

Application for Wavier

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver to us under Rule 14A.105 of the Listing Rules from strict compliance with the announcement, circular and shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of such non-exempt continuing connected transactions on the basis that the annual transaction values shall not exceed the relevant proposed annual caps as set out above.

In addition, apart from the announcement, circular and independent shareholder approval requirements for which waivers have been sought, we will comply with the applicable requirements as set out in Chapter 14A of the Listing Rules in relation to such non-exempt continuing connected transactions, and will re-comply with relevant Listing Rules if the annual caps as set out above are exceeded, or when the relevant agreement is renewed or when there is a material change to the terms of the relevant agreement unless we apply for and obtain a separate waiver from the Stock Exchange. In the event of any future amendments to the Listing Rules imposing more stringent requirements than those applicable as of the Latest Practicable Date on the non-exempt continuing connected transactions, our Company will take immediate steps to ensure the compliance with such new requirements within a reasonable time. Such transaction will continue to be subject to the annual reporting requirements under the Listing Rules.

Views of Directors and the Sole Sponsor

Our Directors (including the independent non-executive Directors) consider and the Sole Sponsor concurs that (i) the transactions contemplated under the Property Lease Agreements have been and will be entered into in the ordinary and usual course of business, on normal terms or better that are fair and reasonable and in the interest of the Shareholders as a whole; and (ii) the proposed annual caps for the transactions contemplated under the Property Lease Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

3. Contractual Arrangements

As disclosed in the paragraph headed "Contractual Arrangements — Background of the Contractual Arrangements" in this prospectus, due to regulatory restrictions on foreign ownership in our PRC Operating Entities in the PRC, Lingnan WFOE, our PRC Affiliated Entities, the Registered Shareholders and directors of our schools have entered into the Contractual Arrangements such that we can conduct our business operations indirectly in the PRC through our PRC Affiliated Entities while minimizing the potential conflict with applicable PRC law and regulations. The Contractual Arrangements, as a whole, are designed to provide our Group with effective control over our PRC Affiliated Entities, to the extent permitted by PRC law and regulations, the right to acquire the equity interest in and/or the assets of our PRC Affiliated Entities after the Listing through Lingnan WFOE. We operate our education business through our PRC Affiliated Entities, which are ultimately beneficially owned as to 60% by Mr. He Huishan, 20% by Ms. He Huifen and 20% by Ms. He Huifang, each an executive Director and a Controlling Shareholder of our Company. We do not hold any direct equity interest in our PRC Affiliated Entities. As a result, the Contractual Arrangements were entered into on November 21, 2020 pursuant to which all material business activities of our PRC Affiliated Entities are instructed and supervised by our Group, through Lingnan WFOE, and all economic benefits arising from such business of the our PRC Affiliated Entities are transferred to our Group.

The Contractual Arrangements consist of a series of agreements, including the Business Cooperation Agreement, the Exclusive Technical Service and Management Consultancy Agreement, the Exclusive Call Option Agreement, the Equity Pledge Agreement, the School Sponsor's and Directors' Rights Entrustment Agreement, the School Sponsor's Powers of Attorney, the Directors' Powers of Attorney, the Shareholders' Rights Entrustment Agreement, the Shareholders' Powers of Attorney and the Spouse Undertakings, each of which is an integral part of the Contractual Arrangements. See "Contractual Arrangements" in this prospectus for details of these agreements.

Listing Rules Implications

The table below sets forth the connected persons of our Company involved in the Contractual Arrangements and the nature of their connection with our Group. The transactions contemplated under the Contractual Arrangements, as a whole, constitute continuing connected transactions of our Company under the Listing Rules upon the Listing.

Name	Connected Relationships
Mr. He Huishan	Mr. He Huishan is a Director, the chairman of the Board and a substantial shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Ms. He Huifen	Ms. He Huifen is a Director and a substantial shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.
Ms. He Huifang	Ms. He Huifang is a Director and a substantial shareholder, and therefore a connected person of our Company under Rule 14A.07(1) of the Listing Rules.

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms or better and are fair and reasonable and in the interests of our Company and our Shareholders as a whole. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between any of our PRC Affiliated Entities and any member of our Group technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that, given that our Group is placed in a special situation in relation to the connected transactions rules under the Contractual Arrangements, it would be unduly burdensome and impracticable, and would add unnecessary administrative costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including the announcement and independent shareholders' approval requirements.

Application for Waiver

In view of the Contractual Arrangements, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with (i) the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements pursuant to Rule 14A.105 of the Listing Rules, (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 of the Listing Rules, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less under Rule 14A.52 of the Listing Rules, for so long as our Shares are listed on the Stock Exchange subject however to the following conditions:

(a) *No Change without Independent Non-executive Directors' Approval*

No change to the Contractual Arrangements will be made without the approval of the independent non-executive Directors.

(b) *No Change without Independent Shareholders' Approval*

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders.

Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) *Economic Benefits Flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by our PRC Affiliated Entities through (i) our Group's option to purchase all or part of the direct or indirect interest of our School Sponsor in our PRC Operating Entities and direct or indirect equity interest in our School Sponsor at the lowest price permitted under the PRC laws and regulations at any time, (ii) the business structure under which the net profit generated by our PRC Affiliated Entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to Lingnan WFOE by our PRC Affiliated Entities under the Exclusive Technical Service and Management Consultancy Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of our schools as appointed by our School Sponsor in our schools.

(d) *Renewal and Reproduction*

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and our PRC Affiliated Entities, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executives or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and/or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar Contractual Arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) *Ongoing Reporting and Approvals*

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report in accordance with relevant provisions of the Listing Rules.

- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by our PRC Affiliated Entities has been substantially retained by our Group, (ii) no dividends or other distributions have been made by our PRC Affiliated Entities to the holders of its school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group, and (iii) the Contractual Arrangements and if any, any new contracts entered into, renewed or reproduced between our Group and our PRC Affiliated Entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Shareholders as a whole.

- Our Company's auditors will carry out procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange, confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by our PRC Affiliated Entities to the holders of its school sponsor's interest which are not otherwise subsequently assigned or transferred to our Group.

- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", each of our PRC Affiliated Entities will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of each of our PRC Affiliated Entities and their respective associates will be treated as connected persons of our Company, and transactions between these connected persons and our Group, other than those under the Contractual Arrangements, will be subject to the requirements under Chapter 14A of the Listing Rules.

- Each of our PRC Affiliated Entities will undertake that, for so long as our Shares are listed on the Stock Exchange, each of our PRC Affiliated Entities will provide our Group's management and our Company's auditors' full access to its relevant records for the purpose of our Company's auditors' review of the continuing connected transactions.

We will comply with applicable requirements under the Listing Rules and will immediately inform the Stock Exchange if there are any changes to the Contractual Arrangements.

New Transactions among Our PRC Affiliated Entities and Our Company

Given that the financial results of our PRC Affiliated Entities will be consolidated into our financial results and the relationship between our PRC Affiliated Entities and our Company under the Contractual Arrangements, all agreements other than the Contractual Arrangements that may be entered into between each of our PRC Affiliated Entities and our Company in the future will also be exempted from the "continuing connected transactions" provisions of the Listing Rules.

Views of the Sole Sponsor and Directors

Our Directors (including the independent non-executive Directors) are of the view and the Sole Sponsor concurs that the transactions contemplated under the Contractual Arrangements have been and will be entered into in the ordinary and usual course of business of our Group, are fundamental to our Group's legal structure and business operations, are on normal commercial terms or better, and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of our PRC Affiliated Entities can be effectively controlled by Lingnan WFOE or its designee, (ii) Lingnan WFOE or its designee can obtain the economic benefits derived from the PRC Affiliated Entities, and (iii) any possible leakages of assets and values of the PRC Affiliated Entities can be prevented, on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

Our Board is responsible and has general powers for the management and conduct of our business. Our Board currently consists of seven Directors, including four executive Directors and three independent non-executive Directors. The following table sets forth information regarding members of our Board:

Name	Age	Position	Time of joining our Group	Date of appointment as Directors	Roles and responsibilities	Relationship with other Directors and our senior management
He Huishan (賀惠山). . . .	56	Chairman of the Board and executive Director	September 1993	August 15, 2018	Overall operation and management	Brother of Ms. He Huifen and Ms. He Huifang
He Huifen (賀惠芬). . . .	53	Chief executive officer and executive Director	January 1997	August 15, 2018	Overall operation and management	Sister of Mr. He Huishan and Ms. He Huifang
He Huifang (賀惠芳). . . .	49	Executive Director	July 1995	November 18, 2020	Supervising the overall operation and management of Lingnan Education	Sister of Mr. He Huishan and Ms. He Huifen
Lao Hansheng (勞漢生). . . .	57	Executive Director	May 2019	November 18, 2020	Overall administration and management of Lingnan Institute of Technology	N/A
Luo Pan (羅潘)	40	Independent non-executive Director	November 18, 2020	November 18, 2020	Providing independent opinion and judgment to our Board	N/A
Yeh Zhe-Wei (葉哲瑋) (formerly known as Mr. Yeh Shih-Yin (葉士穎)) . . .	55	Independent non-executive Director	November 18, 2020	November 18, 2020	Providing independent opinion and judgment to our Board	N/A
Ma Shuchao (馬樹超). . . .	67	Independent non-executive Director	November 18, 2020	November 18, 2020	Providing independent opinion and judgment to our Board	N/A

The following table sets forth information regarding the senior management members of our Company:

Name	Age	Position	Time of joining our Group	Appointment date	Roles and responsibilities	Relationship with other Directors and the senior management
Wang Tao (王濤)	40	Chief financial officer and joint company secretary	April 2018	November 18, 2020	Overall management of financial and investment matters of the Group	N/A

BOARD OF DIRECTORS

Executive Directors

Mr. He Huishan (賀惠山), aged 56, is a Controlling Shareholder and co-founder of our Group. Mr. He was appointed as a Director on August 15, 2018 and re-designated as an executive Director on November 18, 2020. Mr. He was also appointed as the chairman of the Board of our Company on November 18, 2020. Mr. He is also a director of Lingnan Education BVI, SCV Education HK, Lingnan Education, Lingnan Institute of Technology and Lingnan Modern Technician College. Mr. He is the brother of Ms. He Huifen and Ms. He Huifang, both our executive Directors and Controlling Shareholders, and the spouse of Ms. Zhou Lanqing, our Controlling Shareholder. Mr. He is responsible for the overall operation and management of the Group.

Mr. He has more than 27 years of experience in education. The following table shows his major working experience:

Period	School / Company	Position	Roles and responsibilities
September 1993 to present	Lingnan Education	Chairman of the board of directors and director	Making major decisions
July 2001 to November 2018	Lingnan International Kindergarten	Chairman of the board of directors	Making major decisions
December 2001 to November 2018	Lingnan International School	Chairman of the board of directors	Making major decisions
May 2002 to present	Lingnan Institute of Technology	Chairman of the board of directors and director	Making major decisions
July 2005 to present	Lingnan Modern Technician College	Director	Making major decisions
January 2015 to present	Guangzhou Lingnan Health Valley Investment Co., Ltd.* (廣州嶺南養生谷投資有限公司)	Chairman of the board of directors	Making major decisions

Mr. He completed a diploma in library science studies at South China Normal University (華南師範大學) in Guangzhou, Guangdong Province, the PRC in July 1988. He graduated from National University of Singapore (新加坡國立大學) in Singapore, with a Master of Business Administration in June 2017.

Mr. He served as the executive member of the 1st session of the council of the China Association for Non-Government Education (中國民辦教育協會) from May 2008 to May 2011. Mr. He was a member of the 11th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十一屆廣東省委員會) from March 2013 to December 2017, and has been a member of the 12th Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣東省委員會) since January 2018. He was also appointed as an executive member of the Council of China Education Investors Chamber of Commerce* (全國工商聯民辦教育出資者商會) in August 2012 and the council member of Guangdong Association of Politically Unaffiliated Intellectual (廣東省黨外知識分子聯誼會) in November 2015. He has served as the vice president of the 2nd session of the council of Guangdong Private Education Association * (廣東省民辦教育協會) since December 2017.

Mr. He was nominated as a candidate for the 3rd National Top Ten Outstanding Figures in Private Education* (第三屆全國民辦教育十大傑出人物) by Guangming Daily House* (光明日報社) in April 2006, and was awarded the 2nd Guangzhou Outstanding Builders of the Chinese Characteristic Socialism* (廣州市第二屆優秀中國特色社會主義事業建設者) by Guangzhou Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣州市委員會) in May 2008, the Guangdong Private Education Outstanding Contributory Figure* (廣東省民辦教育傑出貢獻人物) by Southern Metropolis Daily (南方都市報) in March 2009, and the 3rd Guangdong Outstanding Builders of the Chinese Characteristic Socialism* (廣東省第三屆優秀中國特色社會主義事業建設者) by Guangdong Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議廣東省委員會) in November 2010, and the Advanced School Sponsor in Private Education in Guangzhou* (廣州民辦教育先進辦學者) by Guangzhou Private Education Association* (廣州民辦教育協會) in December 2015.

Mr. He did not hold any directorship in any listed companies during the last three years.

Ms. He Huifen (賀惠芬), aged 53, is a Controlling Shareholder of the Company. She joined our Group in January 1997. Ms. He was appointed as a Director on August 15, 2018 and as re-designated as an executive Director on November 18, 2020. Ms. He was also appointed as the chief executive officer of our Company on November 18, 2020. Ms. He is also a director of Lingnan Education BVI, SCV Education HK, Lingnan WFOE, Lingnan Education, Lingnan Institute of Technology and Lingnan Modern Technician College. Ms. He is the sister of Mr. He Huishan and Ms. He Huifang, both our executive Directors and Controlling Shareholders, and sister-in-law of Ms. Zhou Lanqing, our Controlling Shareholder. Ms. He is responsible for the overall operation and management of the Group.

Ms. He has more than 23 years of experience in education. The following table shows her major working experience:

Period	School / Company	Position	Roles and responsibilities
January 1997 to present	Lingnan Education	Successively and/or concurrently served as president and director	Overall operation and management
July 2001 to November 2018	Lingnan International Kindergarten	Director	Assisting the chairman of the board of directors in managing its business
December 2001 to present	Lingnan International School	Supervisor	Providing suggestions to major decisions
May 2002 to present	Lingnan Institute of Technology	Director	Assisting the chairman of the board of directors in managing its business and participate in major decision-making procedure
July 2005 to present	Lingnan Modern Technician College	Chairman of the board of directors and director	Making major decisions
January 2014 to present	Guangzhou Lingnan Tongwen Education Investment Management Co., Ltd.* (廣州嶺南同文教育投資管理有限公司)	Chairman of the board of directors	Overall management
June 2015 to present	The Affiliated Foreign Language School of SCNU	Chairman of school council	In charge of school council affairs
July 2015 to present	Tongwen Education	Legal representative	Overall management of investment and cooperation

Ms. He completed a diploma in industrial management and engineering studies at South China Institute of Technology (華南工學院, currently known as South China University of Technology (華南理工大學)) in Guangzhou, Guangdong Province, the PRC in December 1987. She graduated from Peking University (北京大學) in Beijing, the PRC, with a master's degree in business administration in July 2013.

Ms. He was also a member of the 12th Guangzhou Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十二屆廣州市委員會) from December 2011 to December 2016, and has been a member of the 13th Guangzhou Committee of Chinese People's Political Consultative Conference (中國人民政治協商會議第十三屆廣州市委員會) since January 2017. She has served as the vice chairman of the 6th session of the board of directors of Guangdong Chamber of International Commerce* (廣東國際商會) since March 2013, the vice president of the 6th session of the council of Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) since August 2015, the vice president of the 2nd session of the council of Guangdong Women and Children's Foundation (廣東省婦女兒童基金會) since June 2017, and the vice president of the 4th session of the council of Guangzhou Association of Politically Unaffiliated Intellectual (廣州市黨外知識分子聯誼會) since December 2017. Ms. He was a representative of the 12th Chinese Women's National Congress (中國婦女第十二次全國代表大會) in 2018.

Ms. He was awarded the 2009 Chinese Economic Women's Achievement Figures (2009 中國經濟女性成就人物) by Chinese Economic Women's Development Forum Committee* (中國經濟女性發展論壇組委會) and four other social organizations in 2009, the Outstanding Entrepreneurial Women* (傑出創業女性) by China Association of Women Entrepreneurs* (中國女企業家協會) in March 2010, March 2016 and March 2018, the Nanyue Women Entrepreneurs Charity Gold Award* (南粵女企業家慈善奉獻金獎) by Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) in January 2011, the Guangdong Excellent Women Entrepreneurs* (廣東省優秀女企業家) by Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) in May 2011, the Nanyue Achievement Female Expert (南粵建功立業女能手) by Guangdong General Labour Union (廣東省總工會) in March 2014, the Top Ten Self-employment Award (十佳自主創業獎) by Guangdong Women Entrepreneurs Association* (廣東省女企業家協會) in August 2015, the National March 8th Red Flag Banner Holder (全國三八紅旗手) by All-China Women's Federation (中華全國婦女聯合會) in February 2016, and the Guangzhou 30-Year Entrepreneurship Meritorious Entrepreneurs* (廣州創業30年功勳企業家) by Guangzhou Industrial Economic Federation* (廣州工業經濟聯合會), Guangzhou Enterprises Association* (廣州市企業聯合會) and Guangzhou Entrepreneurs Association* (廣州市企業家協會) in September 2017.

Ms. He did not hold any directorship in any listed companies during the last three years.

Ms. He Huifang (賀惠芳), aged 49, is a Controlling Shareholder of the Company. She joined our Group in July 1995. Ms. He was appointed as an executive Director on November 18, 2020. Ms. He is the sister of Mr. He Huishan and Ms. He Huifen, both our executive Directors and Controlling Shareholders. She is the sister-in-law of Ms. Zhou Lanqing, our Controlling Shareholder. Ms. He is responsible for supervising the overall operation and management of Lingnan Education.

Ms. He has more than 25 years of experience in education. The following table shows her major working experience:

Period	School/Company	Position	Roles and responsibilities
July 1995 to present	Lingnan Education	Director	Assisting the Chairman in managing the business of the board and participate in major decision-making procedure
July 2001 to present	Lingnan International Kindergarten	Director	Making major decision
December 2001 to present	Lingnan International School	Director	Making major decision
November 2016 to present	Guangzhou Lingnan Tongwen Education Investment Management Co., Ltd.* (廣州嶺南同文教育投資管理有限公司)	Director	Assisting the Chairman in managing the business of the board

Ms. He completed a diploma in English studies in South China Normal University (華南師範大學) in Guangzhou, Guangdong Province, the PRC in July 1993 and obtained a master of business administration in Seton Hall University in New Jersey, the United States in May 2019.

Ms. He has served as the director-general (理事長) of Guangdong Lingnan Education Charity Foundation* (廣東省嶺南教育慈善基金會) since November 2011, and the vice president of Guangzhou Women and Children Welfare Association* (廣州市婦女兒童福利會) since August 2017. Ms. He was awarded Influential Public Good Figure of the Year* (年度影響力公益人物) granted jointly by news.qq.com (騰訊新聞), new.qq.com/d/gd (騰訊大粵網) and gongyi.qq.com (騰訊公益) in January 2018.

Ms. He did not hold any directorship in any listed companies during the last three years.

Mr. Lao Hansheng (勞漢生), aged 57, joined our Group in May 2019. Mr. Lao was appointed as an executive Director on November 18, 2020. Mr. Lao is responsible for the overall administration and management of Lingnan Institute of Technology.

Mr. Lao has more than 33 years of experience in education. The following table shows his major working experience:

Period	School / Company	Position	Roles and responsibilities
July 1987 to January 1993	Chongqing Business University (重慶商學院)	Successively served as lecturer, head of scientific research department, head of adult education department and deputy director of fundamental department	Teaching and academic research
March 1993 to January 2007	University of Electronic Science and Technology of China Zhongshan Institute (電子科技大學中山學院)	Successively and/or concurrently served as professor, secretary general of academic committee and head of teaching department	Teaching and academic research
January 2007 to July 2012	Zhongshan Torch Polytechnic (中山火炬職業技術學院)	Successively and/or concurrently served as professor, deputy dean and deputy secretary of the Party Committee	Overall administration and management
July 2012 to August 2015	Guangdong Engineering Polytechnic (廣東工程職業技術學院)	Successively and/or concurrently served as professor, deputy dean, executive dean and deputy secretary of the Party Committee	Overall administration and management
December 2015 to November 2018	Guangdong Academy of Education (廣東省教育研究院)	Successively and/or concurrently served as professor (Tier-3), professor (Tier-2), deputy dean and member of the Party Committee	Overall administration and management
January 2019 to October 2019	The Open University of Guangdong (廣東開放大學)/Guangdong Polytechnic Institute (廣東理工職業學院)	Professor (Tier-2)	Teaching and academic research
May 2019 to present	Lingnan Institute of Technology	Successively and/or concurrently served as principal and director	Overall administration and management

Mr. Lao obtained the qualification as a professor of management granted by Department of Personnel of Guangdong Province (廣東省人事廳, currently known as Human Resources and Social Security Department of Guangdong Province (廣東省人力資源和社會保障廳)) in December 2002. Mr. Lao graduated from Chongqing Normal University (重慶師範大學) in Chongqing, the PRC, with a bachelor's degree in mathematics in June 1983, and from Inner Mongolia Normal University (內蒙古師範大學) in Hohhot, Inner Mongolia Autonomous Region, the PRC, with a Master of Science in history of science in China in November 1987.

Mr. Lao was appointed as a deputy director of Training Expert Committee of China Packaging Federation* (中國包裝聯合會培訓專家委員會) in January 2009. He was a member of National Machinery Vocational Education and Teaching Directing Committee* (全國機械職業教育教學指導委員會) from April 2013 to January 2014. He was also appointed in July 2013 as a member of the 8th Provincial Committee of Guangdong Association for Science and Technology* (廣東省科學技術學會第八屆全省委員會), and appointed in 2013 as the vice president of the 1st Council of Guangdong Education Research Alliance* (廣東省教育研究聯盟). Mr. Lao served as the vice president of Modern Apprenticeship Working Committee of Guangdong Higher Vocational Education* (廣東省高職教育現代學徒制工作指導委員會) from July 2015 to June 2019, and the vice president of Guangdong Higher Vocational Education Teaching Quality Assurance Work Directing Committee* (廣東省高職教育教學質量保證工作指導委員會) from July 2015 to June 2019. He has been a council member (理事) of the 7th council of China Association of Higher Education (中國高等教育學會第七屆理事會) since July 2017.

Mr. Lao was awarded Guangdong Nanyue Educational Rising Star* (廣東省南粵教壇新秀) by Working Committee for Institution of Higher Education of CPC Guangdong Provincial Committee* (中共廣東省委高等學校工作委員會), Education Department of Guangdong Province and four other Guangdong provincial agencies and associations in September 1998, Important Contribution Award for Strategic Research Work (戰略研究工作重要貢獻獎) for National Mid-and Long-term Science and Technology Development Plan* (國家中長期科學和技術發展規劃) (2006-2020) by Office of Leading Group for National Med- and Long-Term Scientific and Technical Development Plan* (國家中長期科學和技術發展規劃領導小組辦公室) in July 2004, and the Outstanding Communist Party Member of Guangdong Education System (廣東省教育系統優秀共產黨員) by Education Working Committee of the CPC Guangdong Provincial Committee* (中共廣東省委教育工委) in July 2011.

Mr. Lao's essay was granted the 8th Hunan Natural Science First-Class Outstanding Academic Essay Award by Department of Personnel of Hunan Province (湖南省人事廳, currently known as Human Resources and Social Security Department of Hunan Province (湖南省人力資源和社會保障廳)) and two other Hunan provincial departments and associations in November 2000. His other essays and/or projects also won the 3rd Prize in the 2nd Chongqing Social Science Out-standing Scientific Research Achievement Award (重慶市第二次社會科學優秀科研成果三等獎) by People's Government of Chongqing City in December 1988, the 2nd Prize in the 2nd Sichuan General Institutions for Higher Education Excel-lent Teaching Achievement Award (四川省普通高等學校第二屆優秀教學成果二等獎) by Education Committee of the CPC Sichuan Provincial Committee* (中共四川省教育委員會) in October 1993, and the 3rd Prize in the 7th Hunan Philosophy and Social Science Outstanding Achievement Award (湖南省第七屆哲學社會科學優秀成果三等獎) by People's Government of Hunan Province in March 2004.

Mr. Lao did not hold any directorship in any listed companies during the last three years.

Independent Non-executive Directors

Mr. Luo Pan (羅潘), aged 40, was appointed as an independent non-executive Director on November 18, 2020. Mr. Luo is responsible for providing independent opinion and judgment to our Board.

Mr. Luo has over 16 years of experience in finance and accounting and corporate governance. The following table shows his major working experience:

Period	School / Company	Position	Roles and responsibilities
July 2004 to May 2014	KPMG Huazhen (Special General Partnership), Guangzhou Branch	Successively served as employee and senior manager	Providing audit and consulting services
November 2014 to February 2017	Guangdong Macro Co., Ltd. (廣東萬家樂股份有限公司, currently known as Guangdong Shunna Electric Co., Ltd. (廣東順鈉電氣股份有限公司)) (stock code: 000533.SZ)	Chief financial officer	Responsible for overall financial management
July 2016 to present	Guangzhou Forevergen Biotechnology Co., Ltd.* (廣州永諾生物科技有限公司)	Supervisor	Supervising the overall administration and management
August 2016 to present	Guangdong Macro Gas Appliance Co., Ltd. (廣東萬家樂燃氣具有限公司)	Director	Participating in board related work
February 2017 to present	Guangzhou Sanxin Holding Group Co., Ltd. (廣州三新控股集團有限公司)	Successively served as chief financial officer, chief operating officer and vice president	Responsible for overall financial management, overall operation and investment and strategic management

Mr. Luo obtained the qualification as Certified Public Accountant granted by The Chinese Institute of Certified Public Accountants and authorized by Guangdong Institute of Certified Public Accountants in October 2011, and as Certified Public Accountant granted by Board of Accountancy of Department of Professional and Financial Regulation of the State of Maine, United States, in October 2013. Mr. Luo graduated from Sun Yat-sen University (中山大學) in Guangzhou, Guangdong Province, the PRC in June 2003, with a Bachelor of Science in theoretical and applied mechanics obtained in June 2003 and a Bachelor of Management in accounting obtained in June 2004.

Mr. Luo did not hold any directorship in any listed companies during the last three years.

Mr. Yeh Zhe-Wei (葉哲瑋), formerly known as Mr. Yeh Shih-Yin (葉士穎), aged 55, was appointed as an independent non-executive Director on November 18, 2020. Mr. Yeh is responsible for providing independent opinion and judgment to our Board.

Mr. Yeh has over 30 years of experience in law, investment and business administration. The following table shows his major working experience:

Period	School / Company	Position	Roles and responsibilities
July 1990 to April 1996	Evergreen International Corporation	Deputy manager of risk management division	Responsible for legal affairs and business planning
May 1996 to February 1999	National Securities Corporation (建弘證券), currently known as SinoPac Securities Corporation (永豐金證券)	Employee	Responsible for employee- related works
March 1999 to April 2004	Trinity Financial Services Inc., currently known as Metro Direction Financial Inc.	Chief investment officer	Responsible for investment and management
May 2004 to July 2012	Central Reinsurance Corporation (中央再保險股份有限公司) (TPE: 2851)	Successively served as manager and chief investment officer of investment department	Responsible for investment-related works
August 2006 to July 2007	Chinese Culture University (中國文化大學)	Adjunct lecturer	Teaching courses of Securities Trading Law
September 2013 to present	Guang-Fu International Law Office (廣福國際法律事務所)	Deputy director	Overall management

Mr. Yeh obtained HKSI Institute Practicing Certificate (Corporate Finance) and HKSI Institute Practicing Certificate (Asset Management) in August 2019, and HKSI Institute Practicing Certificate (Securities) and HKSI Institute Specialist Certificate (Asset Management) in November 2019, all granted by Hong Kong Securities and Investment Institute. Mr. Yeh graduated from Chinese Culture University (中國文化大學) in Taipei, Taiwan, with a bachelor's degree in law in June 1987 and with a master's degree in law in June 1991, and from National University of Singapore (新加坡國立大學) in Singapore, with a Master of Business Administration in June 2017. Mr. Yeh was appointed as the supervisor of the Taiwan Alumni Chapter of National University of Singapore Business School in December 2018.

Mr. Yeh did not hold any directorship in any listed companies during the last three years.

Mr. Ma Shuchao (馬樹超), aged 67, was appointed as an independent non-executive Director on November 18, 2020. Mr. Ma is responsible for providing independent opinion and judgment to our Board.

Mr. Ma has over 15 years of experience in education. The following table shows his major working experience:

Period	School / Institution	Position / Title	Roles and responsibilities
December 2002 to December 2016	Shanghai Academy of Educational Sciences (上海市教育科學研究院)	Successively and/or concurrently served as researcher (研究員), researcher (Tier 3), researcher (Tier 2) and associate dean (副所長)	Responsible for academic research and overall management

Mr. Ma was appointed as the deputy director (副所長) of Institute of Intellectual Development* (智力開發研究所) of Shanghai Academy of Educational Sciences (上海教育科學研究院) in May 1996, and was appointed as the consultant (調研員) of Research Office of Shanghai Municipal People's Government (上海市人民政府研究室) in July 1997.

Mr. Ma graduated from Nanjing Institute of Meteorology* (南京氣象學院, currently known as Nanjing University of Information Science and Technology (南京信息工程大學)) in Nanjing, Jiangsu Province, the PRC, with a Bachelor of Science in synoptic dynamics in November 1982. He attended class for advanced studies in administration and management of institution of higher education in East China Normal University (華東師範大學) in Shanghai, the PRC, and completed the study with a certificate in June 1986. He also studied in graduate class for higher education administration and management in Beijing Normal University (北京師範大學) in Beijing, the PRC, and graduated with a diploma in July 1989.

Mr. Ma has presided over compilation and publication of the Annual Report on the Quality of Higher Vocational Education in China (中國高等職業教育質量年度報告) for eight years since 2012. Mr. Ma served as the vice president of The Chinese Society of Vocational and Technical Education (中國職業技術教育學會) from February 2013 to June 2020 and has been a member of its Academic Committee since December 2019. Mr. Ma was a member of Shanghai Education Comprehensive Reform Expert Advisory Committee* (上海市教育綜合改革專家諮詢委員會) from December 2015 to December 2016. He has served as the chief expert of the project of "Evaluation of the Ability of National Higher Vocational Institutions on Adapting to Social Needs" (全國高等職業院校適應社會需求能力評估) and the project of "Evaluation of the Ability of National Secondary Vocational Schools on Education Capacity" (全國中等職業學校辦學能力評估) entrusted by the Office of the Education Supervision Committee of the State Council* (國務院教育督導委員會辦公室) since 2016. He has also been an expert committee member of National Teaching Materials Committee* (國家教材委員會) since July 2017, a member of the 4th Academic Committee of China Association of Higher Education (中國高等教育學會學術委員會) since October 2017, a consultant of National Joint Convention of Presidents of Higher Vocational Institutions* (全國高職高專校長聯席會議) since December 2018, the president of Shanghai Vocational Education Association* (上海市職業教育協會) since June 2019.

Mr. Ma's essay was awarded the 1st Prize Thesis* (論文一等獎) by Shanghai Education Association* (上海市教育學會) in January 1994. Mr. Ma was awarded the Advanced Individual in National Vocational Education granted jointly by the MOE, National Development and Reform Commission (國家發展和改革委員會), the MOF and four other state departments and agencies in November 2005, the special government allowances (政府特殊津貼) by the State Council in February 2013, and the National Excellent Educator (全國優秀教育工作者) by the MOE in 2014. He was also awarded the 2nd prize for his team project in the 2nd National Selection of Outstanding Achievements in Educational Science granted by MOE in 1999. His team project on Chinese Higher Vocational Education won the 1st prize in the 2nd National Vocational and Technical Education Scientific Research Achievement Award (中國職業技術教育科學研究成果獎) by The Chinese Society of Vocational and Technical Education in 2010, and his team project on the Annual Report on the Quality of Higher Vocational Education in China won the 1st prize in the 3rd Vocational and Technical Education Scientific Research Achievement Award (職業技術教育科學研究成果獎) by The Chinese Society of Vocational and Technical Education in 2015 and the 3rd prize in the 5th National Education Scientific Research Outstanding Achievement Award (第五屆全國教育科學研究優秀成果獎) by the MOE in 2016.

Mr. Ma did not hold any directorship in any listed companies during the last three years.

SENIOR MANAGEMENT

Mr. Wang Tao (王濤) aged 40, joined our Group as assistant to the president of Lingnan Education in April 2018. Mr. Wang left our Group to pursue his certified public accountant qualification in March 2019 and then rejoined us in March 2020 as the chief financial officer of Lingnan Education. He was appointed as the chief financial officer of our Company on November 18, 2020. Mr. Wang is responsible for overall management of financial and investment matters of the Group.

Mr. Wang has more than 13 years of experience in finance and accounting. The following table shows his major working experience:

Period	School / Company	Position	Roles and responsibilities
February 2007 to April 2011	PricewaterhouseCoopers Consultants (Shenzhen) Limited	Department manager	Risk management and internal control
July 2014 to September 2017	Bright Scholar Education Holdings Ltd. (博實樂教育控股有限公司) (NYSE:BEDU)	Chief financial officer	Overall management of financial matters
April 2018 to March 2019	Lingnan Education	Assistant to president	Preparation for the Listing and assisting the president in day-to-day work
March 2020 to present	Lingnan Education	Chief financial officer	Overall management of financial matters of our Group and preparation for the Listing

Mr. Wang is a certified public accountant certified by the Guam Board of Accountancy in the U.S. and a certified internal auditor certified by the Institute of Internal Auditors. Mr. Wang graduated from Guangdong University of Foreign Studies (廣東外語外貿大學) with a bachelor's degree in applied English (foreign finance) in Guangdong Province, the PRC in June 2002.

Mr. Wang did not hold any directorship in any listed companies during the last three years.

JOINT COMPANY SECRETARIES

Mr. Wang Tao (王濤) was appointed as one of our joint company secretaries on November 19, 2020. For details of Mr. Wang Tao's biography, please see "— Senior Management" in this section.

Ms. Lau Jeanie (劉准羽), aged 43, was appointed as one of our joint company secretaries on May 28, 2021. Ms. Lau is an assistant vice president of Corporate Secretarial Department of SWCS Corporate Services Group (Hong Kong) Limited. She is an associate member of both The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in England and The Hong Kong Institute of Chartered Secretaries. She has over 15 years of experience in corporate secretarial practice. She has been providing corporate services to companies overseas and in Hong Kong. Ms. Lau had been a company secretary of various listed companies on the Main Board of the Stock Exchange over the last 10 years.

BOARD COMMITTEES

Audit Committee

We established an audit committee (the "Audit Committee") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to make recommendation to our Board on the appointment and removal of external auditor, and to assist our Board in fulfilling its oversight responsibilities in relation to our Group's financial reporting, internal control structure, risk management processes and external audit functions, and corporate governance responsibilities. The Audit Committee of our Company consists of three members, being Mr. Luo Pan, Mr. Yeh Zhe-Wei and Mr. Ma Shuchao, with Mr. Luo Pan being the chairman of the Audit Committee.

Remuneration Committee

We established a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with paragraph B.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to evaluate and make recommendation to our Board on the overall remuneration policy and structure relating to all Directors and senior management of our Group, review performance based remuneration and ensure none of our Directors determine their own remuneration. The Remuneration Committee consists of three members, being Mr. Yeh Zhe-Wei, Mr. Luo Pan and Mr. Lao Hansheng, with Mr. Yeh Zhe-Wei being the chairman of the Remuneration Committee.

Nomination Committee

We established a nomination committee (the "Nomination Committee") with written terms of reference in compliance with paragraph A.5 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary functions of the Nomination Committee are to make recommendations to our Board regarding candidates to fill vacancies on the Board and to review our board diversity policy ("Board Diversity Policy"). The Nomination Committee consists of three members, being Mr. He Huishan, Mr. Yeh Zhe-Wei and Mr. Luo Pan, with Mr. He Huishan, being the chairman of the Nomination Committee.

CORPORATE GOVERNANCE

The Directors recognize the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. Our Company will comply with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules ("Corporate Governance Code") and the Listing Rules.

Board Diversity

We have adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in our Board. Our Company should endeavor to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategy. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, gender, age, cultural, education background and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board. Our Board believes that such merit-based appointments will best enable our Company to serve the Shareholders and other stakeholders going forward.

Our Board comprises seven members, including four executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of knowledge and skills, including knowledge and experiences in the areas of management and strategic development, finance and accounting and legal and compliance in addition to education business. They obtained degrees in various majors including business administration, accounting and law. Furthermore, our Board has a wide range of age, ranging from 40 years old to 67 years old. We have also taken, and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at the Board and the management levels. In particular, two of our four executive Directors are female. After due consideration, our Board believes that based on our existing business model and meritocracy of our Directors, its composition satisfies the principles under the Board Diversity Policy.

Our Nomination Committee is responsible for ensuring the diversity of our Board. Upon Listing, our Nomination Committee will review the board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of the board diversity policy in our corporate governance report on an annual basis.

REMUNERATION POLICY

We value our employees and recognize the importance of a good relationship with our employees. The remuneration of our employees includes salaries and allowances.

Our Group offers competitive remuneration packages to our Directors. For the years ended December 31, 2018, 2019 and 2020, the aggregate of the remuneration paid and benefits in kind granted to our Directors was approximately RMB1,266,000, RMB2,884,000 and RMB2,877,000, respectively.

For the years ended December 31, 2018, 2019 and 2020, the aggregate of the remuneration paid and benefits in kind granted to the five highest paid individuals who are neither a Director nor chief executive of our Group was approximately RMB2,326,000, RMB2,922,000 and RMB1,624,000, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office during the Track Record Period. Furthermore, none of our Directors had waived any remuneration during the Track Record Period. The primary goal of the remuneration policy with regard to the remuneration packages of our Directors is to enable us to retain and motivate executive Directors by linking their compensation with performance as measured against corporate objectives achieved. The principal elements of our Group's Directors remuneration packages include basic salaries and discretionary bonuses.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2021 will be approximately RMB3,099,000.

Save as disclosed in this prospectus, no other payments have been made, or are payable, by any member of our Group to the Directors during the Track Record Period.

We have not experienced any significant problems with our employees or disruption to our operations due to labor disputes.

COMPLIANCE ADVISER

Our Company has appointed Somerley Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules. Pursuant to Rule 3A.23 of the Listing Rules, the compliance adviser will advise our Company on, among other matters, the following matters:

(1) (before its publication) any regulatory announcement, circular or financial report;

(2) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share buy-backs;

(3) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and

(4) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

As the Latest Practicable Date and immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), the following persons will have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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 our Group:

		Immediately after the Global Offering and the Capitalization Issue(1)	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Mr. He Huishan	Interest in a controlled corporation (2)(3)(6)	620,000,000	46.4767%
Ms. Zhou Lanqing	Interest in a controlled corporation (2)(3)(6) Spouse interest(2)(3)	620,000,000	46.4767%
Zhihui Guang	Beneficial owner(2)	570,000,000	42.7286%
China Foreign Education	Beneficial owner(4)	190,000,000	14.2429%
Ms. He Huifen	Interest in a controlled corporation (4)(6)	190,000,000	14.2429%
Mr. Han Liqing	Spouse interest(4)	190,000,000	14.2429%
Fangyuan Education	Beneficial owner(5)	190,000,000	14.2429%
Ms. He Huifang	Interest in a controlled corporation (5)(6)	190,000,000	14.2429%
Mr. Du Wenyu	Spouse interest (5)	190,000,000	14.2429%

Notes:

(1) Assuming the Over-allotment Option is not exercised.

(2) Zhihui Guang is owned as to 51% by Mr. He Huishan and 49% by Ms. Zhou Lanqing, respectively. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Both Mr. He Huishan and Ms. Zhou Lanqing are therefore deemed to be interested in the Shares held by Zhihui Guang by virtue of the SFO, being 570,000,000 Shares.

(3) Mr. He Huishan is the sole shareholder of Good Booming. Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Both Mr. He Huishan and Ms. Zhou Lanqing are therefore deemed to be interested in the Shares held by Good Booming by virtue of the SFO, being 50,000,000 Shares.

(4) Ms. He Huifen is the sole shareholder of China Foreign Education. Mr. Han Liqing is the spouse of Ms. He Huifen. Both Ms. He Huifen and Mr. Han Liqing are therefore deemed to be interested in the Shares held by China Foreign Education by virtue of the SFO, being 190,000,000 Shares.

(5) Ms. He Huifang is the sole shareholder of Fangyuan Education. Mr. Du Wenyu is the spouse of Ms. He Huifang. Both Ms. He Huifang and Mr. Du Wenyu are therefore deemed to be interested in the Shares held by Fangyuan Education by virtue of the SFO, being 190,000,000 Shares.

(6) Mr. He Huishan, Ms. Zhou Lanqing, Ms. He Huifen and Ms. He Huifang, our Controlling Shareholders, are parties acting in concert pursuant to a concert party agreement dated November 19, 2020, pursuant to which, Mr. He Huishan, Ms. Zhou Lanqing, Ms. He Huifen and Ms. He Huifang confirmed that they have been acting in concert since the time when each of them first became a shareholder of our Group and, for the avoidance of doubt, from January 1, 2017, and agreed that they will continue to act in concert in the management, operation and decision-making on both shareholder's level and director's level of our Group.

Except as disclosed above, our Directors are not aware of any person who will, immediately following the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme), have an interest or short position in Shares or underlying Shares which would be required to be disclosed to us and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be 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 our Group.

Share Capital

The authorized and issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Authorized share capital:		(HK$)
10,000,000,000	Shares	100,000,000

Assuming the Over-allotment Option is not exercised at all, and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued share capital:		HK$	Approximate percentage of issued share capital (%)
1,000,000	Shares in issue as of the date of this prospectus	10,000	0.0750
999,000,000	Shares to be issued under the Capitalization Issue	9,990,000	74.8875
334,000,000	Shares to be issued under the Global Offering	3,340,000	25.0375
1,334,000,000	Shares in total	13,340,000	100

Assuming the Over-allotment Option is exercised in full and without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme, the issued share capital of our Company immediately following the completion of the Capitalization Issue and the Global Offering will be as follows:

Issued share capital:		HK$	Approximate percentage of issued share capital (%)
1,000,000	Shares in issue as of the date of this prospectus	10,000	0.0722
999,000,000	Shares to be issued under the Capitalization Issue	9,990,000	72.1769
384,100,000	Shares to be issued under the Global Offering and the Over-allotment Option[(2)]	3,841,000	27.7509
1,384,100,000	Shares in total	13,841,000	100

Notes:

(1) The Shares referred to in the above table have been or will be fully paid or credited as fully paid when issued.

(2) Assuming a total of 50,100,000 Shares will be issued upon exercise of the Over-allotment Option in full.

RANKING

The Offer Shares are ordinary Shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as set out in the above table, and will qualify and rank equally for all dividends or other distributions declared, made or paid after the date of this prospectus.

ALTERATIONS OF SHARE CAPITAL

Our Company may from time to time by ordinary resolution or special resolution (as the case may be) of Shareholders alter the share capital of our Company. For a summary of the provisions in the Article of Association regarding alterations of share capital, see "Appendix IV — Summary of the Constitution of the Company and Cayman Islands Company Law — 2. Articles of Association — (a) Shares — (iii) Alteration of Capital" in this prospectus.

THE SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on June 23, 2021. The principal terms of the Share Option Scheme are summarized in the section headed "Appendix V — Statutory and General Information — F. Share Option Scheme" in this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(i) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued pursuant to the Over-allotment Option); and

(ii) the aggregate nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to below.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this general mandate, see "Appendix V — Statutory and General Information — A. Further Information about Our Company — 4. Written Resolutions of the Then Shareholders Passed on June 23, 2021" in this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the aggregate nominal value of the share capital of our Company in issue or to be issued immediately following the completion of the Capitalization Issue and the Global Offering (excluding any Shares which may fall to be issued upon the exercise of the Over-allotment Option).

This mandate only relates to repurchases made on the Stock Exchange, or any other approved stock exchange(s) on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and/or requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Appendix V — Statutory and General Information — A. Further Information about Our Company — 4. Written Resolutions of the Then Shareholders Passed on June 23, 2021" in this prospectus.

This mandate will expire at the earliest of:

(i) the conclusion of our Company's next annual general meeting unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which our Company is required by law or the Articles of Association to hold its next annual general meeting; or

(iii) the time when such mandate is varied, revoked or renewed by an ordinary resolution of our Company's Shareholders in a general meeting.

For further details of this share repurchase mandate, see "Appendix V — Statutory and General Information — A. Further Information about Our Company — 4. Written Resolutions of the Then Shareholders Pass on June 23, 2021" in this prospectus.

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountants' Report set out in Appendix I to this prospectus. This consolidated financial information includes the financial information of our Discontinued Operations, which we disposed of in September 2018. The Accountants' Report has been prepared in accordance with HKFRSs, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

Assuming (i) our Lingnan Institute of Technology and Lingnan Modern Technician College had registered as for-profit private schools; and (ii) the Contractual Arrangements were effective during the entire Track Record Period under which all of the respective amount of surplus from operations (after deducting all costs, reasonable expenses and taxes in accordance with applicable PRC laws) of PRC Affiliated Entities was paid to Lingnan WFOE in accordance with the Contractual Arrangements, and Lingnan WFOE is subject to EIT of 25% of the profit before tax and VAT of 6% in respect of the service fees it received from our PRC Affiliated Entities, our Directors estimate that our tax exposure, which comprises EIT and VAT, would have increased by approximately RMB34.4 million, RMB41.9 million and RMB45.5 million for the years ended December 31, 2018, 2019 and 2020, respectively, in the worst case scenario. In addition, assuming that we distributed 30% of our profits available for distribution generated in each financial year during the Track Record Period pursuant to our dividend policy, all of which would have been financed by the distribution of Lingnan WFOE, we would be subject to a withholding tax at a rate of 10% on the distribution of Lingnan WFOE. Our Directors estimate that our tax exposure would have further increased by approximately RMB3.4 million, RMB3.8 million and RMB4.2 million for the years ended December 31, 2018, 2019 and 2020, respectively. In aggregate, the maximum tax exposure under the aforementioned assumptions and tax impact of our Group would be approximately RMB37.8 million, RMB45.7 million and RMB49.7 million for the years ended December 31, 2018, 2019 and 2020, respectively, accounting for approximately 27.6%, 29.5% and 29.1%, respectively, of our net profit for the same years.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future development, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the sections headed "Risk Factors" and "Forward-Looking Statements" in this prospectus.

OVERVIEW

According to the Frost & Sullivan Report, in terms of full-time student enrollment in the 2019/2020 school year, our Group was the largest private formal vocational education service provider in the Greater Bay Area. We also had the largest number of students who majored in the TMT Industry and Healthcare Industry in the 2019/2020 school year in the Greater Bay Area. As of the Latest Practicable Date, we operated two schools in the Greater Bay Area, namely, Lingnan Institute of Technology and Lingnan Modern Technician College. Moreover, Lingnan Institute of Technology was the largest private junior college and the second largest private vocational education institution in China in terms of full-time student enrollment in the 2019/2020 school year. Our total full-time student enrollment increased from 24,460 in the 2017/2018 school year to 27,033 in the 2020/2021 school year.

We primarily focus on providing high-quality vocational training education in the rising industries, particularly the TMT Industry and Healthcare Industry. Our employment-oriented curriculums are focused on equipping our students with the practicable skills that meet the demand of economic development in China. In addition, our Lingnan Institute of Technology is a pioneer in the PRC private vocational education industry for implementing the "innovation and entrepreneurship education" as we first introduced an entrepreneurship major in the 2014/2015 school year.

We derive revenue primarily from the tuition fees from our Key Operating Business and continuing education programs and boarding fees from our Key Operating Business paid by the students of our schools. During the Track Record Period, our revenue from continuing operations included tuition fees and boarding fees from our Key Operating Business collected from full-time students at Lingnan Institute of Technology and Lingnan Modern Technician College, and tuition fees from our continuing education program collected from the students who were enrolled in these programs on a part-time basis. Tuition fees and boarding fees from our Key Operating Business are generally received in advance prior to the beginning of each school year, and are initially recorded as contractual liabilities. Tuition fees and boarding fees from our Key Operating Business are recognized proportionately over the relevant period of the applicable programs. The school year of our schools is generally from September of the current year to August of the following year. On the other hand, tuition fees from our continuing education programs are generally paid by the part-time students in advance prior to the commencement of the relevant education program and are recognized proportionately over the relevant period of the applicable programs.

We experienced steady growth in our revenue and profit during the Track Record Period. Our revenue from continuing operations increased from RMB411.8 million for the year ended December 31, 2018 to RMB444.4 million for the year ended December 31 2019 and further to RMB449.4 million for the year ended December 31, 2020. Our profit for the year from continuing operations was RMB137.0 million, RMB154.8 million and RMB170.5 million for the years ended December 31, 2018, 2019 and 2020, respectively. We recorded loss from Discontinued Operations of RMB1.5 million for the year ended December 31, 2018 and recorded profit from Discontinued Operations of RMB0 and RMB0 for the years ended December 31, 2019 and 2020, respectively.

BASIS OF PRESENTATION AND PREPARATION

Pursuant to the Corporate Reorganization, South China Vocational Education Group Company Limited became the holding company of the companies now comprising our Group on November 21, 2020. As the Corporate Reorganization only involved inserting new holding companies and entering into the Contractual Arrangements that have not resulted in a change of respective voting, economic substance and beneficial interests, the historical financial information of our Group for the Track Record Period has been presented as a continuation of the existing companies using the pooling of interests method as if the Corporate Reorganization had been completed at the beginning of the Track Record Period.

During the Track Record Period, due to regulatory restrictions on foreign ownership in schools in the PRC, our businesses were carried out by the School Sponsor and its sponsoring schools, Lingnan Institute of Technology and Lingnan Modern Technician College (the "PRC Operating Entities"). Pursuant to the Corporate Reorganization, Lingnan WFOE, our wholly-owned subsidiary, has entered into the structured contracts with the shareholders of the School Sponsor, the

School Sponsor and the PRC Operating Entities. The arrangements of the Contractual Arrangements enable Lingnan WFOE to exercise effective control over the PRC Operating Entities and obtain substantially all economic benefits of the PRC Operating Entities. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the Prospectus.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group are prepared as if the current group structure had been in existence throughout the Track Record Period. The consolidated statements of financial position of our Group as of December 31, 2018, 2019 and 2020 presented the assets and liabilities of the companies now comprising our Group, as if the current group structure had been in existence at that date. The consolidated statements of financial position of our Group as of December 31, 2018, 2019 and 2020 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values, or recognize any new assets or liabilities as a result of the Corporate Reorganization. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of our Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated on consolidation.

FACTORS AFFECTING OUR RESULTS OF CONTINUING OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Demand for Private Higher Vocational Education in China and Guangdong Province

The demand for private higher vocational education in China is dependent on a number of factors, including the levels of economic development and growing in demand for technical talents. Our business has historically benefited from the growth of China's economy, as well as the economy of Guangdong Province and the Greater Bay Area, in particular, and the increasing demand for private higher vocational education in the region. According to the Frost & Sullivan Report, as the PRC's economy has continued to grow over the past five years, its per capita GDP has also increased at a fast pace. Per capita nominal GDP in China grew from RMB50,028 in 2015 to RMB70,892 in 2019, representing a CAGR of approximately 9.1%, and is expected to reach RMB103,135 in 2024. The overall economic growth and the increase in per capita annual disposable income and per capita annual expenditure in the urban households in China will likely affect the private higher vocational education in the country. In addition, according to the Frost & Sullivan Report, the per capita annual disposable income of urban households in the Greater Bay Area grew from RMB68,614 in 2015 to RMB91,000 in 2019, representing a CAGR of 7.3%, which is expected to reach RMB120,518 in 2024. In the meantime, the total number of student enrollments in private formal vocational education in China has increased from approximately 4.4 million in 2015 to 5.4 million in 2019, representing a CAGR of 5.3%. It is expected to reach approximately 6.6 million in 2024. Therefore, we anticipate the demand for private formal vocational education in China and the Greater Bay Area will likely continue to rise.

Furthermore, China's economy is in a period of structural transformation, where the new economy is playing an increasing important role in the overall economy. According to Frost & Sullivan, the TMT Industry will be a significant sector of China's economy and the Healthcare Industry is one of the largest components of the national economy. According to Frost & Sullivan, the demand for skilled workers in the IT Industry grew rapidly and as a result, there is an undersupply of skilled workers due to the growth of emerging subsectors in this industry, such as virtual reality and augmented reality, e-commerce, artificial intelligence, e-sports, and animation design. Therefore, the talent gap for skilled workers in the IT Industry increased from 4.8 million in 2015 to 10.8 million in 2019, representing a CAGR of 22.2%, which is expected to reach 21.0 million by 2024. Similarly, there has been a high demand for health practitioners in the Healthcare Industry, which include health practitioners, pharmaceutical manufacturing and sales talent, nursing staff for elderly and other practitioners, according to Frost & Sullivan. Due to people's increasing health awareness, the development of healthcare and the growing demand for practitioners of healthcare in various industries, the talent gap for health practitioners in China increased from 19.8 million in 2015 to 25.2 million in 2019, representing a CAGR of 6.1%, which is expected to reach 30.3 million by 2024. Given the large talent gaps for the TMT Industry and Healthcare Industry in the foreseeable future, Lingnan Institute of Technology and Lingnan Modern Technician College are poised to continue to supply qualified professional talents for these two industries.

Student Enrollment Levels

Our revenue from continuing operations depends primarily on the number of full-time students enrolled at our schools, as we charge tuition fees and boarding fees by person. Our total full-time student enrollment increased from 24,460 for the 2017/2018 school year to 27,033 for the 2020/2021 school year.

Our student admission levels largely depend on a number of factors, including, but not limited to, (i) the reputation of our schools, which is mainly driven by the quality of education we provide; (ii) our admission quota as approved by the relevant government authorities from year to year, subject to adjustments; and (iii) the capacity for student enrollment at each of our schools. We believe the educational philosophies of our schools, our well-developed curriculums and, our high Initial Employment Rate during the Track Record Period, help us to attract students who seek high-quality private vocational education as a pathway to satisfactory employment or higher education, as the case may be. Moreover, the quality of our teachers is also a major factor that has played in the past, and will continue to play in the future, an important role in the success of our schools. Accordingly, we apply stringent teacher selection criteria and maintain training programs for our newly hired and experienced teachers, as well as regular and on-going teacher evaluation processes to assess and improve their performance.

Tuition Fees and Boarding Fees from Our Key Operating Business

The levels of tuition fees and boarding fees from our Key Operating Business that we are able to charge also affect our results of continuing operations. These tuition fees and boarding fees are generally paid in advance at the beginning of each new school year. We typically charge tuition fees based on the demand for our full-time educational programs, our cost of operations, the geographic markets where we operate our schools, the location of our schools, the tuition fees charged by our competitors, our pricing strategy to gain market share, and the general economic conditions in China. Since October 2016, the tuition fee rates for our schools are no longer subject to the approval of relevant government authorities in the areas where we operate. Our schools are not required to obtain approvals from Guangdong Development and Reform Commission (廣東省發展改革委員會) and the Education Department of Guangdong Province (廣東省教育廳) when increasing tuition fees or boarding fees provided that information in relation to adjustments in such fees are stated clearly on the websites of our schools and the student admission handbooks. While we successfully increased tuition fee rates at our schools during the Track Record Period, there is no guarantee we will be able to continue to raise tuition rates in the future. See "Risk Factors — Risks Relating to Our Business and Our Industry — Our Business and Results of Operations Depend on the Level of Tuition Fees and Boarding Fees We are Able to Charge and Our Ability to Maintain and Raise Tuition and Boarding Fees" in this prospectus.

For the 2020/2021 school year, we charged tuition fees ranging from RMB16,500 to RMB24,300 per full-time student for each school year at Lingnan Institute of Technology, and from RMB11,000 to RMB14,000 per full-time student for each school year at Lingnan Modern Technician College. We believe the tuition fees we charge are comparable to those charged by some of our competitors in the private formal vocational education industry, which operate at a similar scale and offering similar programs. Historically, we have maintained tuition rates comparable to our competitors in order to attract more students and increase our student enrollment and market share.

During the Track Record Period, Lingnan Institute of Technology raised its tuition fee rates from a range of RMB14,500 to RMB21,000 per full-time student for the 2017/2018 school year to a range of RMB16,500 to RMB24,300 per full-time student for the 2020/2021 school year for the junior college program. Lingnan Modern Technician College also adjusted and raised its tuition fee rates from a range of RMB11,000 to RMB13,000 per full-time student for the 2017/2018 school year to a range of RMB11,500 to RMB14,000 for the 2020/2021 school year for its post-secondary vocational program, and from RMB11,000 to RMB12,000 per full-time student for the 2017/2018 school year to a range of RMB11,000 to RMB13,500 per full-time student for the 2020/2021 school year for its secondary vocational program. We may continue to increase tuition fee rates that we believe are commensurate with the increasing demand for the education programs we provide and our increasing costs of operations.

Ability to Control Cost of Sales and Expenses

Our profitability partly depends on our ability to control our cost of sales and expenses. For the years ended December 31, 2018 and 2019 and 2020, our cost of sales represented approximately 53.0%, 55.6% and 53.5% of our total revenue, respectively. Our cost of sales primarily consists of salaries and benefits for our school staff, depreciation of property, plant and equipment, depreciation of right-of-use assets, amortization of other intangible assets, utilities, construction and maintenance fees, office expenses, rental expenses, student study and practice fees, teaching expenditure, afforestation fees, cooperative education cost and others. The salaries and benefits of our school staff constituted approximately 51.6%, 51.2% and 51.8% of our total cost of sales for the years ended December 31, 2018, 2019 and 2020, respectively.

Our operating expenses primarily consist of administrative expenses and selling and distribution expenses. For the years ended December 31, 2018, 2019 and 2020, the total amount of administrative expenses and selling and distribution expenses as a percentage of our total revenue was approximately 18.6%, 18.3% and 18.9%, respectively. While our operating expenses remained relatively stable during most of the Track Record Period, we cannot guarantee that our operating expenses will not increase in the future as we expand our business operations and become a public company.

SIGNIFICANT ACCOUNTING POLICIES, JUDGMENTS AND ESTIMATES

The methods, estimates and judgments we use in applying our accounting policies have a significant impact on our financial position and operating results. Some of the accounting policies require us to apply estimates and judgments on matters that are inherently uncertain. Set forth below are discussions of the accounting policies applied in preparing our financial information that we believe are most dependent on the application of these estimates and judgments and, in addition, certain other accounting policies that we believe are material to an understanding of our financial information. For details of these critical accounting policies, judgments and estimates, and other significant accounting policies, judgments and estimates we applied in preparing our financial information, see the Accountants' Report set out in Appendix I to this prospectus.

Revenue Recognition

Revenue from Contracts with Customers

Revenue from contracts with customers is recognized when services are transferred to the customers at an amount that reflects the consideration to which we expect to be entitled to in exchange for those services.

Specifically, we apply a five-step approach in revenue recognition:

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

We recognize revenue when (or as) a performance obligation is satisfied, i.e., when "control" of the services underlying the particular performance obligation is transferred to customers. If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards the complete satisfaction of that performance obligation. Otherwise, revenue is recognized at the point in time when the customer obtains control of the services.

We recognize revenue when the specific criteria have been met for the following activities:

- *Tuition and boarding fees*: Tuition fees and boarding fees from our Key Operating Business and tuition fees from our continuing education programs received from the customers are generally paid in advance prior to the beginning of each school year or semester, and are initially recorded as contract liabilities. They are recognized proportionately over the periods of the applicable program. The portion of tuition and boarding payments received from the customers but not earned is recorded as a contract liability and is reflected as a current liability as such amounts represent revenue that we expect to earn within one year or semester. The school year of our schools is generally from September 1 of the current year to August 31 of the following year. Each school year is divided into a spring semester and a fall semester; and

- *Other education service fees*: Other education service fees from the provision of other education services to the customers are collected in advance on a lump sum basis. Revenue is recognized proportionately over the periods of the applicable program.

Other Income

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

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

Brand licensing income is recognized on an accrual basis based on the agreed percentage of the revenue of authorized schools.

Training income is recognized from the provision of training services to the customers other than our students over the period of the applicable program.

Contract Liabilities

A contract liability is recognized when a payment is received or a payment is due (whichever is earlier) from a customer before we transfer the related services. Contract liabilities are recognized as revenue when we perform under the contract (i.e., transfers control of the related services to the customer).

Discontinued Operations

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of or is classified as held for sale, and (i) represents a separate major line of business or geographical area of operations; (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or (iii) is a subsidiary acquired exclusively with a view to resale. Discontinued operations are excluded from the results of continuing operations and are presented as single amounts as profit or loss from discontinued operations in the statement of profit or loss and other comprehensive income.

Property, Plant and Equipment and Depreciation

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

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

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

Property and buildings	1.9%
Education equipment	9.7% to 19.4%
Motor vehicles	9.7%
Furniture and other equipment	4.9% to 32.3%
Leasehold improvements	5.0% to 20.0%

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

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Income Tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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 as of December 31, 2018, 2019 and 2020, taking into consideration interpretations and practices prevailing in the countries in which our Group operates.

Deferred tax is provided, using the liability method, on all temporary differences as of December 31, 2018, 2019 and 2020 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Significant judgement is required in interpreting the relevant tax rules and regulation so as to determine whether our Group is subject to enterprise 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 us to change our judgement regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact tax expenses in the period that such determination is made. Further details of the current taxes are set out in notes 10 to the Accountants' Report set out in Appendix I to this prospectus.

Interests in Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

We recognize in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to our Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Determining whether the collaboration with third parties are joint operations requires judgement and consideration of all relevant facts and circumstances to determine whether the parties have joint control of the arrangement. We assess whether a contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively.

Government Grants

Government grants are recognized 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 recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Contractual Arrangements

The PRC Operating Entities are mainly engaged in the provision of education services, which fall in the scope of the Negative List that foreign investors are restricted to invest. As disclosed in note 2.1 to the Accountants' Report set out in Appendix I to this prospectus, our Group exercises control over the PRC Affiliated Entities and enjoys all economic benefits of the PRC Affiliated Entities through the Contractual Arrangements.

We consider that we control the PRC Affiliated Entities, notwithstanding the fact that we do not hold direct equity interest in the PRC Affiliated Entities, as we have power over the financial and operating policies of the PRC Affiliated Entities and receive substantially all of the economic benefits from the business activities of the PRC Affiliated Entities through the Contractual Arrangements. Accordingly, the PRC Affiliated Entities have been accounted for subsidiaries during the Track Record Period.

RESULTS OF OPERATIONS

The following table presents our selected consolidated statements of profit or loss and other comprehensive income for the years indicated:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Continuing Operations:			
Revenue	411,751	444,387	449,350
Cost of sales	(218,078)	(247,233)	(240,333)
Gross profit	193,673	197,154	209,017
Other income and gains	75,773	81,925	85,948
Selling and distribution expenses	(11,143)	(16,967)	(17,565)
Administrative expenses	(65,412)	(64,417)	(67,566)
Other expenses	(22,094)	(20,440)	(19,119)
Finance costs	(20,009)	(16,601)	(15,225)
Share of losses of associates	(1,343)	–	–
Profit before tax from continuing operations	149,445	160,654	175,490
Income tax expense	(12,415)	(5,829)	(4,989)
Profit for the year from continuing operations	137,030	154,825	170,501
Discontinued Operations:			
Profit/(loss) for the year from discontinued operations	(1,465)	–	–
Profit and total comprehensive income for the year	135,565	154,825	170,501
Attributable to:			
Owners of the parent	129,794	149,959	170,501
Non-controlling interests	5,771	4,866	–
	135,565	154,825	170,501
Non-HKFRS Measure:			
Adjusted Net Profit	137,064	154,825	182,337

NON-HKFRS MEASURES

In order to supplement our consolidated financial statements, which are presented in accordance with HKFRS, we also use Adjusted Net Profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of certain items that we do not consider indicative of the performance of our business. We also believe that this non-HKFRS measure provides additional information to investors and others in their understanding and evaluating our results of operations in the same manner as they help our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted Net Profit

The Adjusted Net Profit eliminates the effect of certain one-off items, or items that are unrelated to our operations, namely, (i) gain on disposal of subsidiaries; (ii) gain on disposal of associates; and (iii) listing expenses. The term Adjusted Net Profit is not defined under HKFRS. As a non-HKFRS measure, Adjusted Net Profit is presented because our management believes such information will be helpful for investors in assessing the effect of these one-off and non-cash items on our net profit. The use of the Adjusted Net Profit has material limitations as an analytical tool, as it does not include all items that impact our net profit for the relevant years, and it did not take into consideration any tax impact associated with these adjustments. Gain on disposal of subsidiaries primarily consists of the gains we recognized from disposing certain subsidiaries in 2018 and 2020. Gain on disposal of associates mainly represent the gains we recognized from disposing certain of our associated companies in 2018, which mainly engaged in the businesses outside our Group. We disposed certain subsidiaries and associates in connection with the Corporate Reorganization to streamline the corporate structure of our Group, which we consider to be non-recurring in nature and unrelated to the core business of our Group involving the provision of higher vocational education programs. The effects of listing expenses, gain on disposal of subsidiaries and gain on disposal of associates that are eliminated from Adjusted Net Profit are significant components in understanding and assessing our operating and financial performance. In light of the foregoing limitations, when assessing our operating and financial performance, you should not view the Adjusted Net Profit in isolation or as a substitute for our profit for the year or any other operating performance measure that is calculated in accordance with HKFRS. In addition, because this non-HKFRS measure may not be calculated in the same manner by all companies, they may not be comparable to other similarly titled measures used by other companies.

The following table reconciles our Adjusted Net Profit for the years presented to the most directly comparable financial measure calculated and presented in accordance with HKFRS, which is profit for the year from continuing operations:

	Year ended December 31,		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Profit for the year from continuing operations	137,030	154,825	170,501
Add:			
Listing expenses	6,681	–	14,299
Subtract:			
Gain on disposal of subsidiaries	428	–	2,463
Gain on disposal of associates	6,219	–	–
Non-HKFRS Measure:			
Adjusted Net Profit	137,064	154,825	182,337

For the years ended December 31, 2018, 2019 and 2020, our Adjusted Net Profit for the year was RMB137.1 million, RMB154.8 million and RMB182.3 million, respectively. Our Adjusted Net Profit increased from RMB137.1 million for the year ended December 31, 2018 to RMB182.3 million for the year ended December 31, 2020, representing a CAGR of 15.3%.

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Continuing Operations

Revenue

Revenue represents the value of services rendered during the Track Record Period. Our revenue is recognized over time and subject to seasonal fluctuations. Our revenue is consisted of tuition fees (which are consisted of tuition fees from our Key Operating Business and our continuing education programs), boarding fees and other education service fees. Tuition fees and boarding fees are generally paid in advance at the beginning of the school year or semester, and are initially recorded as contract liabilities. Recognition of tuition fees and boarding fees may also be affected by regular school term breaks and vacation periods. Other education service fees mainly represent income received from the provision of other education services, including training and test preparation services to the students for occupational skills appraisal and professional qualifications and certificates. For the years ended December 31, 2018, 2019 and 2020, we generated total revenue from continuing operations of RMB411.8 million, RMB444.4 million and RMB449.4 million, respectively.

The table below summarizes the amount of revenue we generated from tuition fees and boarding fees from our Key Operating Business and fees from ancillary education programs by each of our schools for the years indicated:

	Year ended December 31,		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Key Operating Business			
Tuition fees			
Lingnan Institute of Technology			
– Junior college degree program tuition fees	272,327	301,196	318,327
Lingnan Modern Technician College			
– Secondary vocational program tuition fees	15,618	23,561	36,984
– Post-secondary vocational program tuition fees	51,217	45,372	35,202
Total tuition fees from Key Operating Business[3]	339,162	370,129	390,513
Boarding fees			
Lingnan Institute of Technology			
– Junior college program boarding fees	30,780	32,239	17,649
Lingnan Modern Technician College			
–Secondary vocational program boarding fees	1,748	2,753	2,867
– Post-secondary vocational program boarding fees	4,565	3,762	1,505
Total boarding fees from Key Operating Business	37,093	38,754	22,021
Ancillary Education Services			
Continuing education programs tuition fees[1][3]	31,444	31,101	32,447
Other education service fees[2]	4,052	4,403	4,369
Subtotal	35,496	35,504	36,816
Total revenue	411,751	444,387	449,350

Notes:

(1) Primarily include the tuition fees received by Lingnan Institute of Technology and Lingnan Modern Technician College in connection with the adult education program and junior college-undergraduate programs.

(2) Mainly include fees received by our schools in connection with the training and test preparation services provided to their students.

(3) Total tuition fees as disclosed in the Accountants' Report set out in Appendix I to this prospectus refers to the sum of the total tuition fees from our key operating business and continuing education program tuition fees.

Tuition Fees, Boarding Fees and Other Education Service Fees

We typically charge our full-time students fees comprising tuition fees and boarding fees. For the years ended December 31, 2018, 2019 and 2020, our tuition fee revenue mainly consisted of the tuition fees from Lingnan Institute of Technology (including tuition fees from continuing education programs) and Lingnan Modern Technician College. For our Key Operating Business, from the 2017/2018 school year to 2020/2021 school year, we increased annual tuition fee rates for full-time students at Lingnan Institute of Technology from a range of RMB14,500 to RMB21,000 to a range of RMB16,500 to RMB24,300. In addition, from the 2017/2018 school year to 2020/2021 school year, we increased annual tuition fee rates for full-time students at our Lingnan Modern Technician College from a range of RMB11,000 to RMB13,000 to a range of RMB11,000 to RMB14,000. However, these tuition fee increases only applied to the full-time students that were newly admitted after the increase took effect, while other the full-time students already enrolled were not affected by the fee increases and continued to pay applicable tuition fee rates at pre-existing levels.

For the years ended December 31, 2018, 2019 and 2020, our boarding fee revenue consisted of the boarding fees from Lingnan Institute of Technology and Lingnan Modern Technician College. Boarding fees are charged separately from tuition fees. We increased boarding fee rates at Lingnan Institute of Technology from a range of RMB1,200 to RMB1,900 per full-time student per school year for the 2017/2018 school year to a range of RMB1,200 to RMB2,100 per full-time student per school year for the 2020/2021 school year. We also increased boarding fee rates at Lingnan Modern Technician College from a range of RMB1,300 to RMB1,900 per full-time student per school year for the 2017/2018 school year to a range of RMB1,600 to RMB2,300 per full-time student per school year for the 2020/2021 school year.

For our Key Operating Business, tuition fees and boarding fees are generally paid by the full-time students in advance prior to the beginning of each school year or semester, and we recognize tuition and boarding fee proportionately over the relevant period of the school program (typically from September of the current year to August of the following year, excluding winter and summer holiday). In the event a full-time student withdraws from school during the school year, we have refund policies in place for our schools. See "Business — Our Business Model — Student Withdrawals and Refund" in this prospectus for further details.

With respect to the Ancillary Education Services, tuition fees from our continuing education programs are generally paid by the part-time students in advance prior to the commencement of the relevant education program and are recognized proportionately over the relevant period of the applicable programs. We also charge students education service fees for trainings and test preparations for professional qualifications and certificates. Our other education service fees primarily consisted of the other education service fees from Lingnan Institute of Technology. These fees are generally paid in advance at the beginning of the relevant program, and are recognized proportionately over the periods of the relevant program.

Cost of Sales

Our cost of sales primarily consists of (i) staff costs; (ii) depreciation of property, plant and equipment; (iii) depreciation of right-of-use assets; (iv) amortization of other intangible assets; (v) cost of cooperative education; (vi) utilities; (vii) student study and practice fees; (viii) teaching expenditures; (ix) training expenses; (x) office expenses; (xi) afforestation fees; (xii) maintenance fees; (xiii) rental expenses; and (xiv) others. Staffs costs mainly represent the salaries, bonuses and benefits paid to our teaching staff. Utilities mainly relate to the expenses of electricity and water for our daily operations. Student study and practice fees represent the costs incurred for students to participate in various contests and extracurricular activities. Teaching expenditure primarily consist of the costs relating to the provision of teaching activities to our students. Training expenses primarily consist of the costs relating to other education services we provided to students. Depreciation of property, plant and equipment primarily consists of the depreciation cost of our properties and teaching equipment. Depreciation of right-of-use assets primarily consists of the depreciation cost of the land and properties we lease for our Guangzhou Campus. Amortization of other intangible assets primarily relates to the amortization cost of the software we purchase for teaching activities. Office expenses relate to the expenses incurred by our teaching staff for internet service and office supplies. Cost of cooperative education represents the expenses incurred mostly for the collaboration programs with other schools or enterprises. Afforestation fees primarily consist of the costs incurred for gardening and cleaning of our school campuses. Rental expenses primarily are the costs incurred for a short-term lease of the spaces for teaching activities. Maintenance fees primarily consist of construction, maintenance and repair costs for school buildings and student dormitories. Others primarily consist of association fees and fire-fighting equipment expenses.

For the years ended December 31, 2018, 2019 and 2020, staff costs, which mainly represent the salaries and benefits paid to our teaching staff, were RMB112.5 million, RMB126.6 million and RMB124.6 million, respectively, representing 51.6%, 51.2% and 51.8% of our total cost of sales, respectively.

The following table sets forth the components of our cost of sales for the years indicated:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Staff costs	112,523	126,642	124,558
Depreciation and amortization	52,096	56,044	57,524
Utilities	14,842	9,683	6,806
Student study and practice fees	4,918	7,121	5,319
Teaching expenditure	9,234	14,045	11,805
Training expenses	3,595	2,941	2,887
Office expenses	6,763	9,274	6,945
Cost of cooperative education	4,953	7,772	9,413
Afforestation fees	6,302	6,169	7,177
Rental expenses	—	1,816	3,055
Maintenance fees	1,936	3,941	3,203
Others	916	1,785	1,641
Total	218,078	247,233	240,333

Sensitivity Analysis

The following table sets out a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees during the Track Record Period, and (ii) the effect of the fluctuations of salaries and benefits paid to our school personnel during the Track Record Period, assuming no change of depreciation and amortization or any other costs. The sensitivity analysis involving tuition fees and salaries and benefits paid to our school personnel is hypothetical in nature and we assume that all other variables remain constant. The following sensitivity analysis is for illustrative purposes only, which indicates the potential impact on our profitability during the Track Record Period if the relevant variables increased or decreased to the extent illustrated. To illustrate the potential effect on our financial performance, the sensitivity analysis below shows the potential impact on our profit for the year from continuing operations with a 5% and 10% increase or decrease in tuition fees income and salaries and benefits paid to our school personnel. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees and salaries and benefits paid to our school personnel, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fees income and salaries and benefits paid to our school personnel present a meaningful analysis of the potential impact of changes in the tuition fees and salaries and benefits paid to our school personnel on our revenue and profitability.

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Sensitivity analysis of tuition fees	**Impact on our profit for the year from continuing operations**		
Tuition fee (decrease)/increase			
(10%)	(37,061)	(40,123)	(42,296)
(5%)	(18,530)	(20,062)	(21,148)
5%	18,530	20,062	21,148
10%	37,061	40,123	42,296
Sensitivity analysis of salaries and benefits	**Impact on our profit for the year from continuing operations**		
Salaries and benefits paid to our school personnel (decrease)/increase			
(10%)	15,015	17,204	16,369
(5%)	7,507	8,602	8,185
5%	(7,507)	(8,602)	(8,185)
10%	(15,015)	(17,204)	(16,369)

Other Income and Gains

Other income and gains consist primarily of (i) bank interest income; (ii) fair value gain, from: financial assets at fair value through profit or loss; (iii) rental income; (iv) training income; (v) government grants; (vi) brand licensing income; (vii) gain on disposal of subsidiaries and associates; and (viii) others. Bank interest income consists of interest earned on our bank deposits. Fair value gain, from: financial assets at fair value through profit or loss primarily consists of the returns from our investments in certain wealth management products we purchased. Rental income primarily consists of the rent we collect for the properties leased to Happy Valley and Tongwen Investment and for the canteens and stores on the campuses of our schools that we leased to Independent Third Party operators and related parties. Brand licensing income mainly represents the income received from the use of our trademarks by Lingnan International Kindergarten and Lingnan International School. Training income mainly represents the income from our provision of trainings to employees of third-party enterprises, which was amortized within the training periods of the service rendered. Government grants primarily consist of the grants from the relevant education and finance authorities in Guangdong Province, including discretionary subsidies to promote, among other objectives, higher education and private education as well as to support the recruitment fairs and other school activities. In selecting which education institutions to issue such grants, the relevant government authorities typically assess a number of criteria, including student enrollment, the number of teachers employed and majors offered, as well as the graduate employment rate, among many others. There is no assurance that we will continue to receive government grants as the amount and timing of the government grants are determined solely at the discretion of the relevant government authorities. We recognize government grants at their fair value where there is reasonable assurance that the grant will be received and all attached conditions are complied with. When the grant relates to an expense item, such as the subsidy for the incurred operating expenses arising from teaching activities, we recognize such grants as other income directly in profit or loss when received. Where the grant relates to an asset, such as the subsidy for construction of practical training facilities, we credit the fair value to a deferred income account and release the fair value to profit or loss over the expected useful life of the relevant asset by equal annual installments. Gain on disposal of subsidiaries primarily consists of the gains we recognized from disposing the subsidiaries in 2018 and 2020. Gain on disposal of associates mainly represent the gains we recognized from disposing certain of our associated companies in 2018, which mainly engaged in the businesses outside our Group.

The table below summarizes the amount of other income and gains for the years indicated:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Bank interest income	1,214	2,136	1,599
Fair value gains, net:			
Financial assets at fair value through profit or loss	2,147	2,676	2,608
Rental income	48,551	54,875	56,008
Brand licensing income	635	2,859	3,448
Training income	9,193	12,049	11,945
Government grants			
- Related to assets	4,010	3,246	4,037
- Related to income	3,316	3,975	3,508
Gain on disposal of subsidiaries	428	—	2,463
Gain on disposal of associates	6,219	—	—
Others	60	109	332
Total	75,773	81,925	85,948

Selling and Distribution Expenses

Selling and distribution expenses refer to costs incurred for the purpose of marketing and student recruitment, including staff costs, advertising expenses, admission expenses, office expenses and others. Staff cost primarily represent the salaries and benefits paid to our marketing and recruitment staff. Advertising expenses primarily consist of the costs incurred in connection with promoting our schools through social and print media and student recruitment manual. Admission expenses primarily consist of the expenses incurred in connection with student recruitment and admission. Office expenses primarily consist of the expenses incurred by our marketing and recruitment staff for office supplies. Others primarily include the expenses associated with our motor vehicles, printing and business recreation. The following table sets forth the components of our selling and distribution expenses for the years indicated:

	Year ended December 31,		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Staff costs	3,028	3,380	3,423
Advertising expenses	3,553	3,767	3,754
Admission expenses	3,563	8,506	9,333
Office expenses	380	587	458
Others	619	727	597
Total	11,143	16,967	17,565

Administrative Expenses

Administrative expenses primarily consist of (i) staff costs and welfare; (ii) depreciation and amortization; (iii) office expenses; (iv) consulting expenses; (v) training expenses; (vi) entertainment expenses; (vii) vehicle maintenance costs; (viii) rental expenses; (ix) travelling expenses; (x) tax and surcharge; (xi) communication expenses; (xii) bank charges; (xiii) listing expenses; (xiv) office expenses; and (xv) others. For the years ended December 31, 2018, 2019 and 2020, staff costs and welfare were RMB34.6 million, RMB42.0 million and RMB35.7 million, respectively, representing 52.9%, 65.2% and 52.9% of our total administrative expenses, respectively.

Staff costs and welfare primarily consist of the salaries, bonuses and benefits paid to our administrative personnel. Office expenses primarily consist of the fees incurred by our administrative staff for office supplies. Consulting expenses primarily consist of fees we paid to third parties for business management and operations consulting services for the daily operations of our schools and in connection with the Listing. Training expenses relate to expenses incurred for providing training courses to administrative staff for the purpose of providing better services. Entertainment expenses primarily relate to expenses we incurred during social events for business purposes. Depreciation and amortization relates to the depreciation and amortization of property, plant and equipment, right-of-use assets and other intangible assets, which are used for providing administrative services. Vehicle maintenance costs primarily consist of maintenance and repair costs for our vehicles. Rental costs primarily consist of the rent we paid for certain equipment.

Travelling expenses relate to expenses incurred by our administrative staff for daily transportations and business travelling. Tax and surcharge primarily consist of stamp duty and property tax. Listing expenses primarily are expenses incurred in connection with the Listing. We incurred Listing expenses in 2018 primarily because we commenced the preparation for Listing in or around June 2018, and subsequently suspended the preparation by the end of 2018 primarily due to market conditions and the uncertainties brought about by the release of the MOJ Draft for Review on August 10, 2018, until early 2020 when we resumed the Listing preparation.

The following table sets forth the components of our administrative expenses for the years indicated:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Staff costs and welfare	34,597	42,018	35,709
Depreciation and amortization	6,919	7,760	8,257
Office expenses	3,525	3,351	2,909
Consulting expenses	2,019	2,255	2,088
Training expenses	4,542	1,653	264
Entertainment expenses	3,463	2,044	1,732
Vehicle maintenance costs	1,197	466	233
Travelling expenses	783	1,732	297
Tax and surcharge	511	619	534
Communication expenses	305	294	312
Bank charges	264	339	141
Listing expenses	6,681	—	14,299
Others	606	1,886	791
Total	65,412	64,417	67,566

We incurred consulting fees of RMB2.0 million, RMB2.3 million, and RMB2.1 million for the years ended December 31, 2018, 2019 and 2020, among which, RMB0.5 million, RMB0.2 million and RMB0 for the same years, respectively, were incurred as consulting services provided in connection with the Listing, including accounting, assurance, tax, internal control and other transaction services. The remaining consulting fees generally relate to the consulting services provided by third-party accountants, auditors, legal advisors and other service providers we engaged in relation to our daily operation and compliance. Such consultation services mainly include annual legal advisory and special accounting and legal advisory services relating to our compliance, consultation on setting up the salary and benefits system of our Lingnan Modern Technician College, consultation on the sales of our e-commerce courses at TAR UC in Malaysia, consultation on potential investment projects and consultation on the establishment of corporate culture and health management of our faculty and staff. We commenced the preparation for Listing in or around June 2018, and subsequently suspended the preparation by the end of 2018 until early 2020 when we resumed the Listing preparation. The Directors confirmed that the service fees paid by our Group to third-party consulting services providers relating to our daily operation and compliance during the Track Record Period were comparable to the prevailing market rates. To the best of the knowledge of our Directors after all reasonable enquiry, the third party consulting service providers were Independent Third Parties at the time of their respective engagements, other than one consulting firm which entered into a consultancy agreement with our Group in 2020 in respect of a one-off education consulting project carried out from around the end of 2018 to April 2019 for a total fee of RMB640,000 which was determined upon completion of such consulting project in April 2019 with reference to the deliverables, workload and personnel involved in the project and the service fees charged for similar consulting projects the Group engaged in at the relevant time. Such education consulting project covers various aspects of education consulting services provided to the Group during the service period which mainly include (i) advising on the appraisal of model schools, the establishment of schools with creativity, the establishment of majors and curriculums structure, the plan for establishing schools featuring entrepreneurship and creativity, the plan to upgrade to vocational university; (ii) assisting with the schools' education and teaching achievement presentation and declaration; and (iii) carrying out cooperation between schools and enterprises on talent sharing, and establishing talent base and resources. Relevant personnel involved in this education consulting project included experts and professors with expertise and years of experience in relevant education area who were led by Mr. Lao Hansheng as a team with the contemplation to establish an education consulting firm as an on-going business entity. It was mutually agreed between our Group and the relevant personnel that such education consulting services were provided by the relevant personnel on behalf of a new consulting firm that has yet to be set up at the time, rather than by them as individual proprietors. The relevant personnel were of the view that doing business through a body corporate rather than as individual proprietors would be more beneficial in the long term in terms of tax saving, limited liability and future financing. This consulting firm was not intended by the relevant personnel to be established solely for the purpose of providing relevant education consulting services to our Group but as an ongoing business entity focusing on the provision of education consulting services to entitles such as schools and companies. Due to the delay on agreement among the relevant personnel on specific matters in relation to the incorporation of the consulting firm including their respective shareholding interest in the firm and contents of its articles of association, the incorporation of the consulting firm was not completed until April 2020. Therefore the service contract for this consulting project was not executed until May 2020, and payment of the consulting fees were paid in two equal instalments in May and November 2020 in accordance with the terms of such service contract. This consulting firm is owned as to 31% by Mr. Lao Hansheng, our Director, as to 23% by Mr. Zhang Aiguo (張愛國), as to 23% by Mr. Tu Xianjun (涂先軍) and as to 23% by Mr. Zhang Zhe (張喆), all Independent Third Parties. We had no other transactions or on-going business relationship with Mr. Lao and his associates and do not intend to have any further transaction with him and his associates following the Listing.

During the Track Record Period, we paid RMB30,000 and RMB170,000 to Guangzhou Jinming Technology Co., Ltd.* (廣州市今明科技有限公司) ("Jinming Technology") in 2019 and 2020, respectively. Jinming Technology is a company controlled by Mr. Zhong Yanfeng (鍾燕鋒) ("Mr. Zhong"), a director of Lingnan Institute of Technology and Lingnan Modern Technician College. Such amounts were reimbursements for out-of-pocket expenses and disbursements paid by Mr. Zhong for the Group in the course of the Group's operations (including office expenses, entertainment expenses, travelling expenses and staff training catering expenses) during the relevant periods. Mr. Zhong applied for reimbursement of such expenses and, as required by our internal procedures, submitted invoices for the amount being applied for. According to Mr. Zhong, it was more convenient for him to procure Jinming Technology to issue one invoice for the aggregate amount of disbursements and submit such invoice to us for this purpose, rather than submitting many individual invoices for each of the transactions that give rise to the disbursements, which he was no longer able to locate at the time when he applied for the reimbursement. Therefore Mr. Zhong submitted a total of three invoices issued by Jinming Technology for the total disbursements in 2019 and 2020 for the purpose of applying for reimbursements of out-of-pocket expenses and disbursements. As the invoices were issued by Jinming Technology, we paid the reimbursements to Jinming Technology instead of Mr. Zhong. We had not engaged Jinming Technology for any consultancy services or conducted any other transactions with it during the Track Record Period, and no other similar incident in relation to payment of reimbursement to an individual through a company owned or controlled by him/her took place during the Track Record Period.

Other Expenses

Other expenses consist primarily of (i) cost for rental income; (ii) cost for training income; (iii) overdue fines; (iv) donation expenses; (v) loss on disposal of property, plant and equipment; (vi) administrative penalties; and (vii) others. Cost for rental income relates to the depreciation cost of the properties on our school campuses that we leased to Independent Third Party operators and related parties. Cost for training income relates to the cost we incurred for providing short-term trainings, including staff salaries and teaching activity expenses. Overdue fines relate to the surcharges for overdue tax payments. Donation expenses relate to the charitable contributions we made to the Women and Children's Foundation of Guangdong Province. Loss on disposal of property, plant and equipment primarily relates to the expenses incurred in connection with our disposal of certain teaching equipment and facilities. Administrative penalties relate to the penalties imposed by Qingyuan City Housing and Urban-rural Development Bureau (清遠市住房和城鄉建設局) because we commenced the construction of certain buildings in the Qingyuan Campus before first obtaining the relevant construction permits or completing the requisite engineering quality supervision procedures. For further details, please refer to the section headed "Business — Legal Proceedings and Non-compliance — Historical Immaterial and Non-Systemic Non-compliance" in this prospectus. The following table sets forth the components of our other expenses for the years indicated:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cost for rental income	10,147	10,550	10,708
Cost for training income	7,847	7,937	7,991
Overdue fines	—	315	1
Donation expenses	1,500	1,550	122
Loss on disposal items of property, plant and equipment, net	30	84	273
Administrative penalties	2,542	—	—
Others	28	4	24
Total	22,094	20,440	19,119

Finance Costs

Finance costs primarily consist of the interest expenses for our bank and other borrowings and lease liabilities. The following table sets forth a breakdown of the components of our finance costs for the years indicated:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest on bank and other borrowings	26,478	29,646	30,433
Interest on lease liabilities	14,629	13,254	11,922
Total interest expense on financial liabilities not at fair value through profit or loss	41,107	42,900	42,355
Less interests capitalized	(21,098)	(26,299)	(27,130)
Total	20,009	16,601	15,225

Income Tax Expense

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and accordingly is not subject to income tax. Lingnan Education Investment Limited, our Company's directly held subsidiary, was incorporated in BVI as an exempted company with limited liability under the BVI Companies Act and accordingly is not subject to income tax. South China Vocational Education Group (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, has been subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong since the date of its incorporation.

According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, whether requiring reasonable returns or not, may enjoy preferential tax treatment. Private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns.

Lingnan Education, the School Sponsor of Lingnan Institute of Technology, does not require reasonable returns and therefore, in accordance with the historical tax returns filed with and tax compliance confirmations obtained from the relevant tax authorities, Lingnan Institute of Technology has applied EIT at a rate of 25% on the taxable income during the Track Record Period (including academic education income as taxable income in 2018) and treated the academic education income as non-taxable income in the years ended December 31, 2019 and 2020. According to the Provisions on the Transitional Policy For the Pilot Program of Changing Business Tax to Value-added Tax (《營業稅改徵增值稅試點過渡政策的規定》) issued by the MOF on December 12, 2013, academic education income represents income earned from providing formal education to students, including tuition fees, boarding fees, textbook fees, examination registration fees and fees from providing meal catering services. On the other hand, it is not explicitly stated that whether the School Sponsor of Lingnan Modern Technician College requires reasonable returns. In accordance with the historical tax returns filed with and tax credit reference certificate obtained from the relevant tax authorities, Lingnan Modern Technician College has applied EIT at a rate of 25% on the taxable income during the Track Record Period and treated the academic education income as non-taxable income in the years ended December 31, 2019 and 2020.

Since there was uncertainty brought by the 2016 Decision and other related implementation rules, we proactively conducted self-tax assessment of our PRC Operating Entities and had aggregate EIT of approximately RMB12.4 million for the year ended December 31, 2018 based on our interpretations of the existing tax laws and regulations at that time. Lingnan Institute of Technology and Lingnan Modern Technician College had applied EIT at a rate of 25% on the taxable income during the Track Record Period (including academic education income as taxable income in year ended December 31, 2018) but treated the academic education income as non-taxable income in the years ended December 31, 2019 and 2020 based on our interpretation of the Amendment to the Law for Promoting Private Education of the PRC and the MOJ Draft for Review, which stipulated that non-profit private schools shall be entitled to the same treatment as public schools in terms of tax benefits, preferential tax treatments and preferential treatments in terms of land use (for example, preferential treatment on charges for the assignment or rental of land). Specifically, we interpreted that the above-mentioned laws and regulations to mean hat the academic education income from Lingnan Institute of Technology and Lingnan Modern Technician College, being non-profit private schools at the relevant time, shall be non-taxable.

With a view to confirming the tax treatment applicable to Lingnan Institute of Technology and Lingnan Modern Technician College, on November 10, 2020, we consulted the Guangzhou Taxation Bureau of the SAT, being the competent authority as advised by our PRC Legal Advisors to confirm matters relating to taxation issues relevant to the two schools. Such consultation confirmed our interpretation that as long as neither Lingnan Institute of Technology and Lingnan Modern Technician College has elected to register as for-profit private schools, we were in compliance with the applicable laws and regulations to treat academic education income generated by Lingnan Institute of Technology and Lingnan Modern Technician College as non-taxable income for the years ended December 31, 2019 and 2020. Academic education income is the income generated from the provision of formal education services provided by our Group, including junior college education, secondary vocational education, post-secondary vocational education, continuing education programs (which include two-year junior college-undergraduate program (自考專升本項目), 3+2 junior college-undergraduate program (自考專插本項目) and adult education program (成人教育項目)). Our PRC Tax Consultant, Guangzhou Da Gong Certified Public Accountants Co., Ltd., has advised us that, based on, among other things, (i) the applicable laws and regulations promulgated by the relevant authorities in the PRC; (ii) the publicly available tax information and current operating practices as disclosed by our public company peers; and (iii) the fact that neither Lingnan Institute of Technology nor Lingnan Modern Technician College has elected to register as a for-profit private school, it concurs with our treatment that the academic education income was non-taxable for the years ended December 31, 2019 and 2020 and the possibility of our schools being ordered by the local relevant tax authority to pay any back taxes during the Track Record Period is relatively low.

Our income tax expense for the years ended December 31, 2019 and 2020 primarily consisted of income tax from (i) the provision of other education services, which mainly consist of test preparation and training services we provide to the students of our schools for occupational skills appraisal and professional qualifications and certificates; (ii) rental income; (iii) training income; and (iv) interest income.

For illustrative purposes only, assuming that (i) our Lingnan Institute of Technology and Lingnan Modern Technician College had registered as for-profit private schools; and (ii) the Contractual Arrangements were effective during the entire Track Record Period under which all of the respective amount of surplus from operations (after deducting all costs, reasonable expenses and taxes in accordance with applicable PRC laws) of our PRC Affiliated Entities was paid to Lingnan WFOE in accordance with the Contractual Arrangements, and Lingnan WFOE is subject to EIT of 25% of the profit before tax and VAT of 6% in respect of the service fees it received from our PRC Affiliated Entities, our Directors estimate that our tax exposure, which comprises EIT and VAT, would have increased by approximately RMB34.4 million, RMB41.9 million and RMB45.5 million for the years ended December 31, 2018, 2019 and 2020, respectively, in the worst case scenario. In addition, assuming that we distributed 30% of our profits available for distribution generated in each financial year during the Track Record Period pursuant to our dividend policy, all of which would have been financed by the distribution of Lingnan WFOE, we would be subject to a withholding tax at a rate of 10% on the distribution of Lingnan WFOE. Our Directors estimate that our tax exposure would have further increased by approximately RMB3.4 million, RMB3.8 million and RMB4.2 million for the years ended December 31, 2018, 2019 and 2020, respectively. In aggregate, the maximum tax exposure under the aforementioned assumptions and tax impact of our Group would be approximately RMB37.8 million, RMB45.7 million and RMB49.7 million for the years ended December 31, 2018, 2019 and 2020, respectively, accounting for approximately 27.6%, 29.5% and 29.1%, respectively, of our net profit for the same years.

Our major components of income tax expense are as follows:

	Years ended December 31,		
	2018	**2019**	**2020**
Current – Mainland China			
Charge for the year	12,415	5,829	4,989
Total tax charge for the year from continuing operations	12,415	5,829	4,989
Total tax charge for the year from discontinued operations	2,868	—	—
Total	15,283	5,829	4,989

Please refer to note 10 to the Accountant's Report set out in Appendix I to this prospectus for a reconciliation of the tax expense applicable to profit before tax at the statutory rate for the countries (or jurisdictions) in which our Company and the majority of our subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the statutory tax rates to the effective tax rate.

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

As of December 31, 2018, 2019 and 2020, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of our subsidiaries established in the PRC. Our Directors plan to retain our Group's earnings in the PRC as of December 31, 2020 for the expansion of our operation, and it is therefore unlikely that these subsidiaries will distribute such earnings in the foreseeable future. However, for the avoidance of doubt, we will still be able to distribute annual dividends to our Shareholders from the profits available for distribution generated in each financial year after the Listing, including the period from the date of the Listing to December 31, 2021. In this situation, there will be no tax impact with respect to the declaration of dividends. Assuming that the declaration of dividends is financed by the distribution of Lingnan WFOE, whose revenue and profit are expected to mainly derive from the service fees charged to the PRC Affiliated Entities, we will be subject to a VAT at a tax rate of 6% on the service income, a current income tax at a rate of 25% on the taxable income of Lingnan WFOE and a withholding tax at a rate of 10% on the distribution of Lingnan WFOE, respectively. Please refer to the section headed "— Dividend Policy" in this prospectus for further details. As of December 31, 2018, 2019 and 2020, the aggregate amount of temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognized were approximately RMB434.9 million, RMB527.0 million and RMB650.6 million, respectively. As of the same dates, we had no material unused tax losses arising in the PRC for offsetting against future taxable profits.

Profit for the Year from Continuing Operations

For the years ended December 31, 2018, 2019 and 2020, our profit from continuing operations was RMB137.0 million, RMB154.8 million and RMB170.5 million, respectively.

Discontinued Operations

In 2018, we disposed Lingnan International Kindergarten, Lingnan International School, Lingzhong Investment, Guangzhou Haige Meina Film Production Co., Ltd., Guangzhou Lingnan Human Resources Services Co., Ltd. and Guangzhou Lingyi Education Technology Co., Ltd. (collectively, the "Discontinued Operations"). Except for Lingnan International Kindergarten and Lingnan International School, the other Discontinued Operations did not have any substantial business or were dormant before the disposal. Lingnan International Kindergarten and Lingnan International School primarily engage in, among other things, the provision of education services for kindergarten through sixth grade (the "K-12 Education Services"). Our Group has decided to exclude the K-12 Education Services business from the business of our Group to be listed because it plans to focus its resources on the provision of higher vocational education services. The disposal of the Discontinued Operations was completed on September 30, 2018, resulting in a net gain on disposal of the Discontinued Operations of RMB0.4 million and related income tax of RMB2.3 million, respectively.

The results of the Discontinued Operations for the year ended December 31, 2018 are presented below:

	Year ended December 31, 2018
	RMB'000
Revenue	21,787
Cost of sales	(13,752)
Other income and gains	1,276
Other expenses	(7,908)
Profit before tax from the discontinued operation	1,403
Income tax:	
Related to pre-tax profit	(585)
Related to gain on disposal	(2,283)
Loss from the discontinued operations	(1,465)

Profit and Total Comprehensive Income for the Year

For the years ended December 31, 2018, 2019 and 2020, our profit and total comprehensive income was RMB135.6 million, RMB154.8 million and RMB170.5 million, respectively. For potential tax impact on the profit and total comprehensive income for the year brought by the execution of the Contractual Arrangements and election of Lingnan Institute of Technology and Lingnan Modern Technician College as for-profit private schools, see "Business — The 2021 Implementation Rules — The Impact of the 2016 Decision and the 2021 Implementation Rules on Our Group" in this prospectus for details.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Year Ended December 31, 2020 Compared to Year Ended December 31, 2019

Revenue

Our revenue from continuing operations increased by 1.1% from RMB444.4 million for the year ended December 31, 2019 to RMB449.4 million for the year ended December 31, 2020. The increase was primarily due to an increase in tuition fees from RMB401.2 million for the year ended December 31, 2019 to RMB423.0 million for the year ended December 31, 2020, mainly due to the increase in total full-time student enrollment of our schools from 26,851 for the 2019/2020 school year to 27,033 for the 2020/20201 school year. This increase was partially offset by a decrease of RMB16.7 million in boarding fees mainly because we refunded approximately RMB18.1 million of the boarding fees collected for the spring semester of the 2019/2020 school year as required by the relevant education authority due to the COVID-19 outbreak, as a result of which, our school campuses were closed during the spring semester of the 2019/2020 school year.

Cost of Sales

Cost of sales decreased by 2.8% from RMB247.2 million for the year ended December 31, 2019 to RMB240.3 million for the year ended December 31, 2020. This decrease was primarily due to (i) a decrease of RMB2.3 million in office expenses and a decrease of RMB2.2 million in teaching expenditure primarily because our campuses were closed during the first half of 2020; and (ii) a decrease of RMB2.1 million in staff costs mainly due to the combined effect of an increase in average salary levels and bonuses to our teaching staff and a decrease of approximately RMB2.2 million in social insurance contributions as a result of the exemption stipulated by the relevant PRC tax authorities pursuant to which our Lingnan Institute of Technology and Lingnan Modern Technician College are entitled to 50% reduction in social insurance premium payments from February to June 2020 and Lingnan Education is entitled to exemption from social insurance premiums payments from February to December 2020 in light of the COVID-19 pandemic, partially offset by (i) an increase of RMB1.5 million in depreciation and amortization in relation to the newly constructed buildings in our Qingyuan Campus; (ii) an increase of RMB1.6 million in the cost of cooperative education, which is in line with the growth of our cooperative education; and (iii) an increase of RMB1.2 million in rental expenses mainly in relation to the short-term lease of certain space and equipment for teaching activities.

Gross Profit and Gross Profit Margin

Gross profit increased from RMB197.2 million for the year ended December 31, 2019 to RMB209.0 million for the year ended December 31, 2020. Our gross profit margin increased from 44.4% for the year ended December 31, 2019 to 46.5% for the year ended December 31, 2020, mainly as a result of a decrease in the cost of sales due to the COVID-19 pandemic, which temporarily shut down our school campuses in the spring semester of the 2019/2020 school year.

Other Income and Gains

Other income and gains increased by 4.9% from RMB81.9 million for the year ended December 31, 2019 to RMB85.9 million for the year ended December 31, 2020. This increase was primarily due to (i) an increase of RMB2.5 million in gain on disposal of subsidiaries as we disposed certain subsidiaries in 2020; and (ii) an increase of RMB1.1 million in rental income as rent was increased by 5% per annum as agreed by our Group and the relevant lessees.

Selling and Distribution Expenses

Selling and distribution expenses increased by 3.5% from RMB17.0 million for the year ended December 31, 2019 to RMB17.6 million for the year ended December 31, 2020. This increase was primarily due to an increase of RMB0.8 million in admission expenses resulting from continued amortization of the contract costs recognized in connection with the admission expenses in the 2017/2018, 2018/2019 and 2019/2020 school years, and the additional admission expenses incurred for the 2020/2021 school year.

Administrative Expenses

Administrative expenses increased by 4.9% from RMB64.4 million for the year ended December 31, 2019 to RMB67.6 million for the year ended December 31, 2020. This increase was primarily due to an increase of RMB14.3 million in listing expenses, partially offset by decrease of RMB6.3 million in staff costs and welfare mainly as a result of a reduction in the average salaries and bonuses given to our administrative staff due to the COVID-19 pandemic compared to the same period of last year and a decrease in the number of administrative employees in 2020.

Other Expenses

Other expenses decreased by 6.5% from RMB20.4 million for the year ended December 31, 2019 to RMB19.1 million for the year ended December 31, 2020. This decrease was primarily due to a decrease of RMB1.4 million in donation expenses.

Finance Costs

Finance Costs decreased from RMB16.6 million for the year ended December 31, 2019 to RMB15.2 million for the year ended December 31, 2020. This decrease was mainly due to our repayment of certain long-term bank loans and other borrowings.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB175.5 million before income tax for the year ended December 31, 2020, compared to a profit of RMB160.7 million before income tax for the year ended December 31, 2019. Our profit before tax as a percentage of revenue was 39.1% for the year ended December 31, 2020, while our profit before tax as a percentage of revenue was 36.2% for year ended December 31, 2019.

Income Tax Expense

Our income tax expense was RMB5.8 million and RMB5.0 million for the year ended December 31, 2019 and 2020, respectively. Our effective tax rate decreased from 3.6% for the year ended December 31, 2019 to 2.8% for the year ended December 31, 2020 mainly due to a decrease of taxable income.

Profit for the Year from Continuing Operations

As a result of the above factors, we recorded a profit from continuing operations of RMB170.5 million for the year ended December 31, 2020, as compared to a profit of RMB154.8 million for the year ended December 31, 2019.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Revenue

Our revenue from continuing operations increased by 7.9% from RMB411.8 million for the year ended December 31, 2018 to RMB444.4 million for the year ended December 31, 2019. This increase was primarily due to (i) an increase in total full-time student enrollment of our schools from 25,612 for the 2018/2019 school year to 26,851 for the 2019/2020 school year; (ii) an increase in tuition fees from RMB370.6 million for the year ended December 31, 2018 to RMB401.2 million for the year ended December 31, 2019, which was mainly due to Lingnan Institute of Technology raising the tuition fee rates of our Key Operating Business by RMB1,000 per full-time student per school year for certain majors for the 2019/2020 school year; and (iii) an increase in boarding fees from RMB37.1 million for the year ended December 31, 2018 to RMB38.8 million for the year ended December 31, 2019, which was mainly due to Lingnan Institute of Technology raising the boarding fee rates by RMB150 for certain types of dormitories for the 2019/2020 school year.

Cost of Sales

Cost of sales increased by 13.4% from RMB218.1 million for the year ended December 31, 2018 to RMB247.2 million for the year ended December 31, 2019. This increase was primarily due to (i) an increase of RMB14.1 million in the staff costs mainly as a result of an increase in the average salary levels to attract and retain teaching talents and an increase in the payment standards of social insurance and housing provident contributions; (ii) an increase of RMB5.1 million in depreciation of property, plant and equipment primarily in relation to some newly constructed buildings in the Qingyuan Campus; (iii) an increase of RMB4.8 million in teaching expenditure as a result of an increase in our student enrollment; (iv) an increase of RMB2.8 million in cost of cooperative education primarily in relation to the increase in the number of students enrolled in the school-enterprise collaboration programs of our Lingnan Institute of Technology; (v) an increase of RMB2.5 million in office expenses; and (vi) an increase of RMB2.2 million in student study and practice fees as a result of an increase in our student enrollment.

Gross Profit and Gross Profit Margin

Gross profit increased by 1.8% from RMB193.7 million for the year ended December 31, 2018 to RMB197.2 million for the year ended December 31, 2019, primarily due to an increase in our revenue, which was partially offset by (i) an increase in staff cost as we increased the average salary levels of our teaching staff in 2019 to attract and retain teaching talents; (ii) an increase in depreciation of property, plant and equipment mainly in relation to some newly constructed buildings in the Qingyuan Campus in 2019; (iii) an increase in teaching expenditure; and (iv) an increase in cost of cooperative education primarily in relation to the school-enterprise collaboration programs of our Lingnan Institute of Technology. Our gross profit margin decreased from 47.0% for the year ended December 31, 2018 to 44.4% for the year ended December 31, 2019 mainly as a result of the increase in cost of sales in 2019.

Other Income and Gains

Other income and gains increased by 8.1% from RMB75.8 million for the year ended December 31, 2018 to RMB81.9 million for the year ended December 31, 2019. This increase was primarily due to (i) an increase of RMB6.3 million in rental income, which was in line with the increase in the gross site area and rental fee rates of the properties we leased to Independent Third Party operators and related parties in 2019; and (ii) an increase of RMB2.9 million in training income primarily due to an increase in the income from the provision of training services to the employees of third-party enterprises, partially offset by a decrease of RMB6.6 million in gains on disposal of subsidiaries and associates as we disposed certain subsidiaries and associates in 2018.

Selling and Distribution Expenses

Selling and distribution expenses increased by 52.3% from RMB11.1 million for the year ended December 31, 2018 to RMB17.0 million for the year ended December 31, 2019. This increase was primarily due to an increase of RMB4.9 million in admission expenses mainly because we used more resources on student recruitment for our Lingnan Modern Technician College in 2019 due to its upgrade from a senior technical school to a technician college in January 2019.

Administrative Expenses

Administrative expenses decreased by 1.5% from RMB65.4 million for the year ended December 31, 2018 to RMB64.4 million for the year ended December 31, 2019. This decrease was primarily due to (i) a decrease of RMB6.7 million in listing expenses as we suspended the Listing-related work in 2019 and thus, did not incur any listing expenses for the year; and (ii) a decrease of RMB2.9 million in training expenses mainly because we had provided certain ad hoc comprehensive training sessions to our administrative staff in 2018, partially offset by an increase of RMB7.4 million in staff costs and welfare primarily because we increased the average salary levels for our administrative staff in 2019.

Other Expenses

Other expenses decreased by 7.5% from RMB22.1 million for the year ended December 31, 2018 to RMB20.4 million for the year ended December 31, 2019. This decrease was primarily due to a decrease of RMB2.5 million in administrative penalties mainly because we incurred the penalties imposed by Qingyuan City Housing and Urban-rural Development Bureau in connection with commencing the construction of certain buildings in the Qingyuan Campus before first obtaining the relevant construction permits or completing the requisite engineering quality supervision procedures in 2018.

Finance Costs

Finance Costs decreased by 17.0% from RMB20.0 million for the year ended December 31, 2018 to RMB16.6 million for the year ended December 31, 2019. This decrease was primarily due to an increase of RMB5.2 million in interest capitalized, partially offset by an increase of RMB3.2 million in interests on bank and other borrowings because we borrowed additional loans to support our operations in 2019.

Profit before Tax

As a result of the foregoing, we recognized a profit of RMB160.7 million before income tax for the year ended December 31, 2019, compared to a profit of RMB149.4 million before income tax for the year ended December 31, 2018. Our profit before tax as a percentage of revenue was 36.2% for the year ended December 31, 2019, while our profit before tax as a percentage of revenue was 36.3% for the year ended December 31, 2018.

Income Tax Expense

Our income tax expense was RMB12.4 million and RMB5.8 million for the year ended December 31, 2018 and 2019, respectively. Our effective tax rate decreased from 8.3% in 2018 to 3.6% in 2019 mainly because we had applied EIT at a rate of 25% on all taxable income of our schools in 2017 and 2018, but treated their academic education income as non-taxable income in 2019 in accordance with the tax compliance confirmations obtained from the relevant tax authorities in Guangzhou.

Profit for the Year from Continuing Operations

As a result of the above factors, we recorded a profit from continuing operations of RMB154.8 million for the year ended December 31, 2019, as compared to a profit of RMB137.0 million for the year ended December 31, 2018.

Profit for the Year from Discontinued Operations

Our loss from Discontinued Operations decreased from RMB1.5 million for the year ended December 31, 2018 to RMB0 for the year ended December 31, 2019 mainly because we completed the disposal of the Discontinued Operations by September 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

During the Track Record Period and up to the Latest Practicable Date, we had funded our cash requirements principally from cash generated from our operations and external borrowings, including bank and other borrowings. We had cash and cash equivalents of RMB131.0 million, RMB186.8 million and RMB288.4 million as of December 31, 2018, 2019 and 2020, respectively. We generally deposit our excess cash with trustworthy banks with no recent history of default and invest from time to time in wealth management products we purchased from banks.

During the Track Record Period, our principal uses of cash had been for the funding of required working capital and other recurring expenses to support the expansion of our operations. Going forward, we believe our liquidity requirements will be satisfied by using funds from a combination of internally generated cash, external borrowings, proceeds from the Global Offering and other funds raised from the capital markets from time to time. Any significant decrease in student enrollment, or the level of our tuition fees and boarding fees, or a significant decrease in the availability of bank loans and other financing may adversely impact our liquidity.

Cash Flow

The following table sets forth a summary of our cash flows for the years indicated:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Net cash flows from operating activities	236,658	228,020	295,286
Net cash flows used in investing activities	(214,119)	(192,261)	(51,306)
Net cash flows from/(used in) financing activities	(72,235)	20,029	(142,370)
Net increase/(decrease) in cash and cash equivalents	(49,696)	55,788	101,610
Cash and cash equivalents at beginning of year	180,744	131,048	186,836
Cash and cash equivalents at the end of year	131,048	186,836	288,446

Cash Flows from Operating Activities

We generate cash from operating activities primarily from tuition fees and boarding fees, all of which are either paid before or during the relevant service period. Tuition fees and boarding fees are initially recorded under contract liabilities. We recognize tuition fees and boarding fees over a nine-month period over the course of the relevant periods in a school year, which is generally from September to August.

For the year ended December 31, 2020, our net cash from operating activities was RMB295.3 million, primarily attributable to profit before tax from continuing operations of RMB175.5 million, positively adjusted for (i) depreciation of RMB39.0 million in relation to property, plant and equipment; (ii) depreciation of RMB30.8 million in relation to right-of-use assets; (iii) a decrease of RMB26.0 million in amounts due from related parties mainly reflecting the decreases due from Tongwen Investment, Guangzhou Huangpu Lingnan Shuyuan Training Center and Health Valley; (iv) a decrease of RMB17.1 million in prepayments, other receivables and other assets mainly attributable to (A) a decrease of in other receivables mainly because we had collected from our students and teaching staff a portion of the deposits of miscellaneous expenses we made on their behalf to the labor union and subsequently settled the deposit account with the labor union; and (B) a decrease in receivable for disposal of associates and disposal of subsidiaries; and (v) finance costs of RMB15.2 million, partially offset by (i) government grants of RMB7.5 million; and (ii) a decrease of RMB6.5 million in contract liabilities mainly due to the tuition fees we recognized as revenue for the 2019/2020 school year in the year ended December 31, 2020.

For the year ended December 31, 2019, our net cash from operating activities was RMB228.0 million, which was primarily attributable to profit before tax from continuing operations of RMB160.7 million, positively adjusted for (i) depreciation of RMB34.9 million in relation to property, plant and equipment; (ii) depreciation of RMB32.5 million in relation to right-of-use assets; (iii) finance costs of RMB16.6 million; (iv) an increase of RMB14.6 million in other payables and accruals; and (v) a decrease of RMB8.7 million in prepayments, other receivables and other assets as we had collected from our students and teaching staff a portion of the deposits we made to the labor union on their behalf for their miscellaneous expenses, partially offset by (i) an increase of RMB19.1 million in amounts due from related parties mainly reflecting increases of the amounts due from Tongwen Investment and Health Valley in 2019; (ii) government grants released of RMB7.2 million; and (iii) an increase of RMB6.4 million in contract costs mainly due to an increase in admission expenses in 2019.

For the year ended December 31, 2018, our net cash from operating activities was RMB236.7 million, primarily attributable to profit before tax from continuing operations of RMB149.4 million and loss from Discontinued Operations of RMB1.5 million, positively adjusted for (i) depreciation of RMB33.4 million in relation to right-of-use assets; (ii) depreciation of RMB32.0 million in relation to property, plant and equipment; (iii) an increase of RMB24.7 million in contract liabilities mainly due to an increase in tuition fees and boarding fees as our total full-time student enrollment increased from 24,460 for the 2017/2018 school year to 25,612 for the 2018/2019 school year; (iv) finance costs of RMB20.0 million; (v) an increase of RMB15.2 million in other payables and accruals; and (vi) an adjustment of RMB6.6 million in gains on disposal of subsidiaries and associates in connection with the Discontinued Operations in 2018, partially offset by (i) an increase of RMB13.5 million in amounts due from related parties mainly reflecting increases in the amounts due from Tongwen Investment and Health Valley in 2018; and (ii) government grants released of RMB7.4 million.

Cash Flows used in Investing Activities

For the year ended December 31, 2020, our net cash used in investing activities was RMB51.3 million, which was primarily attributable to (i) RMB570.0 million in purchase of financial assets at fair value through profit or loss as we purchased certain short-term wealth management products; and (ii) RMB88.8 million in purchase of items of property, plant and equipment because we made improvement to the school facilities and teaching equipment in our school campuses, partially offset by RMB597.7 million in proceeds from disposal of financial assets at fair value through profit or loss as we redeemed certain short-term wealth management products upon their maturity.

For the year ended December 31, 2019, our net cash used in investing activities was RMB192.3 million, which was primarily attributable to (i) RMB502.0 million in purchase of financial assets at fair value through profit or loss as we made investments in certain short-term wealth management products; and (ii) RMB217.7 million in purchase of items of property, plant and equipment as a result of the improvement of the school facilities and teaching equipment in our school campuses, partially offset by RMB519.6 million in proceeds from the disposal of financial assets at fair value through profit or loss mainly because we redeemed certain short-term wealth management products upon their maturity.

For the year ended December 31, 2018, our net cash used in investing activities was RMB214.1 million, primarily attributable to (i) RMB495.2 million in purchase of financial assets at fair value through profit or loss as we made investments in certain short-term wealth management products; (ii) RMB151.1 million in purchase of items of property, plant and equipment as a result of the improvement of the school facilities and teaching equipment in our school campuses; and (iii) RMB16.1 million in disposal of subsidiaries in connection with the Discontinued Operations in 2018, partially offset by RMB445.4 million in the proceeds from the disposal of financial assets at fair value through profit or loss as we redeemed certain short-term wealth management products upon their maturity.

Cash Flows used in/from Financing Activities

For the year ended December 31, 2020, our net cash used in financing activities was RMB142.4 million, which was primarily attributable to (i) RMB107.5 million in repayments of bank and other borrowings; (ii) RMB39.6 million in interest paid; and (iii) RMB20.6 million in principal portion of lease payments, partially offset by RMB25.3 million in new bank and other borrowings.

For the year ended December 31, 2019, our net cash from financing activities was RMB20.0 million, which was attributable to RMB165.6 million in new bank and other borrowings, partially offset by (i) RMB66.2 million in repayment of bank and other borrowings; (ii) RMB40.5 million in interest paid; (iii) RMB21.4 million in dividends paid; and (iv) RMB17.6 million in principal portion of lease payments.

For the year ended December 31, 2018, our net cash used in financing activities was RMB72.2 million, primarily attributable to (i) RMB98.5 million in repayments of bank and other borrowings; (ii) RMB39.4 million in interest paid; and (iii) RMB17.1 million in principal portion of lease payments, partially offset by RMB82.6 million in new bank and other borrowings we obtained.

Working Capital Sufficiency

We intend to continue to finance our working capital with cash generated from our operations, external borrowings and the net proceeds from the Global Offering. We will closely monitor the level of our working capital, particularly in view of our strategy to continue expanding our school network and further increase the capacity of our existing schools.

Our future working capital requirements will depend on a number of factors, including, but not limited to, our operating income, the size of our school network, acquisition of suitable schools, the cost of constructing new school premises, maintaining and upgrading existing school premises, purchasing additional educational facilities and equipment for our schools and hiring additional teachers and other educational staff. Based on our available cash balance, the anticipated cash flows from operations, available facilities and the net proceeds from the Global Offering, our Directors are of the opinion that we will have sufficient financial resources to meet our working capital requirements and financial requirements for capital expenditure for at least the next twelve months from the date of this document. Based on the review of financial documents and other due diligence documents, discussion with the Directors and the Directors' confirmation, the Sole Sponsor concurs with the Directors' view.

DESCRIPTION OF CERTAIN KEY ITEMS FROM OUR CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Current Assets and Current Liabilities

The following table sets forth details of our current assets and current liabilities as of the dates indicated:

	As of December 31,			As of April 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
CURRENT ASSETS				
Prepayments, other receivables and other assets	55,166	46,447	14,670	37,858
Accounts receivable	3,460	6,060	7,168	13,321
Amounts due from related parties	27,316	46,447	20,464	35,418
Amounts due from Directors	10,122	10,122	—	—
Financial assets at fair value through profit or loss	60,181	45,260	20,190	—
Contract costs	2,619	5,523	5,702	5,286
Cash and cash equivalents	131,048	186,836	288,446	191,965
Total current assets	289,912	346,695	356,640	283,848
CURRENT LIABILITIES				
Contract liabilities	171,509	174,366	167,856	126,329
Other payables and accruals	169,260	163,048	165,056	171,737
Interest-bearing bank and other borrowings	62,309	89,209	97,209	92,915
Lease liabilities	29,590	27,714	22,877	30,172
Tax payable	21,263	14,291	17,096	17,095
Amounts due to related parties	—	942	713	147
Amounts due to a Director	—	—	62,281	62,281
Deferred income	3,134	3,661	4,846	3,072
Total current liabilities	457,065	473,231	537,934	503,748
NET CURRENT LIABILITIES	(167,153)	(126,536)	(181,294)	(219,900)

As of December 31, 2018, 2019 and 2020 and April 30, 2021, we had net current liabilities of RMB167.2 million, RMB126.5 million, RMB181.3 million and RMB219.9 million, respectively. We had net current liabilities as of each of these dates primarily because (i) we used a large amount of cash to finance the expansion of our school facilities at Qingyuan Campus. The capital expenditures and prepayments, which are recorded as non-current assets were partially financed by non-current liabilities, such as long-term interest bearing bank and other borrowings, and by current liabilities, such as contract liabilities, short-term interest-bearing bank and other borrowings; and (ii) we had large amounts of current liabilities, such as other payables and accruals as we incurred large amounts of payables for purchases of property, plant and equipment as a result of the continued improvement of our school facilities and teaching equipment. We expect to improve our net current liabilities position with (i) the net proceeds from the Global Offering; (ii) funds generated from our business operations; and (iii) debt restructuring to reduce the percentage of short-term loans in our total borrowings.

Prepayments, Other Receivables and Other Assets

Our prepayments, other receivables and other assets primarily consist of (i) loans to third parties; (ii) prepaid expenses; (iii) advances to employees; (iv) deposits; (v) listing expenses; (vi) rental receivables; (vii) receivable for disposal of subsidiaries; (viii) receivable for disposal of associates; and (ix) others. Loans to third parties primarily represent loans we made to certain Independent Third Parties which were interest-free and unsecured. We intend to settle such loans prior to Listing. Prepaid expenses mainly represent school cooperation fund receivables. Advances to employees represent the amounts we advanced to our employees for business travelling, catering and other activities. Deposits mainly represent deposits we made in relation to the construction projects and leased properties. Receivable for disposal of subsidiaries represents receivable for disposing the Discontinued Operations in 2018. Receivable for disposal of associates represents receivable for disposing certain of our associated companies in the same year. The table below sets forth the breakdown of our prepayments, other receivables and other assets as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Loans to third parties	3,000	3,000	—
Prepaid expenses	1,277	1,548	860
Advances to employees	2,500	1,905	883
Deposits	1,821	1,408	1,357
Listing expenses	1,713	1,713	6,906
Rental receivables	1,841	2,536	2,607
Receivable for disposal of subsidiaries	7,000	7,000	—
Receivable for disposal of associates	7,560	7,560	—
Other receivables[1]	28,454	19,777	2,057
	55,166	46,447	14,670

Note:

(1) Other receivables primarily include fees in relation to the advances we made to the labor union on behalf of our students and teaching staff for their miscellaneous expenses, and advances to our former subsidiaries.

Our prepayments, other receivables and other assets amounted to RMB55.2 million, RMB46.4 million and RMB14.7 million as of December 31, 2018, 2019 and 2020, respectively.

The decrease of RMB8.7 million of prepayments, other receivables and other assets from December 31, 2018 to December 31, 2019 was primarily attributable to a decrease of RMB8.7 million in other receivables mainly because we had collected from our students and teaching staff a portion of the deposits of miscellaneous expenses we made on their behalf to the labor union.

The decrease of RMB31.8 million of prepayments, other receivables and other assets from December 31, 2019 to December 31, 2020 was primarily attributable to (i) a decrease of RMB17.7 million in other receivables mainly because we had collected from our students and teaching staff a portion of the deposits of miscellaneous expenses we made on their behalf to the labor union and subsequently settled the deposit account with the labor union; and (ii) a decrease of RMB7.6 million in receivable for disposal of associates and a decrease of RMB7.0 million in receivable for disposal of subsidiaries.

Loans to third parties amounted to RMB3.0 million, RMB3.0 million and RMB0 as of December 31, 2018, 2019 and 2020. The table below sets forth the detailed information of loans to third parties as of the dates indicated:

Third Party	Relationship with Our Group/ Business Background	As of December 31, 2018 Amount of Loans	Reasons for the Loan
		RMB'000	
Borrower A . . .	A company owned by a personal friend of Mr. He Huishan/property development	3,000	To support the business operation of the third-party borrower

Third Party	Relationship with Our Group/ Business Background	As of December 31, 2019 Amount of Loans	Reasons for the Loan
		RMB'000	
Borrower A . . .	A company owned by a personal friend of Mr. He Huishan/property development	3,000	To support the business operation of the third-party borrower

Third Party	Relationship with Our Group/ Business Background	As of December 31, 2020 Amount of Loans	Reasons for the Loan
		RMB'000	
Borrower A . . .	A company owned by a personal friend of Mr. He Huishan/property development	0	To support the business operation of the third-party borrower

According to our PRC Legal Advisors, our loans to third parties did not comply with the Lending General Provisions promulgated by the PBOC in 1996, which prohibited any financing arrangements or lending transactions between non-financial institutions and the PBOC may impose on the offending lender, a fine of one to five times the income the lender receives from such noncompliant loans. Our PRC Legal Advisors confirmed that considering that (i) such loans are interest-free; and (ii) such loans have been settled as of the Latest Practicable Date, the likelihood of the PBOC imposing administrative penalties on our Group in relation to these loans is relatively low.

Other receivables primarily include fees in relation to (i) advances the labor union received from our students and advances we made to the labor union on behalf of our teaching staff for their miscellaneous expenses; and (ii) advances to our former subsidiaries. The table below sets forth the breakdown of other receivables as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Other receivables from the labor union	27,832	18,650	–
Other receivables from the former subsidiaries	387	387	200
Others	235	740	1,857
Total	28,454	19,777	2,057

The labor union is a union established voluntarily by our teaching staff. The bank account of the labor union is managed by our financing department and primarily consisted of the labor union fees. However, prior to August 31, 2019, fees paid in advance by our students and staff for utilities, trainings, uniforms, textbooks and food were also deposited in such bank account. Despite the fact that these advances were deposited in the same bank account we kept strictly separate bank ledgers for these two types of funds so that they would not be comingled. We also enhanced our internal control policy regarding this issue and beginning on May 1, 2020, such advances were no longer deposited in the bank account of the labor union. As of the Latest Practicable Date, all of the other receivables from the labor union on behalf of our students and staff during the Track Record Period had been settled.

Other receivables from the former subsidiaries were advances we made to support the daily operation of our former subsidiaries. All of the advances to our former subsidiaries during the Track Record Period had been settled as of the Latest Practicable Date. The table below sets forth the breakdown of the advances to our former subsidiaries as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Guangzhou Linghang Education Technology Development Co., Ltd.* (廣州嶺航教育科技發展有限公司)	—	—	200
Guangzhou Lingnan Human Resources Services Co., Ltd.* (廣州市嶺南人力資源服務有限公司)	387	387	–
Total	387	387	200

Accounts Receivable

Our accounts receivable mainly consists of tuition fees and boarding fees receivables. Tuition fees and boarding fees are generally paid in advance for each upcoming school year, which normally commences in September. The outstanding receivables represent amounts due from students who have applied for deferred payments of tuition fees and boarding fees. The table below shows the accounts receivable as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Tuition fee and boarding fees receivables	3,460	6,060	7,269
Impairment	—	—	(101)
Total	3,460	6,060	7,168

Our accounts receivable amounted to RMB3.5 million, RMB6.1 million and RMB7.2 million as of December 31, 2018, 2019 and 2020, respectively. Our accounts receivable increased from RMB3.5 million as of December 31, 2018 to RMB6.1 million as at December 31, 2019 and further to RMB7.2 million as at December 31, 2020, primarily due to continuing increase in the student enrollment in the collaborative education programs. As of April 30, 2021, approximately RMB1.9 million, or 26.0% of our accounts receivable as of December 31, 2020 have been settled.

An aging analysis of the accounts receivable as of December 31, 2018, 2019 and 2020, based on the transaction date and net of provisions, is as follows:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within one year	3,076	5,535	7,117
One to two years	87	141	11
Two to three years	297	87	9
Over three years	—	297	31
	3,460	6,060	7,168

An impairment analysis is performed at the end of each of the Track Record Period using a provision matrix to measure expected credit losses. The expected credit loss rates are determined into four categories, and the management groups the student with similar loss patterns into one of the categories. When grouping the students, our assessment is based on several factors, such as days past due, geographical region, performance and behavior of the students, students' family financial status and continued education service relationship with the students. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written off after one year of the graduation of the specific students and are not subject to enforcement activity. Our management assesses the situation from time to time and adjust provisions to be made accordingly.

We apply the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. We consider the credit risk and days past due of the accounts receivable to measure the expected credit losses. The expected credit loss for accounts receivable is minimal for years ended December 31, 2018 and 2019. For details of the credit risk exposure to our accounts receivable using a provision matrix, please refer to note 21 of the Accountants' Report set out in Appendix I to this prospectus.

Amounts due from Related Parties

Amounts due from related parties mainly represent payments for rental income and brand licensing income due from certain related parties. These amounts due from related parties were unsecured, interest-free and had no fixed terms of repayment. Rental income mainly relates to the space we lease to the related parties for their business operations. Brand licensing income represent the fees we collect from related parties to allow them to use our brand for their business. Set out below is the summary of our amounts due from related parties as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Tongwen Investment[1]	20,966	28,028	6,457
Health Valley[1]	3,206	16,016	14,007
Vocational Training School[2]	303	303	—
Guangzhoushi Huangpuqu Lingnan Shuyuan Training Center*[2] (廣州市黃埔區嶺南書院培訓中心)	1,900	2,100	—
Lingnan International School[1]	565	—	—
Lingnan International Kindergarten[1]	376	—	—
Total	27,316	46,447	20,464

Notes:

(1) The amounts due from related parties were trade in nature.

(2) The amounts due from related parties were non-trade in nature and will be settled before Listing.

The table below sets forth the nature of the amounts due from related parties as of the dates indicated:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Rental income			
– Tongwen Investment	20,975	21,510	22,585
– Health Valley	6,160	11,151	14,002
– Vocational Training School	—	762	—
Subtotal	27,135	33,423	36,587
Brand licensing income			
– Lingnan International School [(1)]	377	1,646	2,007
– Lingnan International Kindergarten[(1)]	258	1,213	1,441
Subtotal	635	2,859	3,448
Total	27,770	36,282	40,035

Note:

(1) The amounts due from related parties with respect to brand licensing income were trade in nature.

The amounts due from related parties increased from RMB27.3 million as of December 31, 2018 to RMB46.4 million as of December 31, 2019, primarily due to an increase of RMB12.8 million due from Health Valley and RMB7.1 million due from Tongwen Investment. The amounts due from related parties decreased from RMB46.4 million as of December 31, 2019 to RMB20.5 million as of December 31, 2020 mainly reflecting a decrease of RMB21.6 million due from Tongwen Investment, a decrease of RMB2.1 million due from Guangzhou Huangpu Lingnan Shuyuan Training Center and a decrease of RMB2.0 million due from Health Valley. For further details of the amounts due from related parties, please see note 33 to the Accountants' Report set out in Appendix I to this prospectus.

Amounts due from Directors

The following table sets forth the details of our amounts due from Directors as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Mr. He Huishan	5,634	5,634	—
Ms. He Huifang	4,488	4,488	—
Total	10,122	10,122	—

The amounts due from Directors were RMB10.1 million as of December 31, 2018 and 2019 primarily reflecting part of the consideration for Lingnan International Kindergarten and Lingnan International School receivable from Mr. He Huishan and Ms. He Huifang in connection with the disposal of the Discontinued Operations in 2018. The amounts due from Directors were unsecured, interest-free and had no fixed terms of repayment. The amounts due from directors were non-trade in nature. As of December 31, 2020, these amounts due from Directors have been fully settled.

Financial Assets at Fair Value Through Profit or Loss

During the Track Record Period, we invested in wealth management products issued by banks in China. These wealth management products primarily include (i) principal-guaranteed financial products with floating returns and (ii) principal unprotected financial products with floating returns. These wealth management products we invested in during the Track Record Period mainly consisted of (i) highly liquid assets, including, but not limited to, PRC government bonds, central bank bills, financing bonds, corporate bonds, enterprise bonds and other fixed income debt instruments, bank deposits, medium-term notes, negotiable certificates of deposit, interbank lending, bond and currency assets; (ii) equity-related assets, including, but not limited to, equity investment trusts; and (iii) credit assets, such as credit-based trust products and financial asset exchange credit instruments; and (iv) various types of asset management plans, or a combination of any of the foregoing. These wealth management products have different risk levels, ranging from relatively low-risk to medium-risk, depending on the types and percentages of the underlying assets in a particular investment portfolio. According to the underlying contracts for these wealth management products, the investment allocation decisions of these unlisted funds are generally made by the banks on a discretionary basis. We made investments in these wealth management products as part of our cash management strategy in order to obtain higher yields than we would typically receive from regular bank deposits.

These wealth management products we invested in during the Track Record Period were denominated in RMB, generally have maturity within three months and can be redeemed by us on any business day upon maturity. The expected yield rate of these wealth management products ranged from 1.50% to 3.50% per annum. The following table sets forth the details of the short-term wealth management products we invested as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Wealth management products	60,181	45,260	20,190

The following table sets forth the details of our investments in, and the risk profiles, major underlying investments, yield rate, maturity date, redemption clause and potential maximum loss of, the financial products we invested during the Track Record Period.

Issuing Bank/ Product Type	Number of Financial Products	Risk Classifications[1]	Primary Underlying Investments	Range of Maximum/ Actual Annual Yield Rate	Range of Maturity Date	General Redemption Provisions	Balance as of December 31, 2020	Potential Maximum Loss[2]
				(%)			(RMB in millions)	(RMB in millions)
Bank of China								
– Principal-protected with floating returns	9	Low	Mainly money market instruments, fixed return securities and non-standardized debt assets which are in compliance with regulations	1.5–3.7	From less than one month to less than three months	Generally not redeemable until the due date	0	–
– Principal-protected with guaranteed minimum returns	1	Low	Mainly currency exchange, interest rate, commodity, index and other derivatives market	1.5–3.15	35 days	Not redeemable until the due date	0	–
– Principal-unprotected with floating returns	2	Low to medium	Mainly money market instruments, fixed return securities and non-standardized debt assets which are in compliance with regulations	2.8–3.1	No specific maturity date	Redeemable by us daily during trading hours	0	Investment amount
China Construction Bank								
– Principal-protected with floating returns	1	Very Low	Mainly bonds and money market instruments	3	No specific maturity date	Redeemable by us every Wednesday	20.2	–
– Principal-unprotected with floating returns	1	Medium	Securities, bonds, and other money market instruments	1.7–4.2	No specific maturity date	Redeemable by us every Business Day	0	Investment amount

Issuing Bank/ Product Type	Number of Financial Products	Risk Classifications[(1)]	Primary Underlying Investments	Range of Maximum/ Actual Annual Yield Rate	Range of Maturity Date	General Redemption Provisions	Balance as of December 31, 2020	Potential Maximum Loss[(2)]
				(%)			(RMB in millions)	(RMB in millions)
Agricultural Bank Of China								
– Principal-protected with floating returns	1	Low	Mainly PRC government bonds, financing bonds, central bank bills, repurchase, bonds with high credit rating (including corporate bonds, medium-term notes and short-term financing bonds), exchange bonds, private placement notes, convertible notes, money market fund, bond fund and other low risk bond and interbank lending	2.25	No specific maturity date	Redeemable by us every Business Day	0	–
China CITIC Bank International								
– Principal-protected with floating returns	6	Low	Structured investments	1.48–3.85	Less than five weeks	Not redeemable until the due date	0	–
Total	21						20.2	

Notes:

(1) The underlying risk classification of our investment range from very-low risk to medium risk is based on the internal risk assessment provided by the relevant financial product and banks for internal reference only. Our Directors consider these financial products were of low risks or stable investments.

(2) We would not incur any potential maximum loss for our investments in principal-guaranteed financial products.

During the Track Record Period, we used surplus cash to purchase financial products that in our view allow us more flexibility in the management of our cash flow and liquidity while providing higher investment returns than commercial bank savings deposit yields. We have not borrowed any bank loans or made other borrowings for the purposes of our investments in financial products during the Track Record Period, and subject to the prevalent general economic and market conditions, we expect to continue to use only our surplus cash to invest in low-risk, short-term (less than one-year) and non-speculative financial products, and will not borrow any bank loans or make other borrowings for our investments in such financial products.

Our Investment Policies

Before and during the Track Record Period, we managed our surplus cash mainly through investing in short-term wealth management products issued by certain banks in China that we believe have relatively low risks and offer better returns than cash deposits at banks in the PRC. Accordingly, we generally adopt investment measures that govern our investments in such financial products. These measures include, among other things, the following:

- Target wealth management products shall be high-security, low-risk or low to medium-risk financial products, and our investments therein shall not exceed six months;
- We shall adhere to standardized operations, guard against risks, make prudent investments that we believe, will maintain and enhance the value of our investments;
- Investments shall be made when we have surplus cash that is not required for our short-term working capital purposes or designated construction projects, and shall not interfere with the intended use of the existing project funding;
- Investments shall be made and settled through specially designated accounts, which shall be closed once the wealth management products have been redeemed;
- Wealth management products we purchase shall not be pledged;
- The expected return of the wealth management products shall be greater than the return from regular bank deposits during the same period;
- Investment decisions shall be made by head of financial department, the chairman of the Board or a person authorized by the chairman of the Board; and
- Proceeds from the redemption of the wealth management products may be re-invested in other wealth management products, provided that such decision was authorized by head of financial department, the chairman of the Board or a person authorized by the chairman of the Board.

Risk Management Policies and Internal Control Measures

Our Company's supervisory department is responsible for the daily supervision of our investments in the wealth management products, including prior audit, in-process supervision and post-audit of the investments. It is also responsible for, among other things, reviewing the investment approval process, the actual investment operation, the use of funds and the profit or loss of the investments, among other things. In addition, the supervisory department shall urge our finance department to settle accounts on a timely basis, and verify the settlement. If it is found that the bank from which we purchased wealth management products does not abide by the terms of the contract or that the investment return does not match our expected level, the supervisory department will promptly alert us to terminate the investment in a timely manner or to propose no further cooperation at the expiration date of the contract.

Contract Costs

Contract costs primarily represent incremental commission fees paid to agents for successful referrals of student to our schools. Contract costs are amortized over the duration of our school program for three years. We recognize contract costs when revenue from the relevant tuition fees is recognized.

The table below sets forth the current and non-current portion of our contract costs as of the dates indicated:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Non-current assets	2,704	6,159	4,278
Current assets	2,619	5,523	5,702
	5,323	11,682	9,980

Contract Liabilities

Contract liabilities primarily represent the unsatisfied performance obligation, comprising contract liabilities relating to tuition fees and boarding fees. We receive tuition fees and boarding fees from students in advance prior to the beginning of each academic year or semester. Tuition fees and boarding fees are recognized proportionately over the relevant period of the applicable program at our schools. Our students are generally entitled to refund of the tuition fee and boarding fee payment in relation to the proportionate service not yet provided.

Significant changes in the contract liability balances during the years ended December 31, 2018, 2019 and 2020 are as follows:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At the beginning of the year	159,167	171,509	174,366
Revenue recognized that was included in contract liabilities at the beginning of the year	(154,359)	(169,647)	(158,841)
Increases due to cash received, including amounts recognized as revenue during the year	420,795	441,084	451,286
Revenue recognized that was not included in contract liabilities at the beginning of the year	(253,603)	(267,708)	(280,238)
Transfer to refund liabilities	(491)	(872)	(18,717)
At the end of the year	171,509	174,366	167,856

As of December 31, 2018, 2019 and 2020, our contract liabilities were RMB171.5 million, RMB174.4 million and RMB167.9 million, respectively.

Contract liabilities increased from RMB171.5 million as of December 31, 2018 to RMB174.4 million as of December 31, 2019, primarily due to an increase of RMB2.3 million in tuition fees mainly because our full-time student enrollment increased from 25,612 for the 2018/2019 school year to 26,851 for the 2019/2020 school year.

Contract liabilities decreased from RMB174.4 million as of December 31, 2019 to RMB167.9 million as of December 31, 2020 mainly due to a decrease of RMB6.8 million in tuition fees to be recognized as we recognized prepaid tuition fees as revenue for the 2019/2020 school year in the year ended December 31, 2020.

The following table shows how much of the revenue recognized in the Track Record Period relates to carried-forward contract liabilities:

	Year ended December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year			
Tuition fees	137,026	151,872	143,830
Boarding fees	17,333	17,775	15,011
Total	154,359	169,647	158,841

The following table shows how much of the revenue were expected to be recognized within one year:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Expected to be recognized within one year			
Tuition fees	153,734	156,039	149,233
Boarding fees	17,775	18,327	18,623
Total	171,509	174,366	167,856

Other Payables and Accruals

Other payables and accruals primarily consist of (i) salary payables to employees; (ii) payables of social insurance and housing fund; (iii) scholarship payables to students; (iv) payables for purchase of property, plant and equipment; (v) miscellaneous advances received from students; (vi) payable of cooperative education fees; (vii) other tax payables; (viii) deposit payables; (ix) withholding tax payables; (x) payable for listing expenses; and (xi) others. Miscellaneous advances are the payments received from students for textbooks, school uniforms and training expenses, which are recurring in nature and will be paid out by us on their behalf. Refund liabilities represent a portion of the boarding fees we are required to refund in light of the COVID-19 pandemic, which delayed the opening of the campuses of our schools for the spring semester of the 2019/2020 school year, and are recognized for the obligation to refund some or all of the consideration received from the students and are measured at the amount we ultimately expect will have to be returned to the students. Other tax payables primarily represent the payables of VAT, city construction tax, educational surcharge and other taxes. Withholding tax payables mainly include tax in relation to the purchase of the minority interest in our Lingnan Modern Technician College. Interest payables mainly relate to the bank loans and other borrowings we took out. Other payables and accruals primarily include amounts related to disability benefits, party membership, labor union activities and employees' reimbursements. Other payables and accruals are non-interest-bearing and expected to be settled within one year. The following table sets for the breakdown of other payables and accruals as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Payables of salary	14,926	19,206	12,242
Payables of social insurance and housing fund	21,567	23,943	23,445
Payables of scholarship	10,598	12,261	10,946
Payables for purchase of property, plant and equipment	87,316	66,507	51,504
Payables of cooperative education fees	1,234	3,179	3,633
Other tax payables	3,530	6,003	4,202
Withholding tax payables	—	—	15,120
Deposit payables	3,173	4,958	6,702
Miscellaneous advances received from students	13,443	12,866	17,915
Payables for listing expenses	2,493	1,399	7,068
Others payables and accruals	10,980	12,726	12,279
Total	169,260	163,048	165,056

Other payables and accruals were at RMB169.3 million and RMB163.0 million and RMB165.1 million as of December 31, 2018, 2019 and 2020, respectively. During the Track Record Period, there were fluctuations on our payables of salary, payables for purchase of property, plant and equipment and refund liabilities. Our payables of salary increased from RMB14.9 million as of December 31, 2018 to RMB19.2 million as of December 31, 2019, which was mainly due to an increase in the salary payable to the staff of our schools. Our payables of salary decreased from RMB19.2 million as of December 31, 2019 to RMB12.2 million as of December 31, 2020 mainly because we made bonus payments to our teachers for the 2018/2019 and 2019/2020 school years by the end of 2020.

Our payables for purchase of property, plant and equipment decreased from RMB87.3 million as of December 31, 2018 to RMB66.5 million as of December 31, 2019 and further to RMB51.5 million as of December 31, 2020 primarily because we settled certain payments for the construction of our Qingyuan Campus in 2019 and 2020.

Miscellaneous advances received from students remained relatively stable at RMB12.9 million as of December 31, 2019 compared to RMB13.4 million as of December 31, 2018. Miscellaneous advances received from students increased to RMB17.9 million as of December 31, 2020 mainly because Lingnan Institute of Technology started to collect miscellaneous expenses from students and teachers since 2020 and the number of students who enrolled in professional examination training courses increased in 2020.

We recorded withholding tax payables as of December 31, 2020 primarily in relation to our purchase of 30% minority interest in our Lingnan Modern Technician College.

Deferred Income

Deferred income mainly represents the government grants received for subsidies for the purpose of compensating the operating expenses arising from the teaching activities of our schools and expenditures on teaching facilities. Upon completion of the operating activities and the related projects, the grants related to the expense items would be recognized as other income directly in profit or loss and the grants related to an asset would be released to profit or loss over the expected useful life of the relevant asset. The following table sets for the details of the deferred income as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At beginning of year	98,424	97,411	98,349
Grants received	6,493	8,159	12,823
Released to profit or loss	(7,399)	(7,221)	(7,545)
Deferred income included in the discontinued operations	(107)	—	—
At end of year	97,411	98,349	103,627
Current	3,134	3,661	4,846
Non-current	94,277	94,688	98,781
Total	97,411	98,349	103,627

Our deferred income increased from RMB97.4 million as of December 31, 2018 to RMB98.3 million as of December 31, 2019 mainly due to receiving RMB8.2 million in government grants and amortized RMB7.2 million in 2019. Our deferred income further increased to RMB103.6 million as of December 31, 2020, primarily because we received RMB12.8 million of governmental grants and amortized RMB7.5 million in 2020.

Amounts due to Related Parties

Our amounts due to related parties were payments due to them in connection with the loan repayments. Amounts due to related parties were unsecured, interest-free, trade in nature and had no fixed terms of repayment. Amounts due to related parties mainly resulted from the brand licensing income. The following table sets forth the details of the amounts due to related parties as of the dates indicated.

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Lingnan International Kindergarten	—	479	287
Lingnan International School	—	463	426
Total	—	942	713

Amount due to a Director

The amount due to a Director was payables to Ms. He Huifen for the acquisition of 30% non-controlling interests of Lingnan Modern Technician College pursuant to the Corporate Reorganization. The amount due to a Director was unsecured, interest-free and had no fixed terms of repayment. The following table sets forth the details of the amount due to a Director as of the dates indicated:

	As of December 31,		
Name	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Ms. He Huifen	—	—	62,281
Total	—	—	62,281

The amount due to Ms. He Huifen are non-trade in nature and will be fully settled on or before the Listing.

Prepayments for Non-current Assets

Prepayments for non-current assets primarily consist of prepayment for construction projects and purchase of teaching equipment. As of December 31, 2018, 2019 and 2020, our prepayments for non-current assets amounted to RMB98,000, RMB95,000 and RMB21.5 million, respectively. The prepayments for non-current assets increased from RMB95,000 as of December 31, 2019 to RMB21.5 million as of December 31, 2020 was primarily because we made prepayments of RMB20.0 million for the construction projects on our Qingyuan Campus and RMB1.5 million for the purchase of teaching equipment.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

Our capital expenditures during the Track Record Period were primarily related to constructing new school facilities, maintaining and upgrading existing facilities and purchasing new teaching equipment. For the years ended December 31, 2018, 2019 and 2020, our total capital expenditures were RMB179.3 million, RMB223.6 million and RMB106.7 million, respectively. We expect to incur capital expenditures of RMB98.5 million for the year ending December 31, 2021, primarily for the construction and maintenance of the school facilities in Qingyuan Campus. We expect to fund these capital expenditures with cash generated from our operations and the net proceeds from the Global Offering. The table below sets forth a breakdown of our capital expenditures for the years indicated.

	Years ended December 31,		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Property, plant and equipment	178,546	223,187	100,975
Other intangible assets	721	412	5,678
Total	179,267	223,599	106,653

Capital Commitments

Our capital commitments primarily relate to constructing new school facilities and maintaining and upgrading existing facilities. The following table sets forth a summary of our capital commitments as of the dates indicated:

	As of December 31,		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Contracted, but not provided for:			
Property, plant and equipment	160,829	22,259	24,994

As of December 31, 2018, 2019 and 2020, we did not have any significant capital commitments that are authorized but not contracted for.

Lease Arrangements

As Lessor

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

As of December 31, 2018, 2019 and 2020, we had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within one year	48,069	38,429	55,862
After one year but within two years	31,070	7,958	53,672
After two years but within three years	6,242	7,476	36,963
After three years but within four years	5,835	5,243	1,815
After four years but within five years	3,623	1,610	1,811
After five years	–	9,025	6,670
Total	94,839	69,741	156,793

As Lessee

We lease property and buildings under lease arrangements. Leases for properties are negotiated for terms ranging from three to 50 years. The carrying amounts of our right-of-use assets and the movements during the Track Record Period are as follows:

	Leasehold Land	Buildings	Total
	RMB'000	RMB'000	RMB'000
As of December 31, 2018			
As of January 1, 2018	259,116	275,286	534,402
Transfer from owner-occupied properties	–	1,323	1,323
Transfer to investment properties	–	(1,417)	(1,417)
Depreciation charge	(10,316)	(23,085)	(33,401)
As of December 31, 2018	248,800	252,107	500,907
As of December 31, 2019			
As of January 1, 2019	248,800	252,107	500,907
Depreciation charge	(9,728)	(22,777)	(32,505)
As of December 31, 2019	239,072	229,330	468,402
As of December 31, 2020			
As of January 1, 2020	239,072	229,330	468,402
Depreciation charge	(8,553)	(22,263)	(30,816)
As of December 31, 2020	230,519	207,067	437,586

The carrying amount of lease liabilities and the movements during the Track Record Period are as follows:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year	195,066	178,005	160,427
Accretion of interest recognized during the year	14,629	13,254	11,922
Payments	(31,690)	(30,832)	(32,547)
Carrying amount at end of year	178,005	160,427	139,802
Analyzed into:			
Current portion	29,590	27,714	22,877
Non-current portion	148,415	132,713	116,925

For details of the maturity analysis of our lease liabilities, please see note 37 to the Accountants' Report set out in Appendix I to this prospectus.

The amounts recognized in profit or loss in relation to leases are as follows:

	As of December 31,		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	14,629	13,254	11,922
Depreciation charge of right-of-use assets	33,401	32,505	30,816
Expense relating to short-term leases (included in cost of sales)	—	1,816	3,065
Total amount recognized in profit or loss	48,030	47,575	45,803

For details of the total cash outflow for leases, please see note 30(b) to the Accountants' Report set out in Appendix I to this prospectus.

INDEBTEDNESS

Our indebtedness during the Track Record Period mainly consisted of bank and other borrowings. The table below set forth our indebtedness as of the dates indicated.

	As of December 31,									As of April 30,		
	2018			2019			2020			2021		
	Amount (RMB'000)	Effective Interest Rate (%)	Maturity	Amount (RMB'000)	Effective Interest Rate (%)	Maturity	Amount (RMB'000)	Effective Interest Rate (%)	Maturity	Amount (RMB'000)	Effective Interest Rate (%)	Maturity
Indebtedness:												
Current												
Current portion of long-term bank loans-unsecured	12,200	5.46	2019	2,000	5.23	2020	–	–	–	–	–	–
Current portion of long-term bank loans-secured	10,815	5.15	2019	47,915	5.15-5.49	2020	77,915	5.15-5.49	2021	77,915	5.15~5.49	2022
Current portion of long-term other borrowings-unsecured	–	–	–	–	–	–	10,000	8.51	2021	15,000	8.51	2022
Current portion of long-term other borrowings-secured loans-secured	39,294	5.84-8.51	2019	39,294	5.84-8.51	2020	9,294	5.84	2021	–	–	–
Subtotal	62,309			89,209			97,209			92,915		
Non-current												
Bank loans-unsecured	–	–	–	6,000	5.23	2021	–	–	–	–	–	–
Bank loans-secured	166,569	5.15-5.49	2020-2026	274,851	5.15-5.49	2021-2026	212,756	5.15-5.49	2022-2026	183,446	5.15~5.49	2022–2026
Other borrowings-unsecured	–	–	–	–	–	–	12,500	8.51	2022	–	–	–
Other borrowings-secured	128,420	5.84-8.51	2020-2025	89,127	5.84-8.51	2021-2025	57,332	5.84	2022-2025	–	–	–
Subtotal	294,989			369,978			282,588			183,446		
Total indebtedness	357,298			459,187			379,797			276,361		
Lease liabilities:												
Current portion of lease liabilities	29,590	–	–	27,714	–	–	22,877	–	–	30,172	–	–
Non-current portion of lease liabilities	148,415	–	–	132,713	–	–	116,925	–	–	111,387	–	–
Total lease liabilities	178,005			160,427			139,802			141,559		

The following table sets forth the analysis of our bank loans and other borrowings repayable as of the dates indicated:

	As of December 31,			As of April 30,
	2018	2019	2020	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Analyzed into:				
Bank loans repayable				
Within one year	23,015	49,915	77,915	77,915
In the second year	48,815	74,815	78,815	77,915
In the third to fifth year	88,445	206,036	133,941	105,531
Beyond five years	29,309	—	—	—
Subtotal	189,584	330,766	290,671	261,361
Other borrowings repayable:				
Within one year	39,294	39,294	19,294	15,000
In the second year	39,294	29,294	26,768	—
In the third to fifth year	65,332	45,307	43,064	—
Beyond five years	23,794	14,526	—	—
Subtotal	167,714	128,421	89,126	15,000
Total	357,298	459,187	379,797	276,361

From December 31, 2019 to December 31, 2020, the total amount of our indebtedness decreased from RMB459.2 million to RMB379.8 million, primarily as a result of our repayment of certain loans. From December 31, 2018 to December 31, 2019, the total amount of our indebtedness increased by RMB101.9 million, primarily because we borrowed an additional bank loans in 2019 to finance the construction of the Qingyuan Campus and replenish our working capital, partially offset by a decrease in our other borrowings as we made repayments to the lenders in 2019.

During the Track Record Period, certain bank and other borrowings were secured by mortgages of our buildings situated in the PRC, which had aggregate carrying values of approximately RMB187.7 million, RMB183.9 million and RMB0 as of December 31, 2018, 2019 and 2020, respectively. During the Track Record Period, certain bank and other borrowings were secured by mortgages over certain of our investment properties situated in the PRC, which had aggregate carrying value of approximately RMB8.5 million, RMB8.3 million and RMB0 as of December 31, 2018, 2019 and 2020, respectively. As of December 31, 2018, 2019 and 2020, other borrowing with carrying amounts of RMB82.5 million, RMB52.5 million and RMB0, respectively, was secured by the tuition fee charging rights of Lingnan International School and Lingnan International Kindergarten, which were our subsidiaries before October 1, 2018. As at December 31, 2018, 2019 and 2020, certain bank and other borrowings with carrying amounts of RMB262.6 million, RMB398.7 million and RMB357.3 million, respectively, were secured by the tuition fee charging right of Lingnan Institute of Technology.

In addition, certain bank and other borrowings were also guaranteed by certain of our related parties at no cost. As of December 31, 2018, 2019 and 2020, (i) RMB94.2 million, RMB60.1 million and RMB22.2 million of the bank loans and other borrowings, respectively, were guaranteed by Mr. He Huishan and Ms. Zhou Lanqing; (ii) RMB227.1 million, RMB216.9 million and RMB182.7 million, respectively, were guaranteed by Mr. He Huishan, Ms. Zhou Lanqing and Lingnan International School; and (iii) RMB36.0 million, RMB182.2 million and RMB174.9 million, respectively, were guaranteed by Lingnan International School. These guarantees are expected to be released before the Listing. As of December 31, 2020, we had unutilized loan facilities of RMB167.8 million from reputable financial institutions.

Our Directors have confirmed that, as of the Latest Practicable Date, there was no material covenant on any of our outstanding debt and there was no breach of any covenants during the Track Record Period and up to the Latest Practicable Date. Our Directors have further confirmed that we did not experience any unusual difficulty in obtaining bank loans and other borrowings, default in payment of bank loans and other borrowings or breach of covenants during the Track Record Period and up to the Latest Practicable Date.

Contingent Liabilities and Guarantees

As of December 31, 2020, we did not have any unrecorded significant contingent liabilities, guarantees or any material litigation against us.

LISTING EXPENSES

We expect to incur a total of RMB61.5 million of listing expenses (assuming an Offer Price of HK$1.80, being the mid-point of the indicative Offer Price range between HK$1.59 and HK$2.01, and assuming that the Over-allotment Option is not exercised) until the completion of the Global Offering, representing approximately 12.3% of the estimated gross proceeds from the Global Offering, of which RMB21.0 million has been charged to our consolidated statements of profit or loss and other comprehensive income up to December 31, 2020 and RMB1.7 million, RMB0 and RMB5.2 million has been capitalized in the years ended December 31, 2018, 2019 and 2020, respectively. For the remaining listing expense, RMB16.8 million is expected to be charged to our consolidated statements of profit or loss and other comprehensive income for the years ending December 31, 2021 and RMB16.8 million is to be capitalized and therefore, would likely impact our net profit for the year ended December 31, 2021. Listing expenses of RMB61.5 million represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonuses. The listing expenses above are the best estimate as of the Latest Practicable Date and for reference only and the actual amount may differ from this estimate. It is expected that the discretionary bonuses will be paid to certain professional parties based on their performance during the Listing process, the maximum aggregate amount will be approximately RMB6.9 million. The discretionary bonuses to be paid to the Sole Sponsor are expected to be in an amount not exceeding 1% of the total proceeds from the Global Offering (assuming an Offer Price being the mid-point of the indicative Offer Price range and assuming the Over-allotment Option is not exercised), which is HKD6.0 million (equivalent to approximately RMB5.0 million). The discretionary bonuses to be paid to other professional parties are expected to be no more than US$300,000 (equivalent to approximately RMB1.9 million) in aggregate.

FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates and for the years indicated:

	As of and for the year ended December 31,		
	2018	2019	2020
Liquidity ratios			
Current ratio[(1)]	63.4%	73.3%	66.3%
Profitability ratios			
Net profit margin[(2)]	33.3%	34.8%	37.9%
Return on assets[(3)]	8.6%	8.8%	9.0%
Return on equity[(4)]	23.3%	21.4%	20.4%
Capital adequacy ratios			
Gearing ratio[(5)]	54.4%	58.1%	43.0%
Net debt to equity ratio[(6)]	34.5%	34.5%	10.3%
Interest coverage ratio[(7)]	4.1	4.1	4.5

Notes:

(1) Current ratio equals our current assets as of the end of the year divided by current liabilities as of the end of the year.

(2) Net profit margin equals our net profit for the year from continuing operations divided by revenue for the year from continuing operations. Results of the Discontinued Operations are not included in the calculation of this ratio. For potential tax impact on the net profit brought by the execution of the Contractual Arrangements and election of Lingnan Institute of Technology and Lingnan Modern Technician College as for-profit private schools, see "Business — The 2021 Implementation Rules — The Impact of the 2016 Decision and the 2021 Implementation Rules on Our Group" in this prospectus for details.

(3) Return on assets equals our net profit for the year from continuing operations divided by average total assets as of the beginning and end of the year. Results of the Discontinued Operations are not included in the calculation of this ratio.

(4) Return on equity equals net profit for the year from continuing operations divided by average total equity amounts as of the beginning and end of the year. Results of the Discontinued Operations are not included in the calculation of this ratio.

(5) Gearing ratio equals total interest-bearing bank and other borrowings divided by total equity as of the end of the year.

(6) Net debt to equity ratio equals total interest-bearing bank and other borrowings net of cash and cash equivalents at the end of the year divided by total equity at the end of the year.

(7) Interest coverage ratio equals profit before interest and tax of the year (excluding the results of our discontinued operation) divided by finance cost (assuming not capitalized) of the same year.

Analysis of Key Financial Ratios

Current Ratio

Our current ratio increased from 63.4% as of December 31, 2018 to 73.3% as of December 31, 2019 primarily due to an increase in current assets as a result of the increase in cash and cash equivalents which was in line with the increase of tuition fees and boarding fees we received. Our current ratio decreased to 66.3% as of December 31, 2020 mainly as a result of an increase in current liabilities as (i) we increased short-term interest-bearing bank and other borrowings to finance the expansion of our school facilities at Qingyuan Campus; and (ii) there was an increase in amount due to a Director in relation to the payables to Ms. He Huifen for the acquisition of 30.0% non-controlling interest in Lingnan Modern Technician College pursuant to the Corporate Reorganization.

Net Profit Margin

Our net profit margin increased from approximately 33.3% for the year ended December 31, 2018 to approximately 34.8% for the year ended December 31, 2019 primarily due to (i) a faster increase in our net profit compared to revenue; and (ii) a decrease in income tax expense as we had applied EIT at a rate of 25% on the taxable income of our schools in 2018 and treated the academic education income of our schools as non-taxable income in 2019 in accordance with the tax compliance confirmations we obtained from the relevant tax authorities. Our net profit margin increased from 34.8% for the year ended December 31, 2019 to 37.9% for the year ended December 31, 2020 primarily due to our reduced cost of sales as a result of the COVID-19 pandemic. For potential tax impact on the net profit brought by the execution of the Contractual Arrangements and election of Lingnan Institute of Technology and Lingnan Modern Technician College as for-profit private schools, see "Business — The 2021 Implementation Rules — The Impact of the 2016 Decision and the 2021 Implementation Rules on Our Group" in this prospectus for details.

Return on Assets

Our return on assets ratio increased from approximately 8.6% as of December 31, 2018 to 8.8% as of December 31, 2019 mainly due to the increases of our net profit during the Track Record Period as a result of more student enrollments and increases in average tuition fees and boarding fees. Our return on assets ratio remained relatively stable at 8.8% as of December 31, 2019 and 9.0% as of December 31, 2020.

Return on Equity

Our return on equity ratio decreased from approximately 23.3% as of December 31, 2018 to 21.4% as of December 31, 2019 primarily due to the payment of RMB21.4 million of dividend by one of our subsidiaries during the year ended December 31, 2019. Our return on equity ratio was 20.4% as of December 31, 2020 which was less than our return on equity ratio of 21.4% as of December 31, 2019, primarily due to the listing expenses we incurred in the period.

Gearing Ratio

Our gearing ratio increased from approximately 54.4% as of December 31, 2018 to 58.1% as of December 31, 2019 mainly as a result of an increase in our total interest-bearing bank and other borrowings, which increased at a faster pace than our total equity. Our gearing ratio decreased to 43.0% as of December 31, 2020 mainly due to a decrease of our interest-bearing bank and other borrowings.

Net Debt to Equity Ratio

Our net debt to equity ratio remained relatively stable at 34.5% as of December 31, 2018 and 2019. Our net debt to equity ratio decreased to approximately 10.3% as of December 31, 2020 primarily due to an increase in our cash and cash equivalents as we collected a portion of the tuition fees and boarding fees for the fall semester of the 2020/2021 school year.

Interest Coverage Ratio

Our interest coverage ratio remained relatively stable at 4.1 for each of the years ended December 31, 2018 and 2019. Our interest coverage ratio increased to approximately 4.5 for the year ended December 31, 2020 primarily due to an increase in our profit before interest and tax and a decrease in finance cost.

RELATED PARTY TRANSACTIONS

We enter into transactions with our related parties from time to time. During the Track Record Period, we had certain advances to and from related parties. See "— Description of Certain Key Items from Our Consolidated Statement of Financial Position — Current Assets and Current Liabilities — Amounts Due from Related Parties", "— Description of Certain Key Items from Our Consolidated Statement of Financial Position — Current Assets and Current Liabilities — Amounts Due from Directors" , "— Description of Certain Key Items from Our Consolidated Statement of Financial Position — Current Assets and Current Liabilities — Amounts Due to Related Parties" and ", "— Description of Certain Key Items from Our Consolidated Statement of Financial Position — Current Assets and Current Liabilities — Amount Due to a Director" in this prospectus for details. We intend to settle all balances with related parties prior to the Listing. These balances were unsecured, interest-free and had no fixed term of repayment. According to our PRC Legal Advisors, these advances with related parties did not comply with the Lending General Provisions promulgated by the PBOC in 1996, which prohibited any financing arrangements or lending transactions between non-financial institutions and the PBOC may impose on the offending lender, a fine of one to five times the income the lender receives from such noncompliant loans. Our PRC Legal Advisors confirmed that, considering the fact that these advances are interest-free and will be settled prior to the Listing, the likelihood of the PBOC imposing administrative fines on us in relation to these advances is relatively low. Please see note 33 to the Accountants' Report set out in Appendix I to this prospectus for details of these and other related party transactions.

Our Directors believe that each of the related party transactions set out in note 33 to the Accountants' Report set out in Appendix I to this prospectus was conducted in the ordinary course of business on an arm's length basis. Our Directors are also of the view that our related party transactions during the Track Record Period would not distort our track record results or make our historical results not reflective of our future performance.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Our Group's principal financial instruments comprise, interest-bearing bank and other borrowings, cash and cash equivalents and lease liabilities. The main purpose of these financial instruments is to raise finance for our Group's operations. Our Group has various other financial assets and liabilities such as accounts receivable, amounts due from/to related parties, amounts due from/to directors, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, which arise directly from its operations. The main risks arising from our Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks which are summarized below.

Credit Risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. We have no concentration of credit risk from third party debtors. Our maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, accounts receivable, amounts due from related parties, amounts due from a director, financial assets included in prepayments, other receivables and other assets and other non-current assets.

Cash and Cash Equivalents

As disclosed in note 23 of the Accountants' Report set out in Appendix I to this prospectus, substantially all of the bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The expected credit loss is close to zero.

Accounts Receivable

Our accounts receivable are due from a number of individual students, credit quality of each student is assessed and outstanding receivables are regularly monitored.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on financial situation and historical payment records for groupings of various student segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written-off after one year of the graduation of the specific students and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 21 of the Accountants' Report set out in Appendix I to this prospectus. We do not hold collateral as security.

Amounts Due from Related Parties and Amounts due from Directors

We analyzed the credit risk related to amounts due from related parties and amounts due from Directors and categorized all the amounts in stage 1 as at December 31, 2018, 2019 and 2020. During the Track Record Period, we estimated the expected loss rate for amounts due from related parties and amounts due from Directors is minimal.

Financial Assets Included in Prepayments, Other Receivables and Other Assets

Financial assets included in prepayments, other receivables and other assets were mainly loans to third parties, rental receivables, deposits and other receivables. We consider the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of our Group and whether there has been significant increase in credit risk on ongoing basis during the Track Record Period. To assess whether there is a significant increase in credit risk we compare risk of a default occurring on the assets as the reporting date with the historical loss record. It considers available reasonable and supportive forward-looking information.

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

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

Maximum Exposure and Year-end Staging as of December 31, 2018, 2019 and 2020

The tables below show the credit quality and the maximum exposure to credit risk based on our credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as of December 31, 2018, 2019 and 2020. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2018					
Accounts receivable*	—	—	—	3,460	3,460
Financial assets included in prepayments, other receivables and other assets					
– Normal**	49,676	—	—	—	49,676
Amounts due from Directors					
– Normal**	10,122	—	—	—	10,122
Amounts due from related parties					
– Normal**	27,316	—	—	—	27,316
Cash and cash equivalents					
– Not yet past due	131,048	—	—	—	131,048
	218,162	—	—	3,460	221,622

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2019					
Accounts receivable*	—	—	—	6,060	6,060
Financial assets included in prepayments, other receivables and other assets .					
– Normal**	41,281	—	—	—	41,281
Amounts due from Directors					
– Normal**	10,122	—	—	—	10,122
Amounts due from related parties					
– Normal**	46,447	—	—	—	46,447
Cash and cash equivalents					
– Not yet past due	186,836	—	—	—	186,836
	284,686	—	—	6,060	290,746
As of December 31, 2020					
Accounts receivable*	—	—	—	7,269	7,269
Financial assets included in prepayments, other receivables and other assets .					
– Normal**	6,021	—	—	—	6,021
Amounts due from related parties					
– Normal**	20,464	—	—	—	20,464
Cash and cash equivalents					
– Not yet past due	288,446	—	—	—	288,446
	314,931	—	—	7,269	322,200

* For accounts receivable to which we apply the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 of the Accountants' Report set out in Appendix I to this prospectus.

** The credit quality of amounts due from related parties, amounts due from Directors and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and interest-bearing bank and other borrowings.

Our policy is that not more than 40% of borrowings should mature in any 12-month period. The percentages of our debts that would mature in less than one year as at December 31, 2018, 2019 and 2020 respectively, were consistent with our policy.

We regularly review our major funding positions to ensure that we have adequate financial resources in meeting our financial obligations.

The maturity profile of our financial liabilities as of December 31, 2018, 2019 and 2020, based on the contractual undiscounted payments, was as follows:

As of December 31, 2018	On Demand	Less than 3 Months	3 to Less than 12 Months	1 to 5 Years	Over 5 Years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	11,029	73,709	294,502	60,310	439,550
Lease liabilities	—	7,945	22,886	110,183	116,590	257,604
Financial liabilities included in other payables and accruals	105,196	—	—	—	—	105,196
	105,196	18,974	96,595	404,685	176,900	802,350

As of December 31, 2019	On Demand	Less than 3 Months	3 to Less than 12 Months	1 to 5 Years	Over 5 Years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	19,535	96,704	413,126	14,917	544,282
Lease liabilities	—	7,276	21,618	104,640	93,239	226,773
Financial liabilities included in other payables and accruals	88,769	—	—	—	—	88,769
Amounts due to related parties	942	—	—	—	—	942
	89,711	26,811	118,322	517,766	108,156	860,766

As of December 31, 2020	On Demand	Less than 3 Months	3 to Less than 12 Months	1 to 5 Years	Over 5 Years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	11,435	105,486	301,873	—	418,794
Lease liabilities	—	6,978	20,685	96,621	73,595	197,879
Financial liabilities included in other payables and accruals	81,186	—	—	—	—	81,186
Amounts due to related parties	713	—	—	—	—	713
Amounts due to a director	62,281	—	—	—	—	62,281
	144,180	18,413	126,171	398,494	73,595	760,853

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DISTRIBUTABLE RESERVES

Our Company was incorporated in the Cayman Islands and has not carried out any business since the date of its incorporation. Accordingly, our Company has no reserve available for distribution to the Shareholders as of December 31, 2020.

DIVIDEND POLICY

No dividend has been paid or declared by our Company during the Track Record Period. Dividends of RMB21.4 million in the aggregate have been declared and paid by one of our subsidiaries now comprising our Group during the year ended December 31, 2019.

As we are a holding company, our ability to declare and pay dividends will depend on receipt of sufficient funds from our subsidiaries and, particularly, our PRC Operating Entities, which are primarily incorporated in the PRC. Our PRC Operating Entities must comply with their respective constitutional documents and the laws and regulations of the PRC in declaring and paying dividends to us. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our Company's subsidiaries and our PRC Operating Entities must make appropriations from after-tax profit to non-distributable reserve funds as determined by the board of directors of each relevant entity prior to payment of dividends. These reserves include a general reserve and a development fund. Subject to certain cumulative limits, the general reserve requires annual appropriations of 10% of after-tax profits as determined under PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital. PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of after-tax income to its development fund prior to payments of dividend. Such appropriations are required to be used for the construction or maintenance of the school or for the procurement or upgrading of educational equipment. In the case of a private school where the school sponsors do not require reasonable returns, the school is required to make annual appropriations equivalent to no less than 25% of the annual increase of net assets of the school as determined in accordance with generally accepted accounting principles in the PRC. The School Sponsor of Lingnan Institute of Technology had elected not to require reasonable return while it is not explicitly stated whether the School Sponsor of Lingnan Modern Technician College requires reasonable returns.

Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Act. Our Shareholders in a general meeting may approve any declaration of dividends, which must not exceed the amount recommended by our Board. No dividend shall be declared or payable except out of our profits and reserves lawfully available for distribution. Our future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of the Board. After the Listing, our Board intends to recommend at the relevant shareholder meetings an annual dividend of no less than 30% of our profits available for distribution generated in each financial year, which is expected to be financed by the offshore funding sources available to our Company and offshore subsidiaries, including bank and other borrowings. In particular, for the year ending December 31, 2021, our Board intends to recommend a dividend of approximately 30% of our profits that are distributable in the period from the date of the Listing to December 31, 2021. In this situation, there will be no tax impact with respect to the declaration of dividends. Assuming that the declaration of dividends is financed by the distribution of Lingnan WFOE, whose revenue and profit are expected to mainly derive from the service fees charged to the PRC Affiliated Entities, we will be subject to a VAT at a tax rate of 6% on the service income, a current income tax at a rate of 25% on the taxable income of Lingnan WFOE and a withholding tax at a rate of 10% on the distribution of Lingnan WFOE, respectively. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate. The determination to pay dividends, however, will be made at the discretion of our Board and will be based upon our earnings, cash flow, financial condition, capital requirements, statutory fund reserve requirements and any other conditions that our Directors deem relevant. The payment of dividends may also be limited by legal restrictions and by financing agreements that we currently have or that we may enter into in the future.

DISCLOSURE REQUIRED UNDER CHAPTER 13 OF THE LISTING RULES

Our directors have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rule 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to disclose requirements under Rule 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position since December 31, 2020 (being the date on which the latest consolidated financial information of our Group was prepared) and there is no event since December 31, 2020 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report set out in Appendix I to this prospectus.

PROPERTY INTERESTS AND PROPERTY VALUATION REPORT

Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuation firm, has valued the properties held by us as of March 31, 2021. The total market value of our property interests included in the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited was approximately RMB1,064.9 million as of March 31, 2021. The text of its letter, summary of values and valuation certificate are set out in the property valuation report as set forth in Appendix III to this prospectus.

The following table presents the reconciliation of the net book value of the relevant property interests as December 31, 2020 to their market value as of March 31, 2021, attributed by Jones Lang LaSalle Corporate Appraisal and Advisory Limited as stated in the valuation certificate in the property valuation report as set forth in Appendix III to this prospectus.

	Amount
	RMB'000
Net book value of property interests as of December 31, 2020	
Buildings and various structures and construction in progress included in property, plant and equipment	849,164
Right-of-use assets – Leasehold land	184,437
Property held for investment included in investment property	23,163
Less: waived property for property valuation report	9,980
Add: additions in building and construction in progress	12,993
Less: disposals in building and construction in progress	–
Less: depreciation and amortization for the three months ended March 31, 2021	7,024
Valuation surplus	12,147
Valuation as of March 31, 2021	1,064,900

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of our Group has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of December 31, 2020 as if the Global Offering had taken place on December 31, 2020.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the financial position of our Group has the Global Offering been completed as of December 31, 2020 or any future date. It is prepared based on our consolidated net tangible assets as of December 31, 2020 as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets do not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated Net Tangible Assets Attributable to Owners of our Company as of December 31, 2020(1)	Estimated Net Proceeds from the Global Offering(2)	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets(3)	Unaudited Pro Forma Adjusted Consolidated Net Tangible Assets per Share(4)	
	RMB'000	RMB'000	RMB'000	RMB	HK$ Equivalent
Based on an Offer Price of HK$1.59 per Share	875,046	401,030	1,276,076	0.96	1.15
Based on an Offer Price of HK$2.01 per Share	875,046	517,263	1,392,309	1.04	1.26

Notes:

(1) The consolidated net tangible assets attributable to owners of our Company as at December 31, 2020 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of our Company as of December 31, 2020 of approximately RMB882.9 million less intangible assets as of December 31, 2020 of approximately RMB7.9 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.59 per Share, or HK$2.01 per Share, after deduction of the underwriting fees and other related expenses payable by our Company (excluding approximately RMB21.0 million which have been recognized in profit or loss up to December 31, 2020) and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option or the Share Option Scheme. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.8315 prevailing on June 21, 2021.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,334,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option or the Share Option Scheme.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8315 prevailing on June 21, 2021.

(5) No adjustment has been made to reflect any trading results or other transactions of our Group entered into subsequent to December 31, 2020.

FUTURE PLANS

Please refer to "Business — Our Business Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately HK$527.2 million from the Global Offering, assuming that the Over-allotment Option is not exercised, after deducting the underwriting commissions and other estimated offering expenses payable by us and assuming the initial public Offer Price of HK$1.80 per Share, being the mid-point of the indicative Offer Price range set forth on the cover page of this prospectus. If the Over-allotment Option is exercised in full, we estimate that our additional net proceeds from the offering of these additional Shares will be approximately HK$89.2 million, after deducting the underwriting commissions and our estimated expenses, assuming an Offer Price of HK$1.80 per Share.

We intend to use the proceeds from the Global Offering for the purposes and in the amounts set out below:

- approximately 70.0%, or HK$369.0 million, is expected to be used primarily to upgrade our Lingnan Institute of Technology from an associate college to a vocational university so that we can enhance our reputation and competitiveness, elevate the quality of education we offer, expand student enrollment of students in the undergraduate program and raise tuition rates, which we believe, will increase our revenue and expedite our growth, including:

  - approximately 55.0%, or HK$290.0 million, is expected to be used to expand the Qingyuan Campus by acquiring additional land of approximately 400,200 sq.m. by 2021 with the aim to meet the requirements to upgrade to a vocational university, including the requirements in relation to the site area and the average site area per full-time student;

  - approximately 12.0%, or HK$63.3 million, is expected to be used for constructing additional teaching and administrative facilities in the Qingyuan Campus by 2023 with the aim to meet the requirements to upgrade to a vocational university, including the requirements in relation to the teaching and administrative building area and the average teaching and administrative building area per full-time student, and for purchasing teaching equipment; and

  - approximately 3.0%, or HK$15.8 million, is expected to be used for constructing an industry and education integrated industrial park (產教融合產業園) in the Qingyuan Campus focusing on providing primarily TMT Industry- and Healthcare Industry-related education and training in furtherance of our efforts to upgrade our Lingnan Institute of Technology. See the section headed "Business — Our Expansion Plans — Details of Expansion" in this prospectus.

- approximately 20.0%, or HK$105.4 million, is expected to be used primarily to acquire other schools and other education service providers to expand our school network. In particular, we prefer to acquire qualified private vocational education institutions, including those in the Greater Bay Area. According to the Frost & Sullivan Report, the number of private formal vocational education institutions in the Greater Bay Area was approximately 80 and the number of private non-formal vocational education institutions in the same area was 2,000 to 2,500. We conducted a feasibility study and determined to primarily focus on these regions in the PRC for such potential strategic acquisitions because (i) these regions are relatively closer to our headquarters in Guangdong Province, which we believe will be easier for us to centrally manage their operations; (ii) there exists less significant differences in cultural background and customs; (iii) there are more concentrated number of private vocational education institutions in this region, which we believe may enable us to more easily identify potential suitable acquisition target(s); and (iv) there had been more exchanges between our schools and some of the schools located in these regions so we are generally more familiar with their local operating environment. We will also consider acquiring private vocational education institutions that offer curriculums and training programs that complement those offered at our schools, which we believe will create additional business synergies within our school network in terms of resource sharing and student recruitment. As of the Latest Practicable Date, we had not identified any acquisition target.

  In the event we are unable to identify any suitable acquisition target or complete the acquisition within a reasonable period of time, we will use the amount of the net proceeds designated for acquisition herewith to expand our Qingyuan Campus by acquiring additional land and construct new teaching and administrative facilities in order to increase student capacity in our Qingyuan Campus; and

- approximately 10.0%, or HK$52.7 million, is expected to be used to fund our working capital and general corporate purposes.

We will address all compliance issues (including fire control inspection and building ownership certificates) in relation to the acquisition of the land and construction of the new buildings, the cost of which will be funded by the net proceeds from the Global Offering.

Implementation Timeline

The following table sets forth a breakdown of the net proceeds estimated to be applied in the years indicated.

	2021	2022	2023	Total
	(in millions of HK$)			
Further increase student capacity of our schools with an aim to upgrade Lingnan Institute of Technology from an associate college to a vocational university				
– Acquiring additional land of approximately 400,200 sq.m.	116.0	87.0	87.0	290.0
– Constructing additional teaching and administrative facilities and purchasing teaching equipment	63.3	–	–	63.3
– Constructing an industry and education integrated industrial park	15.6	0.2	–	15.8
Subtotal	194.9	87.2	87.0	369.0
Acquire other schools and educational service providers to expand our school network	–	105.4	–	105.4
Working capital	26.4	26.4	–	52.7
Total	221.2	219.0	87.0	527.2

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by the relevant law and regulations, we intend to deposit the net proceeds into short-term demand deposits with banks or authorized financial institutions in Hong Kong or the PRC. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

In the event that the Offer Price is set at the high-end or low-end of the proposed Offer Price range and the Over-allotment Option is not exercised at all, the net proceeds of the Global Offering received by us will increase by approximately HK$69.7 million, or decrease by approximately HK$70.1 million. Under such circumstances, our intended use of proceeds will be increased or decreased on a pro-rata basis.

If the Offer Price is set at the high-end or low-end of the proposed Offer Price range and the Over-allotment Option is exercised in full, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) received by us will increase by approximately HK$78.6 million, or decrease by approximately HK$79.7 million. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

HONG KONG UNDERWRITER

BNP Paribas Securities (Asia) Limited
Haitong International Securities Company Limited
CCB International Capital Limited
CMB International Capital Limited
Futu Securities International (Hong Kong) Limited
China Galaxy International Securities (Hong Kong) Co., Limited
Sinomax Securities Limited

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offering. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters on a conditional basis. The International Placing is expected to be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The Global Offering comprises the Hong Kong Public Offering of initially 33,400,000 Hong Kong Offer Shares and the International Placing of initially 300,600,000 International Placing Shares, subject, in each case, to reallocation on the basis as described in "Structure of the Global Offering" as well as to the Over-allotment Option (in the case of the International Placing).

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on June 29, 2021. Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 33,400,000 Hong Kong Offer Shares (subject to adjustment) for subscription by way of a Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

Subject to (i) the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares to be allotted and issued under the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading of our Shares on the Main Board of the Stock Exchange and (ii) certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally and not jointly to subscribe or procure subscriptions for their respective applicable proportions of the Hong Kong Offer Shares being offered and which are not taken up under the Hong Kong Public Offering on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional on and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or to procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination by oral or written notice to us from the Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) if prior to 8:00 a.m. on the Listing Date:

(a) there shall develop, occur, exist or come into effect:

(i) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreaks, escalation or adverse mutation of diseases (including, without limitation, COVID-19 and Severe Acute Respiratory Syndrome (SARS)), economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in or affecting Hong Kong, the PRC, the United States, the Cayman Islands, the British Virgin Islands, the United Kingdom, the European Union (or any member thereof), or any other jurisdiction relevant to any member of the Group or the Global Offering (collectively, the "Relevant Jurisdictions" and any one of them, a "Relevant Jurisdiction"); or

(ii) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in or affecting any Relevant Jurisdiction; or

(iii) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(iv) the imposition of any general moratorium on commercial banking activities in any Relevant Jurisdictions, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any Relevant Jurisdictions; or

(v) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, any Relevant Jurisdictions; or

(vi) any new Law, or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing laws, statutes, ordinances, legal codes, regulations or rules, in each case, in or affecting any Relevant Jurisdictions; or

(vii) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in any Relevant Jurisdictions; or

(viii) any change or development involving a prospective change which has the effect of materialization of any of the risks set out in the section headed "Risk Factors" in this prospectus; or

(ix) any litigation or claim of any third party being threatened or instigated against any member of the Group; or

(x) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company or losing capacity to function in such positions; or

(xi) the chairman, chief executive officer or chief financial officer of our Company vacating his or her office; or

(xii) an authority or a political body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(xiii) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(xiv) a contravention by any member of the Group or any Director of the Listing Rules or applicable laws, statutes, ordinances, legal codes, regulations or rules; or

(xv) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable laws, statutes, ordinances, legal codes, regulations or rules; or

(xvi) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or

(xvii) an order or petition for the winding up of any member of the Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of the Group or any resolution for the winding-up of any member of the Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of the Group or anything analogous thereto occurring in respect of any member of the Group,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (1) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of the Group as a whole; or (2) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or may make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or may have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(b) there has come to the notice of the Sole Global Coordinator:

(i) that any statement contained in any of this prospectus, the formal notice, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of this prospectus, the formal notice, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or

(ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission of a material fact from any of this prospectus, the formal notice, the Application Forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(iv) any of the experts has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters, summaries of valuations and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or

(v) any material adverse change, or any development involving a prospective adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of the Group; or

(vi) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties pursuant to the terms of the Hong Kong Underwriting Agreement; or

(vii) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the warranties; or

(viii) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(ix) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings pursuant to the Hong Kong Underwriting Agreement

(A) Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, except for the issue of Shares pursuant to the Capitalization Issue, the offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option) and issue of any Shares pursuant to the exercise of any of the options granted or to be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the "First Six-month Period"), we have undertaken to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-manager, the Hong Kong Underwriters and the Sole Sponsor not to, and to procure each other member of the Group not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for themselves and on behalf of the Hong Kong Underwriters) and subject always to the provisions of the Listing Rules:

(a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, hedge, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or contract or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of the Group, as applicable, or any interest in any of the foregoing), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, with a depositary in connection with the issue of depositary receipts; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares or other securities of such other member of the Group, as applicable); or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraphs (a), (b) or (c) above, in each case, whether any of the transactions specified in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or any shares or other securities of such other member of the Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period).

In the event that, at any time during the period of six months commencing on the date on which the First Six-month Period expires (the "Second Six-Month Period"), our Company enters into any of the transactions specified in paragraphs (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

Each of our Controlling Shareholders and our executive Directors undertakes to each of the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-manager, the Hong Kong Underwriters and the Sole Sponsor to procure our Company to comply with such undertakings set out above.

(B) Undertakings by our Controlling Shareholders

Pursuant to the Hong Kong Underwriting Agreement, each of our Controlling Shareholders has undertaken to each of the Company, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-manager, the Hong Kong Underwriters and the Sole Sponsor that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) he, she or it will not, and will procure that the relevant registered holder(s) will not, at any time during the First Six-month Period:

    (i) save for lending of Shares pursuant to the Stock Borrowing Agreement, sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depositary in connection with the issue of depositary receipts, or

    (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or foregoing), or

(iii) enter into any transaction with the same economic effect as any transaction specified in sub-paragraphs (i) or (ii) above, or

(iv) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraphs (i), (ii) or (iii) above, in each case, whether any of the transactions specified in sub- paragraphs (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-month Period);

(b) he, she or it will not, and will procure the relevant registered holder(s) not to, during the Second Six-Month Period, enter into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, he, she or it will cease to be a "controlling shareholder" (as the term is defined in the Listing Rules) of our Company; and

(c) after the expiry of the Second Six-Month Period, in the event that he, she or it enters into any of the transactions specified in sub-paragraphs (a)(i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, he, she or it will, and will procure the relevant registered holder(s) to, take all reasonable steps to ensure that he, she or it will not create a disorderly or false market in the securities of our Company.

Indemnity

Each of our Company, our Controlling Shareholders and our executive Directors has agreed to jointly and severally indemnify the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Co-manager and the Hong Kong Underwriters for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach of our Company and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

Undertakings to the Stock Exchange pursuant to the Listing Rules

In addition to the above undertakings under the Hong Kong Underwriting Agreement, our Company and our Controlling Shareholders have undertaken to the Stock Exchange pursuant to Rule 10.08 and Rule 10.07 of the Listing Rules, respectively.

(A) Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further shares or securities convertible into equity securities of the Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the Listing Date (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Global Offering or under any of the circumstances prescribed by Rule 10.08 of the Listing Rules.

(B) Undertakings by our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to the Global Offering, he, she or it shall not and shall procure that the relevant registered holders(s) shall not, and subject always to the provisions of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of his, her or its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those securities of our Company in respect of which he, she or it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the period referred to in paragraph (a) above expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities referred to in paragraph (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, he, she or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

According to Note (2) to Rule 10.07(2) of the Listing Rules, nothing in that rule shall prevent a controlling shareholder from using securities of the issuer beneficially owned by him as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance) for a bona fide commercial loan.

Pursuant to Note (3) of Rule 10.07(2) of the Listing Rules, our Controlling Shareholders have undertaken to our Company and the Stock Exchange that, during the period referred to in paragraphs (a) and (b) above:

(a) when he, she or it pledges or charges any securities beneficially owned by him, her or it in favor of an authorized institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged/charged; and

(b) when he, she or it receives indications, either verbal or written, from the pledgee/chargee that any of the pledged/charged securities will be disposed of, immediately inform the issuer of such indications.

Our Company will also inform the Stock Exchange as soon as we have been informed of the above matters, if any, by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules, disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Hong Kong Underwriters' Interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement and, if applicable, the Stock Borrowing Agreement, as at the Latest Practicable Date, none of the Hong Kong Underwriters was interested, legally or beneficially, directly or indirectly, in any Shares or any securities of any member of our Group or had any right or option (whether legally enforceable or not) to subscribe for or purchase, or to nominate persons to subscribe for or purchase, any Shares or any securities of any member of our Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement.

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement with the International Underwriters and other parties thereto. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, agree to purchase the International Placing Shares or procure subscribers or purchasers for the International Placing Shares. The International Underwriting Agreement is expected to provide that it may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors will be reminded that in the event the International Underwriting Agreement is not entered into, the Global Offering will not proceed. It is expected that pursuant to the International Underwriting Agreement, we will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement as described in paragraph headed "Underwriting Arrangements and Expenses — The Hong Kong Public Offering — Undertakings pursuant to the Hong Kong Underwriting Agreement" in this section.

Under the International Underwriting Agreement, we are expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time and from time to time from the Listing Date until (and including) 30 days after the last date for lodging of Application Forms under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 50,100,000 additional Shares, representing in aggregate of approximately 15.0% of the number of Offer Shares initially available under the Global Offering at the Offer Price, to cover over-allocation, if any, in the International Placing.

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% of the aggregate of the gross proceeds of the Offer Shares under the Global Offering (including pursuant to the exercise of the Over-allotment Option), and such rate applies to both the International Placing and Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The Company may, at its sole and absolute discretion, pay an additional discretionary incentive fee of up to 1.0% of the aggregate of the gross proceeds of the Offer Shares under the Global Offering (including pursuant to the exercise of the Over-allotment Option).

Assuming an Offer Price of HK$1.80 per Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees (excluding the discretionary incentive fee), together with the Stock Exchange listing fees, SFC transaction levy and the Stock Exchange trading fee, professional and other fees incurred in connection with the Listing (collectively the "Commissions and Fees") are estimated to be approximately RMB61.5 million (assuming the Over-allotment Option is not exercised at all) in total.

The Commissions and Fees were determined after arm's length negotiation between our Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

ACTIVITIES BY SYNDICATE MEMBERS

The underwriters of the Hong Kong Public Offering and the International Placing (together, the "Syndicate Members") and their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Group's loans and other debt.

In relation to the Shares, the activities of the Syndicate Members and their affiliates could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchasers of the Shares (which financing may be secured by the Shares) in the Global Offering, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Such transactions may be carried out as bilateral agreements or trades with selected counterparties. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares, which may have a negative impact on the trading price of the Shares. All such activities could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section headed "Structure of the Global Offering". Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

(a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and

(b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

In addition, the Syndicate Members or their respective affiliates may provide financing to investors to finance their subscriptions of Offer Shares in the Global Offering.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. BNP Paribas Securities (Asia) Limited is the Sole Global Coordinator of the Global Offering. The Global Offering comprises:

- the Hong Kong Public Offering of initially 33,400,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described in the paragraph headed "The Hong Kong Public Offering" in this section; and

- the International Placing of initially 300,600,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S, as described in "— The International Placing" below.

Investors may either apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for International Placing Shares under the International Placing, but may not do both.

The Offer Shares will represent approximately 25% of the issued share capital of the Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.75% of the issued share capital of the Company immediately following the completion of the Global Offering.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares Initially Offered

The Hong Kong Public Offering is a fully underwritten public offering (subject to agreement as to pricing and satisfaction or waiver of the other conditions provided in the Hong Kong Underwriting Agreement and described in the paragraph headed "Conditions of the Global Offering" in this section) for the subscription in Hong Kong of, initially, 33,400,000 Offer Shares at the Offer Price (representing 10% of the total number of the Offer Shares initially available under the Global Offering). Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offering described below, the Hong Kong Offer Shares will represent approximately 2.5% of our enlarged issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised at all). The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities that regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions set out in "— Conditions of the Global Offering" below.

Allocation

Allocation of Hong Kong Offer Shares to investors under the Hong Kong Public Offering will be based on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary depending on the number of Hong Kong Offer Shares validly applied for by applicants. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and that those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of the Offer Shares available under the Hong Kong Public Offering is to be divided equally into two pools for allocation purposes:

- Pool A: The Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) or less; and

- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5,000,000 (excluding the brokerage, the Stock Exchange trading fee and the SFC transaction levy payable) and up to the value of pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that pool and be allocated accordingly. For the purpose of this subsection only, the "subscription price" for the Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. We will reject multiple applications between the two pools and reject multiple applications within pool A or pool B. In addition, any application for more than 16,700,000 Offer Shares, being the number of Hong Kong Offer Shares initially available under each pool, being 50% of the 33,400,000 Hong Kong Offer Shares initially available under the Hong Kong Public Offering, will be rejected. Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him or her that he or she and any person(s) for whose benefit he or she is making the application have not indicated an interest for or taken up and will not indicate an interest for or take up any Offer Shares under the International Placing, and such applicant's application will be rejected if the said undertaking and/or confirmation is breached and/or untrue, as the case may be. We and the Hong Kong Underwriters will take reasonable steps to identify and reject applications under the Hong

Kong Public Offering from investors who have indicated interest in or have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have applied for or have received Offer Shares in the Hong Kong Public Offering.

Reallocation

The allocation of our Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. Currently, we have allocated 33,400,000 Shares to the Hong Kong Public Offering, representing 10% of our Shares initially available in the Global Offering.

If the International Placing is fully subscribed or oversubscribed and the number of Shares validly applied for under the Hong Kong Public Offering represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares available for subscription under the Hong Kong Public Offering, then our Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing so that the total number of our Offer Shares available under the Hong Kong Public Offering will be increased to 100,200,000 Shares (in the case of (i)), 133,600,000 Shares (in the case of (ii)) and 167,000,000 Shares (in the case of (iii)), respectively, representing 30%, 40% and 50%, respectively, of the total number of Offer Shares available under the Global Offering (before any exercise of the Over-allotment Option).

In addition to the reallocation above, the Sole Global Coordinator reserves rights to reallocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications in pool A and pool B under the Hong Kong Public Offering. However, according to Guidance Letter HKEX-GL91-18 issued by the Stock Exchange if (a) the International Placing is undersubscribed and the Hong Kong Public Offering are fully subscribed or oversubscribed irrespective of the number of times or (b) when the International Placing is fully subscribed or oversubscribed and the Hong Kong Public Offering is oversubscribed by less than 15 times the total number of Offer Shares initially available under the Hong Kong Public Offering, then in any of these circumstances, the Sole Global Coordinator may only reallocate Offer Shares from the International Placing to the Hong Kong Public Offering other than pursuant to Practice Note 18 of the Listing Rules on the following conditions:

(i) the total number of Offer Shares that may be reallocated from the International Placing to the Hong Kong Public Offering shall be not more than the number of Offer Shares initially allocated to the Hong Kong Public Offering i.e. 33,400,000 Offer Shares, representing 10.0% of the number of the Offer Shares being offered under the Global Offering, so that the total number of Offer Shares for subscription under the Hong Kong Public Offering will increase to 66,800,000 Shares, representing two times the number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering and 20.0% of the number of Offer Shares initially available under the Global Offering; and

(ii) the final Offer Price must be fixed at the bottom end of the indicative offer price range stated in this prospectus (i.e. HK$1.59 per Offer Share).

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator may, at their discretion, reallocate to the International Placing all or any unsubscribed Shares offered in the Hong Kong Public Offering in such amount as they deem appropriate.

THE INTERNATIONAL PLACING

Number of Offer Shares Initially Offered

The number of the Offer Shares to be initially available under the International Placing will be 300,600,000 Offer Shares, representing 90% of the Offer Shares initially available under the Global Offering and approximately 22.53% of our enlarged issued share capital immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised at all).

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on our behalf by the International Underwriters or through selling agents appointed by them. International Placing Shares will be placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of the International Placing Shares to investors under the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not the relevant investor is likely to buy further, and/or hold or sell its International Placing Shares after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the International Placing Shares on a basis which would lead to the establishment of an appropriate shareholder base to our benefit and the benefit of our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Hong Kong Offer Shares under the Hong Kong Public Offering. The International Placing is subject to the Hong Kong Public Offering becoming unconditional.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, the Company intends to grant the Over-allotment Option to the International Underwriters and exercisable by the Sole Global Coordinator (for themselves and on behalf of the International Underwriters) for up to 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 50,100,000 additional Shares, representing 15% of the initial size of the Global Offering at the Offer Price to cover over-allocations in the International Placing, if any. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.75% of our Company's issued share capital immediately following completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, we will make an announcement.

The Sole Global Coordinator may cover any over-allocations by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market, exercising the Over-allotment Option in full or in part or by a combination of these means. Any such secondary market purchase will be made in compliance with all applicable laws, rules and regulations in place in Hong Kong, including in relation to stabilization, the Securities and Futures (Price Stabilizing) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 50,100,000 Shares, representing 15% of the Shares available under the Global Offering.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public offer price of the securities. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws, rules and regulations in place, including those of Hong Kong. In Hong Kong and certain other jurisdictions, the stabilization price is not permitted to exceed the offer price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilizing or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period which begins on the commencement of trading of the Shares on the Stock Exchange and ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilizing period is expected to expire on Thursday, August 5, 2021. However, there is no obligation on the Stabilizing Manager, or its affiliates or any person acting for it to do this. Such stabilizing action, if taken, may be discontinued at any time, and must be brought to an end after a limited period. The number of Shares which can be over-allocated will not exceed the number of Shares which may be sold under the Over-allotment Option, namely 50,100,000 Shares, which is 15% of the Shares available under the Global Offering.

Stabilizing action is permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules includes (a) primary stabilization, including purchasing, or agreeing to purchase, any of the Shares or offering or attempting to do so for the purpose of preventing or minimizing any reduction in the market price of the Shares, and (b) ancillary stabilization in connection with any primary stabilizing action, including: (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price; (ii) selling or agreeing to sell Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price; (iii) purchasing or agreeing to purchase Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) selling or agreeing to sell Shares to liquidate a long position held as a result of those purchases or subscriptions; and (v) offering or attempting to do anything described in (ii), (iii) or (iv). The Stabilizing Manager, its affiliates or any person acting for it may take any one or more of the stabilizing actions described above.

Prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in our Shares;

- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it will maintain such a long position;

- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;

- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period, which will begin on the Listing Date, and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;

- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and

- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, the Offer Shares.

We will ensure to procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules of the SFO will be made within seven days of the expiration of the stabilization period.

Over-Allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may cover such over-allocations by exercising the Over-allotment Option in full or in part, by using Shares purchased by the Stabilizing Manager (or any person acting for it) in the secondary market at prices that do not exceed the Offer Price or through the Stock Borrowing Agreement as detailed below or a combination of these means.

STOCK BORROWING AGREEMENT

For the sole purpose of covering any short position prior to the exercise of the Over-allotment Option in connection with the Global Offering, the Stabilizing Manager (or any person acting for it) may choose to borrow up to 50,100,000 Shares (being the maximum number of Shares which may be issued pursuant to the exercise of the Over-allotment Option) from Zhihui Guang, pursuant to the Stock Borrowing Agreement, which is expected to be entered into between the Stabilizing Manager (or any person acting for it) and Zhihui Guang on or about the Price Determination Date.

The same number of Shares so borrowed must be returned to Zhihui Guang or its nominees, as the case may be, on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised and (b) the day on which the Over-allotment Option is exercised in full.

The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Zhihui Guang by the Stabilizing Manager (or any person acting for it) in relation to such Shares borrowing arrangement.

PRICING

Determination of Offer Price

We expect the Offer Price to be fixed by agreement among us and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date when market demand for the Offer Shares will be determined. We expect the Price Determination Date to be on or around Tuesday, July 6, 2021 and in any event, no later than 5:00 p.m. on Wednesday, July 7, 2021. The Offer Price will not be more than HK$2.01 per Offer Share and is expected to be not less than HK$1.59 per Offer Share. You should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional, institutional and other investors will be required to specify the number of the Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to the Price Determination Date.

The Sole Global Coordinator (for themselves and on behalf of the Underwriters) may, with our consent, where considered appropriate based on the level of interest expressed by prospective professional, institutional and other investors during the book-building process, reduce the number of Offer Shares and/or the indicative offer price range below that described in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, cause to be published on the websites of our Company and the Stock Exchange at **www.lnedugroup.com** and **www.hkexnews.hk**, respectively, notices of the reduction. Upon the issue of such a notice, the revised number of Offer Shares and/or offer price range will be final and conclusive and the Offer Price, if agreed upon between the Sole Global Coordinator (for themselves and on behalf of the Underwriters) and us will be fixed within such revised offer price range.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or offer price range may not be made until the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Sole Global Coordinator (for themselves and on behalf of the Underwriters) and us, will under no circumstances be set outside the offer price range as stated in this prospectus.

The final Offer Price, the level of indications of interest in the International Placing, the level of applications in the Hong Kong Public Offering, the basis of allocations of the Hong Kong Offer Shares and the results of allocations in the Hong Kong Public Offering are expected to be made available through a variety of channels in the manner described in "How to Apply for the Hong Kong Offer Shares — 11. Publication of Results."

If we are unable to reach an agreement with the Sole Global Coordinator (on behalf of the Underwriters) on the Offer Price by 5:00 p.m. on Wednesday, July 7, 2021, the Global Offering will not proceed and will lapse.

Price Payable on Application

The Offer Price will not be more than HK$2.01 and is expected to be not less than HK$1.59, unless otherwise announced by no later than the morning of the last day for lodging applications under the Hong Kong Public Offering as further explained below. If you apply for the Offer Shares under the Hong Kong Public Offering, you must pay the maximum Offer Price of HK$2.01 per Offer Share plus a 1.0% brokerage fee, 0.005% Stock Exchange trading fee and 0.0027% SFC transaction levy. This means that, for every board lot of 2,000 Offer Shares, you should pay HK$4,060.51 at the time of your application. Prospective investors should be aware that the Offer Price to be determined on the expected Price Determination Date may be, but is not expected to be, lower than the bottom end of the indicative Offer Price range stated in this prospectus.

If the Offer Price is lower than HK$2.01, we will refund the respective difference, including the brokerage fee, Stock Exchange trading fee and SFC transaction levy attributable to the surplus application monies. We will not pay interest on any refunded amounts. You may find further details in the section headed "How to Apply for the Hong Kong Offer Shares".

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date. These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section "Underwriting".

CONDITIONS OF THE GLOBAL OFFERING

Acceptance of all applications for the Offer Shares will be conditional on:

- the Stock Exchange granting the listing of, and permission to deal in, our Shares in issue and to be issued as described in this prospectus (including any additional Shares to be issued pursuant to any exercise of the Over-allotment Option), and such listing and permission not having been subsequently revoked prior to the commencement of trading in our Shares on the Stock Exchange;

- the Offer Price having been duly determined and the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and

- the obligations of the Underwriters under the Underwriting Agreements becoming and remaining unconditional (including, if relevant, as a result of the waiver of any conditions) and such obligations not being terminated in accordance with the terms of the respective agreements, in each case, on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date that is 30 days after the date of this prospectus.

The consummation of each of the International Placing and the Hong Kong Public Offering is conditional upon the other becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the dates and times specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company on the websites of our Company and the Stock Exchange at **www.lnedugroup.com** and **www.hkexnews.hk**, respectively, on the next day following such lapse. In such a situation, all application monies will be returned, without interest, on the terms set out in "How to Apply for the Hong Kong Offer Shares – Refund of Application Monies." In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

We expect to despatch Share certificates for the Offer Shares on Monday, July 12, 2021. However, these Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, July 13, 2021 provided that:

- the Global Offering has become unconditional in all respects; and
- the right of termination as described in the section headed "Underwriting" in this prospectus has not been exercised.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, July 13, 2021, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Tuesday, July 13, 2021. The Shares will be traded in board lots of 2,000 Shares each.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **HK eIPO White Form** service in the **IPO App** (which can be downloaded by searching "**IPO App**" in App Store or Google Play or downloaded at **www.hkeipo.hk/IPOApp** or **www.tricorglobal.com/IPOApp**) or at **www.hkeipo.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Sole Global Coordinator, the **HK eIPO White Form** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address; and
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act).

If you apply online through the **HK eIPO White Form** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **HK eIPO White Form** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you:

- are an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- are a director or chief executive officer of the Company and/or any of its subsidiaries;
- are a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for or indicated an interest in any Offer Shares under the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through the **IPO App** or **www.hkeipo.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a copy of this prospectus during normal business hours between 9:00 a.m. on Wednesday, June 30, 2021 to 12:00 noon on Tuesday, July 6, 2021 from:

(i) any of the following offices of the Hong Kong Underwriters:

BNP Paribas Securities (Asia) Limited	62/F Two International Finance Centre 8 Finance Street Central Hong Kong
Haitong International Securities Company Limited	22/F Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
CCB International Capital Limited	12/F CCB Tower 3 Connaught Road Central Central Hong Kong
CMB International Capital Limited	45/F Champion Tower 3 Garden Road Central Hong Kong
Futu Securities International (Hong Kong) Limited	Unit C1-2 13/F United Centre No.95 Queensway Admiralty Hong Kong
China Galaxy International Securities (Hong Kong) Co., Limited	20/F Wing On Centre 111 Connaught Road Central Hong Kong

(ii) any of the designated branches of the receiving bank, Bank of China (Hong Kong) Limited:

District	Branch Name	Address
Hong Kong Island	Lee Chung Street Branch	29-31 Lee Chung Street, Chai Wan, Hong Kong
Kowloon	Kwun Tong Plaza Branch	G1 Kwun Tong Plaza, 68 Hoi Yuen Road, Kwun Tong, Kowloon
Kowloon	Mei Foo Mount Sterling Mall Branch	Shop N47-49, G/F, Mount Sterling Mall, Mei Foo Sun Chuen, Kowloon
New Territories	Ma On Shan Plaza Branch	Shop 2103, Level 2, Ma On Shan Plaza, Sai Sha Road, Ma On Shan, New Territories

You can collect a **YELLOW** Application Form and a copy of this prospectus during normal business hours from 9:00 a.m. on Wednesday, June 30, 2021 until 12:00 noon on Tuesday, July 6, 2021 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "BANK OF CHINA (HONG KONG) NOMINEES LIMITED — SOUTH CHINA VOCATIONAL EDUCATION PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving bank listed above, at the following times:

Wednesday, June 30, 2021 — 9:00 a.m. to 5:00 p.m.
Friday, July 2, 2021 — 9:00 a.m. to 5:00 p.m.
Saturday, July 3, 2021 — 9:00 a.m. to 1:00 p.m.
Monday, July 5, 2021 — 9:00 a.m. to 5:00 p.m.
Tuesday, July 6, 2021 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, July 6, 2021, the last application day or such later time as described in "Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **HK eIPO White Form** service, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Cayman Companies Act, the Companies (WUMP) Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form, and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participate in the International Placing;

(viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and in the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any Share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you are eligible to collect the Share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH THE HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria as described in the "Who can apply" section, may apply through the **HK eIPO White Form** service for the Offer Shares to be allotted and registered in their own names through the **IPO App** or the designated website at **www.hkeipo.hk**.

Detailed instructions for application through the **HK eIPO White Form** service are in the **IPO App** and on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the **IPO App** or the designated website, you authorize the **HK eIPO White Form** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **HK eIPO White Form** service.

Time for Submitting Applications under the HK eIPO White Form Service

You may submit your application to the **HK eIPO White Form** Service Provider in the **IPO App** or at **www.hkeipo.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, June 30, 2021 until 11:30 a.m. on Tuesday, July 6, 2021 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, July 6, 2021 or such later time under the "Effect of Bad Weather and/or Extreme Conditions on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of the **HK eIPO White Form** service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **HK eIPO White Form** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under the **HK eIPO White Form** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **HK eIPO White Form** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling (+852) 2979 7888 or through the CCASS Internet System at https://ip.ccass.com/ (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square,
8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a copy of this prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Sole Global Coordinator and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;

- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;

- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;

- (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;

- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as his agent;

- confirm that you understand that the Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send Share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;

- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;

- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;

- agree that none of the Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving bank, the Sole Global Coordinator, the Underwriters and/or their respective advisers and agents;

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is a Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;

- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;

- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Cayman Companies Act, the Companies (WUMP) Ordinance and the Articles of Association; and

- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;

- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates[(1)]:

- Wednesday, June 30, 2021: 9:00 a.m. to 8:30 p.m.

- Friday, July 2, 2021: 8:00 a.m. to 8:30 p.m.

- Saturday, July 3, 2021: 8:00 a.m. to 1:00 p.m.

- Monday, July 5, 2021: 8:00 a.m. to 8:30 p.m.

- Tuesday, July 6, 2021: 8:00 a.m. to 12:00 noon

Note:

(1) These times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian/Investor Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Wednesday, June 30, 2021 until 12:00 noon on Tuesday, July 6, 2021 (24 hours daily, except on Tuesday, July 6, 2021, the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, July 6, 2021, the last application day or such later time as described in "Effect of Bad Weather and/or Extreme Conditions on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

The Hong Kong Share Registrar would record all applications into its system and identify suspected multiple applications with identical names, identification document numbers and reference numbers according to the Best Practice Note on Treatment of Multiple/Suspected Multiple Applications ("Best Practice Note") issued by the Federation of Share Registrars Limited.

With regard to the announcement of results of allocations under the section headed "Results of Applications Made by Giving Electronic Application Instructions to HKSCC via CCASS", the list of identification document number(s) may not be a complete list of successful applicants, only successful applicants whose identification document numbers are provided to HKSCC by CCASS Participants are disclosed. Applicants who applied for the Offer Shares through their brokers can consult their brokers to enquire about their application results. Since applications are subject to personal information collection statements, beneficial owner identification codes displayed are redacted. Applicants with beneficial names only but not identification document numbers are not disclosed due to personal privacy issue.

Section 40 of the Companies (WUMP) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **HK eIPO White Form** service is also only a facility provided by the **HK eIPO White Form** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole

Bookrunner, the Sole Sponsor, the Sole Global Coordinator and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **HK eIPO White Form** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, July 6, 2021.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through the **HK eIPO White Form** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **HK eIPO White Form** service in respect of a minimum of 2,000 Hong Kong Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified in the **IPO App** or on the designated website at **www.hkeipo.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the sections headed "Structure of the Global Offering — Pricing".

10. EFFECT OF BAD WEATHER AND/OR EXTREME CONDITIONS ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is/are:

(i) a tropical cyclone warning signal number 8 or above;

(ii) a "black" rainstorm warning; and/or

(iii) Extreme Conditions,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, July 6, 2021. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have any of those warnings and/or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Tuesday, July 6, 2021 or if there is/are a tropical cyclone warning signal number 8 or above, a "black" rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Monday, July 12, 2021 on the Company's website at **www.lnedugroup.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.lnedugroup.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Monday, July 12, 2021;

- from "IPO Results" function in the **IPO App** or the designated results of allocations website at **www.tricor.com.hk/ipo/result** or **www.hkeipo.hk/IPOResult** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Monday, July 12, 2021 to 12:00 mid-night on Sunday, July 18, 2021;

- by results allocation telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. to 6:00 p.m. from Monday, July 12, 2021 to Thursday, July 15, 2021;

- in the special allocation results booklets which will be available for inspection during opening hours from Monday, July 12, 2021 to Wednesday, July 14, 2021 at all the receiving bank's designated branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to the **HK eIPO White Form** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (WUMP) Ordinance (as applied by Section 342E of the Companies (WUMP) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Sole Global Coordinator, the Hong Kong Share Registrar, the **HK eIPO White Form** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **HK eIPO White Form** service are not completed in accordance with the instructions, terms and conditions in the **IPO App** or on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Sole Global Coordinator believes or believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$2.01 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Global Offering" or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on or before Monday, July 12, 2021.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one Share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the Share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- Share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, Share certificates will be deposited into CCASS as described below); and

- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of Share certificates and refund monies as mentioned below, any refund cheques and Share certificates are expected to be posted on or before Monday, July 12, 2021. The right is reserved to retain any Share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at Tuesday, July 13, 2021 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, July 12, 2021 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or Share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or Share certificate(s) will be sent to the address on the relevant Application Form on or before Monday, July 12, 2021 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collection of refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Monday, July 12, 2021, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Monday, July 12, 2021, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS Investor Participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, July 12, 2021 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, July 12, 2021, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Monday, July 12, 2021 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your Share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Monday, July 12, 2021, or, on any other date determined by HKSCC or HKSCC Nominees.

- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Monday, July 12, 2021. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, July 12, 2021 or such other date as determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, July 12, 2021. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, July 12, 2021.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong. As described in Appendix VI headed "Documents Delivered to the Registrar of Companies and Available for Inspection" to this prospectus, a copy of the accountants' report is available for inspection.

EY 安永

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

The Directors
South China Vocational Education Group Company Limited (previously known as Lingnan Education International Holdings Limited)

BNP Paribas Securities (Asia) Limited

Dear Sirs,

We report on the historical financial information of South China Vocational Education Group Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages I-4 to I-106, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2018, 2019 and 2020 (the "Relevant Periods"), and the consolidated statements of financial position of the Group and the statements of financial position of the Company as at 31 December 2018, 2019 and 2020 and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-106 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 30 June 2021 (the "Prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

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

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Group and the Company as at 31 December 2018, 2019 and 2020 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

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

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

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

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
30 June 2021

I HISTORICAL FINANCIAL INFORMATION

Preparation of the Historical Financial Information

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

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

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

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
CONTINUING OPERATIONS				
REVENUE	5	411,751	444,387	449,350
Cost of sales		(218,078)	(247,233)	(240,333)
Gross profit		193,673	197,154	209,017
Other income and gains	5	75,773	81,925	85,948
Selling and distribution expenses		(11,143)	(16,967)	(17,565)
Administrative expenses		(65,412)	(64,417)	(67,566)
Other expenses		(22,094)	(20,440)	(19,119)
Finance costs	7	(20,009)	(16,601)	(15,225)
Share of losses of associates		(1,343)	—	—
PROFIT BEFORE TAX FROM CONTINUING OPERATIONS	6	149,445	160,654	175,490
Income tax expense	10	(12,415)	(5,829)	(4,989)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		137,030	154,825	170,501
DISCONTINUED OPERATIONS				
Loss for the year from discontinued operations	11	(1,465)	—	—
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		135,565	154,825	170,501
Attributable to:				
Owners of the parent		129,794	149,959	170,501
Non-controlling interests		5,771	4,866	—
		135,565	154,825	170,501

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December 2018	2019	2020
		RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	14	781,551	958,023	1,019,129
Investment properties	15	71,707	77,636	72,148
Right-of-use assets	16(a)	500,907	468,402	437,586
Other intangible assets	17	4,242	3,418	7,881
Investments in associates	18	—	—	—
Prepayments for non-current assets		98	95	21,493
Contract costs	19	2,704	6,159	4,278
Total non-current assets		1,361,209	1,513,733	1,562,515
CURRENT ASSETS				
Prepayments, other receivables and other assets	20	55,166	46,447	14,670
Accounts receivable	21	3,460	6,060	7,168
Amounts due from related parties	33	27,316	46,447	20,464
Amounts due from directors	33/34	10,122	10,122	—
Financial assets at fair value through profit or loss	22	60,181	45,260	20,190
Contract costs	19	2,619	5,523	5,702
Cash and cash equivalents	23	131,048	186,836	288,446
Total current assets		289,912	346,695	356,640
CURRENT LIABILITIES				
Contract liabilities	5	171,509	174,366	167,856
Other payables and accruals	24	169,260	163,048	165,056
Interest-bearing bank and other borrowings	25	62,309	89,209	97,209
Lease liabilities	16(b)	29,590	27,714	22,877
Tax payable		21,263	14,291	17,096
Amounts due to related parties	33	—	942	713
Amount due to a director	33	—	—	62,281
Deferred income	26	3,134	3,661	4,846
Total current liabilities		457,065	473,231	537,934
NET CURRENT LIABILITIES		(167,153)	(126,536)	(181,294)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,194,056	1,387,197	1,381,221

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	Notes	As at 31 December 2018	2019	2020
		RMB'000	RMB'000	RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		1,194,056	1,387,197	1,381,221
NON-CURRENT LIABILITIES				
Interest-bearing bank and other borrowings	25	294,989	369,978	282,588
Lease liabilities	16(b)	148,415	132,713	116,925
Deferred income	26	94,277	94,688	98,781
Total non-current liabilities		537,681	597,379	498,294
Net assets		656,375	789,818	882,927
EQUITY				
Equity attributable to owners of the parent				
Share capital	27	—	—	9
Reserves	28	623,699	752,276	882,918
		623,699	752,276	882,927
Non-controlling interests		32,676	37,542	—
Total equity		656,375	789,818	882,927

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the parent						
	Share capital	Capital reserve	Statutory and other surplus reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 Note 27	RMB'000 Note 28(a)	RMB'000 Note 28(b)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2018	—	54,387	102,728	336,790	493,905	26,905	520,810
Profit for the year	—	—	—	129,794	129,794	5,771	135,565
Total comprehensive income for the year	—	—	—	129,794	129,794	5,771	135,565
Disposal of subsidiaries	—	—	(2,623)	2,623	—	—	—
Transfer from retained profits	—	—	34,320	(34,320)	—	—	—
At 31 December 2018	—	54,387*	134,425*	434,887*	623,699	32,676	656,375

Year ended 31 December 2019

	Attributable to owners of the parent						
	Share capital	Capital reserve	Statutory and other surplus reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 Note 27	RMB'000 Note 28(a)	RMB'000 Note 28(b)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	—	54,387	134,425	434,887	623,699	32,676	656,375
Profit for the year	—	—	—	149,959	149,959	4,866	154,825
Total comprehensive income for the year	—	—	—	149,959	149,959	4,866	154,825
Transfer from retained profits	—	—	38,932	(38,932)	—	—	—
Dividends paid	—	—	—	(21,382)	(21,382)	—	(21,382)
At 31 December 2019	—	54,387*	173,357*	524,532*	752,276	37,542	789,818

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

Year ended 31 December 2020

	Attributable to owners of the parent						
	Share capital	Capital reserve	Statutory and other surplus reserves	Retained profits	Total	Non-controlling interests	Total equity
	RMB'000 Note 27	RMB'000 Note 28(a)	RMB'000 Note 28(b)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	—	54,387	173,357	524,532	752,276	37,542	789,818
Profit for the year	—	—	—	170,501	170,501	—	170,501
Total comprehensive income for the year	—	—	—	170,501	170,501	—	170,501
Issue of shares	9	—	—	—	9	—	9
Transfer from retained profits	—	—	44,513	(44,513)	—	—	—
Deemed distribution arising from acquisition of non-controlling interests of a subsidiary pursuant to the reorganization (Note 33(b))	—	(48,794)	8,935	—	(39,859)	(37,542)	(77,401)
At 31 December 2020	9	5,593*	226,805*	650,520*	882,927	—	882,927

* These reserve accounts comprise the consolidated reserves of RMB623,699,000, RMB752,276,000 and RMB882,918,000 in the consolidated statements of financial position as of 31 December 2018, 2019 and 2020, respectively.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year ended 31 December 2018	2019	2020
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax:				
From continuing operations		149,445	160,654	175,490
From discontinued operations	11	1,403	–	–
Adjustments for:				
Finance costs	7	20,009	16,601	15,225
Share of losses of associates	18	1,343	–	–
Bank interest income		(1,266)	(2,136)	(1,599)
Fair value gain, net:				
Financial assets at fair value through profit or loss	5	(2,147)	(2,676)	(2,608)
Government grants released	26	(7,399)	(7,221)	(7,545)
Gain on disposal of subsidiaries	5	(428)	–	(2,463)
Gain on disposal of associates	5	(6,219)	–	–
Loss on disposal of items of property, plant and equipment	6	30	84	273
Impairment of accounts receivable	6	–	–	536
Depreciation of property, plant and equipment	14	32,006	34,887	38,970
Depreciation of investment properties	15	5,629	5,726	5,488
Depreciation of right-of-use assets	16(a)	33,401	32,505	30,816
Amortization of other intangible assets	17	1,294	1,236	1,215
		227,101	239,660	253,798
Increase in accounts receivable		(1,592)	(2,600)	(1,644)
(Increase)/decrease in prepayments, other receivables and other assets		(9,082)	8,719	17,082
(Increase)/decrease in contract costs		(1,824)	(6,359)	1,702
(Increase)/decrease in amounts due from related parties		(13,540)	(19,131)	25,983
Increase in other payables and accruals		15,236	14,597	5,689
Increase/(decrease) in amounts due to related parties		–	942	(229)
Increase/(decrease) in contract liabilities		24,725	2,857	(6,510)
Cash generated from operations		241,024	238,685	295,871
Bank interest received		1,266	2,136	1,599
Mainland China corporate income tax paid		(5,632)	(12,801)	(2,184)
Net cash flows from operating activities		236,658	228,020	295,286

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES				
(Increase)/decrease in prepayments for non-current assets		(48)	3	(21,398)
Advance to directors		(10,122)	–	–
Repayment from directors		–	–	10,122
Increase in amounts due to directors		7,080	–	–
Purchase of financial assets at fair value through profit or loss		(495,210)	(502,000)	(570,000)
Proceeds from disposal of financial assets at fair value through profit or loss		445,421	519,597	597,678
Additions to other intangible assets	17	(721)	(412)	(5,678)
Purchases of items of property, plant and equipment		(151,141)	(217,697)	(88,849)
Proceeds from disposal of items of property, plant and equipment		542	89	592
Disposal of associates		–	–	7,560
Additional investment in an associate		(300)	–	–
Receipt of government grants	26	6,493	8,159	12,823
Disposal of subsidiaries		(16,113)	–	5,844
Net cash flows used in investing activities		(214,119)	(192,261)	(51,306)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank and other borrowings		82,640	165,590	25,319
Repayments of bank and other borrowings		(98,450)	(66,150)	(107,450)
Interest paid		(39,364)	(40,451)	(39,614)
Principal portion of lease payments		(17,061)	(17,578)	(20,625)
Dividends paid		–	(21,382)	–
Net cash flows (used in)/from financing activities		(72,235)	20,029	(142,370)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(49,696)	55,788	101,610
Cash and cash equivalents at beginning of year		180,744	131,048	186,836
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	131,048	186,836	288,446
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS				
Cash and bank balances	23	131,048	186,836	288,446
Cash and cash equivalents as stated in the consolidated statements of cash flows		131,048	186,836	288,446

STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
CURRENT ASSET				
Amounts due from the shareholders		—	—	9
Prepayments	20(a)	1,713	1,713	6,906
Total current asset		1,713	1,713	6,915
CURRENT LIABILITY				
Amounts due to subsidiaries	(a)	1,713	1,713	6,906
Total current liability		1,713	1,713	6,906
TOTAL ASSETS LESS CURRENT LIABILITY		—	—	9
Net assets		—	—	9
EQUITY				
Share capital	27	—	—	9
Reserves		—	—	—
Total equity		—	—	9

Note:

(a) The amounts due to subsidiaries were non-trade in nature, and were unsecured, interest-free and had no fixed terms of repayment.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

South China Vocational Education Group Company Limited (中國華南職業教育集團有限公司, the "Company") (previously known as Lingnan Education International Holdings Limited (嶺南教育國際控股有限公司)) was incorporated in the Cayman Islands on 15 August 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in providing private higher vocational education (collectively the "Listing Business") in the People's Republic of China (the "PRC"). There has been no significant change in the Group's principal activities during the Relevant Periods.

The Company and its subsidiaries now comprising the Group underwent the reorganization as set out in the paragraph headed "Corporate Reorganization" in the section headed "History and Corporate Structure" in the Prospectus (the "Reorganization"). Apart from the Reorganization, the Company has not commenced any business or operation since its incorporation.

As at the end of the Relevant Periods, the Company had direct and indirect interests in its subsidiaries, the particulars of which are set out below:

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Lingnan Education Investment Limited (Note (a))	British Virgin Islands ("BVI") 22 August 2018	US$1	100%	—	Investment holding
South China Vocational Education Group (Hong Kong) Limited 中國華南職業教育集團(香港)有限公司 (Note (b))	Hong Kong 4 September 2018	HK$1	—	100%	Investment holding
Lingnan Education Group (Note (c))	Calabasas, California, USA 9 October 2018	—	—	100%	Dormant

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

1. CORPORATE AND GROUP INFORMATION (CONTINUED)

Name	Place and date of incorporation/ registration and place of operations	Issued ordinary/ registered share capital	Percentage of equity interests attributable to the Company		Principal activities
			Direct	Indirect	
Guangdong Heguang Education Technology Co., Ltd. 廣東和光教育科技有限公司* ("Lingnan WFOE") (Note (c))	The PRC/ Mainland China 27 December 2018	US$30,000,000	—	100%	Investment holding, provision of education management and services
Guangzhou Lingnan Education Group Co., Ltd. 廣州嶺南教育集團有限公司* ("Lingnan Education") (Note (d))	The PRC/ Mainland China 6 September 1993	RMB30,000,000	—	100%	Investment holding, provision of education management and services
Lingnan Institute of Technology 廣東嶺南職業技術學院* (Note (d))	The PRC/ Mainland China 24 May 2002	RMB34,490,000	—	100%	Provision of junior college education services
Lingnan Modern Technician College 廣東嶺南現代技師學院* (Note (d))	The PRC/ Mainland China 22 July 2005	RMB6,000,000	—	100%	Provision of technical education services

Note (a) No audited financial statements have been prepared for this entity during the Relevant Periods as the entity was not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

Note (b) The statutory financial statements of this entity for the period from 4 September 2018 (date of incorporation) to 31 December 2019 prepared under the Small and Medium-sized Entity Financial Reporting framework and Financial Reporting Standard were audited by Messrs. P.H. Tang & Co., certified public accountants registered in Hong Kong.

Note (c) No audited financial statements have been prepared for these entities as they were not required to issue audited accounts by the local authorities.

Note (d) The statutory financial statements of these entities for the years ended 31 December 2018 and 2019 prepared in accordance with relevant accounting principles and financial regulations were audited by Da Gong Certified Public Accountants Ltd. (廣州市大公會計師事務所有限公司)*, certified public accounting firm registered in the PRC.

* The English names of these companies or schools established in the PRC represent the best effort made by the directors of the Company (the "Directors") to translate the Chinese names as they have not been registered with any official English names.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganization, as more fully explained in the paragraph headed "Corporate Reorganization" in the section headed "History and Corporate Structure" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 21 November 2020.

Due to regulatory restrictions on foreign ownership in private higher education industry in the PRC, the Listing Businesses were carried out by Lingnan Education (the "School Sponsor") and its sponsoring schools, Lingnan Institute of Technology and Lingnan Modern Technician College (collectively, the "PRC Operating Schools") during the Relevant Periods. Pursuant to the Reorganization, Lingnan WFOE, the Company's wholly-owned subsidiary, has entered into the structured contracts ("Structured Contracts") with the shareholders of the School Sponsor, the School Sponsor and the PRC Operating Schools. The arrangements of the Structured Contracts enable Lingnan WFOE to exercise effective control over the School Sponsor and the PRC Operating Schools and obtain substantially all economic benefits of the School Sponsor and the PRC Operating Schools. Accordingly, the Company regards the School Sponsor and the PRC Operating Schools as indirect subsidiaries for the purpose of the Historical Financial Information and are consolidated in the Historical Financial Information continuously. Details of the Structured Contracts are disclosed in the section headed "Contractual Arrangements" in the Prospectus.

As the Reorganization only involved inserting new holding companies and entering into Structured Contracts that has not resulted in a change of respective voting, economic substance and beneficial interests, the Historical Financial Information for the Relevant Periods has been presented as a continuation of the existing companies using the pooling of interests method as if the Reorganization had been completed at the beginning of the Relevant Periods.

Accordingly, the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group are prepared as if the current group structure had been in existence throughout the Relevant Periods. The consolidated statements of financial position of the Group as at 31 December 2018, 2019 and 2020 presented the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at that date. The consolidated statements of financial position of the Group as at 31 December 2018, 2019 and 2020 have been prepared to present the assets and liabilities of the subsidiaries using the existing book values. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganization. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

All intra-group transactions and balances have been eliminated in full on consolidation.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2020, including HKFRS 16 *Leases*, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention except for certain financial instruments which have been measured at fair value.

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

Going concern

The Group recorded net current liabilities of RMB181,294,000 as at 31 December 2020. Included therein were the contract liabilities of RMB167,856,000 as at 31 December 2020, which will be settled by education services provided by the Group rather than settled by cash.

In view of the net current liabilities position, the Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern and meet its liabilities as and when they fall due in the foreseeable future.

Taking into account the financial resources available to the Group, including the internally generated funds from operation, existence of unutilized loan facilities of RMB167,800,000 from reputable financial institutions as at 31 December 2020 and the ability of management in adjusting the pace of its operation expansion, the Directors are of the opinion that the Group is able to meet in full its financial obligations as and when they fall due for the foreseeable future and it is appropriate to prepare the Historical Financial Information on a going concern basis.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[4]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[6]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*[1]
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[3]
HKFRS 17	*Insurance Contracts*[5]
Amendments to HKFRS 17	*Insurance Contracts*[5, 8]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[5, 7]
Amendments to HKAS 1	*Disclosure of Accounting Policies*[5]
Amendments to HKAS 8	*Definition of Accounting Estimates*[5]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[5]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[4]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[4]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, and Illustrative Examples accompanying HKFRS 16 and HKAS 41[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 April 2021

4 Effective for annual periods beginning on or after 1 January 2022

5 Effective for annual periods beginning on or after 1 January 2023

6 No mandatory effective date yet determined but available for adoption

7 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

8 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. Further information about those HKFRSs that are expected to be applicable to the Group is described below:

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC) – Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC) – Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Amendments to HKAS 1 *Disclosure of Accounting Policies* require companies to disclose their material accounting policy information rather than their significant accounting policies. Amendments to HKFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 8 clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. That distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other future events, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events. The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognized as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (CONTINUED)

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16. The amendment does not have a significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group 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 Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries (Continued)

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

Subsidiaries arising from the Reorganization

The School Sponsor and the PRC Operating Schools have entered into Structured Contracts with Lingnan WFOE and the shareholders of the School Sponsor. The Structured Contracts became effective on 21 November 2020. In particular, Lingnan WFOE undertakes to provide the PRC Operating Schools with certain technical services as required to support their operations. In return, Lingnan WFOE is entitled to substantially all of the operating profits and residual benefits generated by the PRC Operating Schools through intercompany charges levied on these services rendered. The School Sponsor is also required to transfer its interests in the PRC Operating Schools to Lingnan WFOE or the designee appointed by Lingnan WFOE upon a request made by Lingnan WFOE when permitted by the PRC laws for a consideration. The ownership interests in the School Sponsor, have also been pledged by the shareholders of the School Sponsor to Lingnan WFOE in respect of the continuing obligations of the PRC Operating Schools. Lingnan WFOE has not provided any financial support that it was not previously contractually required to do so to the School Sponsor and/or PRC Operating Schools during the Relevant Periods. Lingnan WFOE intends continuously to provide to or assist the School Sponsor and/or the PRC Operating Schools in obtaining financial support when deemed necessary. Accordingly, the Group has rights to variable returns from its involvement with the PRC Operating Schools and has the ability to affect those returns through its power, and thus control over the PRC Operating Schools.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group 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 Group are eliminated in full on consolidation.

The Group 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.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsidiaries (Continued)

Subsidiaries arising from the Reorganization (Continued)

If the Group loses control over a subsidiary, it derecognizes (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 Group's share of components previously recognized 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 Group had directly disposed of the related assets or liabilities.

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statements of profit or loss and other comprehensive income. In addition, when there has been a change recognized directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

When an investment in an associate is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group recognises in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The assets, liabilities, revenues and expenses relating to the Group's interest in a joint operation are accounted for in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Fair value measurement

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair value measurement (continued)

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

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

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

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

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

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

Impairment of non-financial assets

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of non-financial assets (continued)

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized 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/amortization) had no impairment loss been recognized for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the 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 Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

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

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

(iii) the entity and the 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 Group or an entity related to the Group;

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Related parties (Continued)

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

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

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

Property, plant and equipment and depreciation

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

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

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

Property and buildings	1.9%
Education equipment	9.7 to 19.4%
Motor vehicles	9.7%
Furniture and other equipment	4.9 to 32.3%
Leasehold improvements	5.0 to 20.0%

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment and depreciation (Continued)

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

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

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at historical cost less accumulated depreciation and provision for any impairment in value. Depreciation is calculated on the straight-line basis to write off the cost of an investment property to its residual value over its estimated useful life or over the remaining lease term.

Subsequent expenditure is capitalized in the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the costs of the item can be measured reliably; otherwise, the expenditures are recognized in profit or loss in the year in which they are incurred.

Any gains or losses on the retirement or disposal of an investment property are recognized in the statement of profit or loss and other comprehensive income in the year of the retirement or disposal.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment properties (continued)

If an investment property becomes an owner-occupied property, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes. If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amounts as profit or loss after tax from discontinued operations in the statement of profit or loss and other comprehensive income.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Non-current assets held for sale and discontinued operations (continued)

Additional disclosures are provided in note 11. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

Intangible assets (other than goodwill)

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 amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Purchased computer software is stated at cost less any impairment losses and is amortized on a straight-line basis over its estimated useful life ranged from 3 to 5 years. The useful life of the computer software is assessed by the Group considering the purposes and usage of the software.

Leases

The 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 control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(a) Right-of-use assets

Right-of-use assets are recognized 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 recognized, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. 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:

Leasehold land	20 to 50 years
Buildings	3 to 37 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognized 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, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognized as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the 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 assessment of an option to purchase the underlying asset.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

Group as a lessee (Continued)

(c) *Short-term leases*

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (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 are recognized as an expense on a straight-line basis over the lease term.

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in other income and gains in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income. Contingent rents are recognized as other income and gains in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

Investments and other financial assets

Initial recognition and measurement

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the 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. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15.

In order for a financial asset to be classified and measured at amortized cost or fair value through other comprehensive income, 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 Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. 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 recognized on the trade date, that is, the date that the 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

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortized cost (debt instruments)

Financial assets at amortized cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognized in the statement of profit or loss and other comprehensive income when the asset is derecognized, modified or impaired.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments and other financial assets (Continued)

Subsequent measurement (continued)

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognized as other income in the statement of profit or loss and other comprehensive income when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

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 derecognized (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the 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 Group has retained.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Derecognition of financial assets (Continued)

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

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortized cost is subject to impairment under the general approach and it is classified within the following stages for measurement of ECLs except for accounts receivable which apply the simplified approach as detailed below.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

General approach (Continued)

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, payables, as appropriate.

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

The Group's financial liabilities include other payables and accruals, amounts due to related parties, amount due to a director, lease liabilities and interest-bearing bank and other borrowings.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities (Continued)

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortized cost (loans and borrowings)

After initial recognition, lease liabilities and interest-bearing bank and other borrowings are subsequently measured at amortized 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 recognized in the statement of profit or loss and other comprehensive income when the liabilities are derecognized as well as through the effective interest rate amortization process.

Amortized 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 amortization is included in finance costs in the statement of profit or loss and other comprehensive income.

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and cash equivalents

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

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

Provisions

A provision is recognized when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognized for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss and other comprehensive income.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognized outside profit or loss is recognized 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 each of the Relevant Periods, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

- when the deferred tax liability arises from the initial recognition of goodwill or 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, associates and joint ventures, 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 recognized for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognized 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, associates and joint ventures, deferred tax assets are only recognized 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 of the Relevant Periods 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. Unrecognized deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognized 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 each of the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income tax (Continued)

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

Government grants

Government grants are recognized 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 recognized as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognized when services are transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those services.

Specifically, the Group applies a five-step approach in revenue recognition:

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition (Continued)

Revenue from contracts with customers (Continued)

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to customers. If control of the services transfers over time, revenue is recognized over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognized at the point in time when the customer obtains control of the services.

The Group recognises revenue when the specific criteria have been met for the following activities:

Tuition and boarding fees received from customers are generally paid in advance prior to the beginning of each academic year or semester, and are initially recorded as contract liabilities. Tuition and boarding fees are recognized proportionately over the periods of the applicable program. The portion of tuition and boarding payments received from customers but not earned is recorded as a contract liability and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year or semester. The academic year of the Group's schools is generally from September to August of the following year. Each academic year is divided into Spring semester and Autumn semester.

The 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 Group does not adjust any of the transaction prices for the time value of money.

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

Other income

Rental income is recognized on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognized as income in the accounting period in which they are incurred.

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

Brand licensing income is recognized on an accrual basis based on the agreed percentage of the revenue of authorized schools.

Training income is recognized from the provision of training services to customers other than students over the period of the applicable programs.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contract liabilities

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

Contract costs

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalized as an asset if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.
- The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss and other comprehensive income on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

Refund liabilities

A refund liability is recognized for the obligation to refund some or all of the consideration received (or receivable) from a customer and is measured at the amount the Group ultimately expects it will have to return to the customer. The Group updates its estimates of refund liabilities (and the corresponding change in the transaction price) at the end of each of the Relevant Periods.

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. The subsidiaries operating in Mainland China are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Borrowing costs

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

Dividends

Final dividends are recognized as a liability when they are approved by the shareholders in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognized immediately as a liability when they are proposed and declared.

Foreign currencies

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies (Continued)

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than the RMB. As at the end of each of the Relevant Periods, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the Relevant Periods and their statements of profit or loss and other comprehensive income are translated into RMB at the weighted average exchange rates for the year.

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

Judgements

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

Structured Contracts

The PRC Operating Schools are mainly engaged in the provision of higher education services, which falls in the scope of "Catalogue of Restricted Foreign Investment Industries" that foreign investors are prohibited to invest in the PRC.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Structured Contracts (Continued)

As disclosed in note 2.1 to the Historical Financial Information, the Group exercises control over the School Sponsor and the PRC Operating Schools and enjoys all economic benefits of the School Sponsor and the PRC Operating Schools through the Structured Contracts.

The Group considers that it controls the School Sponsor and the PRC Operating Schools, notwithstanding the fact that it does not hold direct equity interest in the School Sponsor and the PRC Operating Schools, as it has power over the financial and operating policies of the School Sponsor and the PRC Operating Schools and receives substantially all of the economic benefits from the business activities of the School Sponsor and the PRC Operating Schools through the Structured Contracts. Accordingly, the School Sponsor and the PRC Operating Schools have been accounted for subsidiaries during the Relevant Periods.

Joint Operations

Determining whether the collaboration with third parties are joint operations requires judgement and consideration of all relevant facts and circumstances to determine whether the parties have joint control of the arrangement. The Group assess whether a contractual arrangement gives all the parties, or a group of the parties, control of the arrangement collectively. Joint control exists only when decisions about the relevant activities require the unanimous consent of the parties that control the arrangement collectively.

The Group has established four joint operation programs to integrate the resources from the school and third-party enterprises and institutions to create an effective educational environment that combine practical training with academic learning. The areas of cooperation are broad, ranging from curriculum development to co-establishment and operation of practical training bases. With respect to curriculum formulation, enterprises typically introduce certain industry experts to the Group who will engage with the Group to undertake a series of tasks, including, but not limited to, rendering teaching services at school, providing guidance on course work and majors construction, and participating in formulating talent training schemes, as well as finalizing key curriculum systems. In terms of the establishment and operation of external practical training bases, the school-enterprise collaboration scheme of the Group primarily focuses on providing hands-on practical training to students so that the enterprises the Group collaborates with are able to secure a stable source of talents with practical skills to join their workforces upon students' graduation. For the years ended 31 December 2018, 2019 and 2020, revenue generated from joint operations in total amounted to RMB26,231,000, RMB24,954,000 and RMB25,310,000, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Principal versus agent

Determining whether the Group is acting as a principal or as an agent in the provision of the education services requires judgement and consideration of all relevant facts and circumstances. The Group is acting as a principal if it controls a promised service before transferring that service to the customer and reports revenue on the gross inflows of economic benefits. In evaluation of the Group acting as a principal, the Group considers whether the Group (i) is primarily responsible for fulfilling the promise to provide the specified service and (ii) has discretion in establishing the price for the specified service. Conversely, the Group is an agent when it does not control a promised service before transferring that service to the customer and recognises revenue on the net inflows of economic benefits.

Current and deferred taxes

Significant judgement is required in interpreting the relevant tax rules and regulations so as to determine whether the 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 Group to change its judgement regarding the adequacy of the tax liabilities and such changes to tax liabilities will impact the tax expense in the period in which such determination is made. Further details of the current taxes are set out in note 10 to the Historical Financial Information.

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Judgements (Continued)

Property lease classification – Group as lessor

The Group has entered into property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the property and the present value of the minimum lease payments not amounting to substantially all the fair value of the property, that it retains substantially all the significant risks and rewards incidental to ownership of these properties which are leased out and accounts for the contracts as operating leases.

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 described below.

Impairment of non-financial assets (other than goodwill)

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONTINUED)

Estimation uncertainty (Continued)

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

In determining the useful lives and residual values of items of property, plant and equipment, the Group has to consider various factors, such as the expected usage of the asset, expected physical wear and tear, care and maintenance of the asset, and legal or similar limits on the use of the asset. The estimation of the useful life of the asset is based on the experience of the Group with similar assets that are used in a similar way. Additional depreciation is made if the estimated useful lives and/or residual values of items of property, plant and equipment are different from previous estimation. Useful lives and residual values are reviewed at the end of each of the Relevant Periods based on changes in circumstances. Further details of the property, plant and equipment are set out in note 14 to the Historical Financial Information.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Provision for expected credit losses of accounts and other receivables

The provision rate of receivables is made based on assessment of their recoverability and aging analysis of receivables as well as other quantitative and qualitative information and on management's judgement and assessment of the forward-looking information. At the end of each of the Relevant Periods, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a debtor's actual default in the future. The information about the ECLs on the Group's other receivables and accounts receivable is disclosed in notes 20 and 21 to the Historical Financial Information, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

4. OPERATING SEGMENT INFORMATION

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

HKFRS 8 *Operating Segments* requires operating segments to be identified on the basis of internal reporting about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance.

No operating segment information of the continuing operation is presented as more than 95% of the Group's revenue and reported results from the continuing operation during the Relevant Periods, and more than 96% of the Group's total assets attributable to the continuing operations as at the end of each of Relevant Periods were derived from one single operating segment, i.e., the provision of education services.

The information reported to the directors of the Company, who are the chief operating decision makers, for the purpose of resource allocation and performance assessment, does not contain discrete operating segment financial information, and the Directors reviewed the financial results of the Group as a whole. Therefore, no further information about the operating segment is presented.

Geographical information

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

Information about major customers

No revenue from services provided to a single customer accounted for 10% or more of total revenue of the Group during the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5. REVENUE, OTHER INCOME AND GAINS

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

		Year ended 31 December		
	Notes	2018	2019	2020
		RMB'000	RMB'000	RMB'000
Revenue from contracts with customers				
Tuition fees	(a)	370,606	401,230	422,960
Boarding fees	(a)	37,093	38,754	22,021
Other education service fees	(b)	4,052	4,403	4,369
		411,751	444,387	449,350
Other income and gains				
Bank interest income		1,214	2,136	1,599
Fair value gain, net:				
Financial assets at fair value through profit or loss		2,147	2,676	2,608
Rental income		48,551	54,875	56,008
Brand licensing income	33(b)	635	2,859	3,448
Training income		9,193	12,049	11,945
Government grants				
Related to assets	(c)	4,010	3,246	4,037
Related to income	(d)	3,316	3,975	3,508
Gain on disposal of subsidiaries	29	428	—	2,463
Gain on disposal of associates		6,219	—	—
Others		60	109	332
		75,773	81,925	85,948

(a) During the Relevant Periods, tuition fees and boarding fees mainly represented income received from the provision of education and boarding services to the students, which was recognized over time, i.e. the academic year, of the services rendered.

(b) During the Relevant Periods, other education service fees mainly represented income received from the provision of other education services including training services to the students, which was recognized over time, i.e. the training periods, of the services rendered.

(c) Government grants related to assets represent the subsidies in connection with certain pieces of leasehold land and the electronic devices relating to teaching activities. These grants related to assets are released to profit or loss over the expected useful lives of the relevant assets.

(d) Government grants related to income represent the subsidies compensated for the incurred operating expenses arising from teaching activities, which are recognized as other income when the incurred operating expenses fulfilled the conditions attached.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Contract liabilities

The Group receives tuition and boarding fees from students in advance prior to the beginning of each academic year or semester. The performance obligation is satisfied proportionately over the relevant period of the applicable program. The students are entitled to refund of the payment in relation to the proportionate service not yet provided.

Significant changes in the contract liability balances during the Relevant Periods are as follows:

	31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
At the beginning of the year	159,167	171,509	174,366
Revenue recognized that was included in contract liabilities at the beginning of the year	(154,359)	(169,647)	(158,841)
Increases due to cash received, including amounts recognized as revenue during the year	420,795	441,084	451,286
Revenue recognized that was not included in contract liabilities at the beginning of the year	(253,603)	(267,708)	(280,238)
Transfer to refund liabilities	(491)	(872)	(18,717)
At the end of the year	171,509	174,366	167,856

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

5. REVENUE, OTHER INCOME AND GAINS (CONTINUED)

Contract liabilities (Continued)

Revenue recognized in relation to contract liabilities

The following table shows the amounts of revenue recognized in the current year 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 recognized that was included in contract liabilities at the beginning of the year			
Tuition fees	137,026	151,872	143,830
Boarding fees	17,333	17,775	15,011
	154,359	169,647	158,841

Unsatisfied performance obligations

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) 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
Expected to be recognized as revenue within one year:			
Tuition fees	153,734	156,039	149,233
Boarding fees	17,775	18,327	18,623
	171,509	174,366	167,856

The amounts of transaction prices associated with unsatisfied or partially unsatisfied performance obligations do not include variable consideration which is constrained.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

6. PROFIT BEFORE TAX

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

	Notes	Year ended 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
Employee benefit expense (excluding directors' and chief executive's remuneration (Note 8)):				
Wages and salaries		130,438	147,915	143,185
Pension scheme contributions		11,818	12,910	11,679
		142,256	160,825	154,864
Depreciation of property, plant and equipment		28,838	34,887	38,970
Depreciation of investment properties	15	5,629	5,726	5,488
Depreciation of right-of-use assets	16(a)	33,401	32,505	30,816
Amortization of other intangible assets*	17	1,294	1,236	1,215
Lease payments not included in the measurement of lease liabilities	16(c)	—	1,816	3,065
Impairment of accounts receivable	21	—	—	536
Direct operating expenses arising from rental-earning investment properties		10,147	10,550	10,709
Donation expenses		1,500	1,550	122
Fair value gain, net				
Financial assets at fair value through profit or loss	5	(2,147)	(2,676)	(2,608)
Loss on disposal of items of property, plant and equipment, net		30	84	273
Gain on disposal of subsidiaries	29	(428)	—	(2,463)
Gain on disposal of associates		(6,219)	—	—
Bank interest income	5	(1,214)	(2,136)	(1,599)
Government grants**		(7,326)	(7,221)	(7,545)
Auditor's remuneration		90	90	270
Listing expense***		6,681	—	14,299

* The amortization of other intangible assets is included in cost of sales in the consolidated statements of profit or loss and other comprehensive income.

** There are no unfulfilled conditions or other contingencies attaching to the government grants that have been recognized.

*** Listing expense is included in administrative expense in the consolidated statements of profit or loss and other comprehensive income.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

7. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Interest on bank and other borrowings	26,478	29,646	30,433
Interest on lease liabilities	14,629	13,254	11,922
Total interest expense on financial liabilities not at fair value through profit or loss	41,107	42,900	42,355
Less: Interest capitalized	(21,098)	(26,299)	(27,130)
	20,009	16,601	15,225

During the Relevant Periods, the interest capitalization amount of the Group's borrowing costs has been included in property, plant and equipment. Please refer to note 14 for the relevant information.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. He Huishan (賀惠山) was appointed as an executive director and the chairman of the Company on 15 August 2018. Ms. He Huifen (賀惠芬) was appointed as an executive director on 15 August 2018 and she is also the chief executive officer of the Company. Ms. He Huifang (賀惠芳) and Mr. Lao Hansheng (勞漢生) were appointed as executive directors of the Company on 18 November 2020. Mr. Luo Pan (羅潘), Mr. Yeh Zhe-Wei (葉哲瑋) and Mr. Ma Shuchao (馬樹超) were appointed as independent non-executive directors of the Company on 18 November 2020.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the Group's subsidiaries is set out below:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Fees	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	989	2,428	2,795
Performance related bonuses	193	329	55
Pension scheme contributions	84	127	27
	1,266	2,884	2,877

(a) Independent non-executive directors

There were no fees or other emoluments payable to the independent non-executive directors during the Relevant Periods.

(b) Executive directors and the chief executive

Year ended 31 December 2018

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. He Huishan	—	372	—	32	404
Ms. He Huifen	—	474	193	32	699
Ms. He Huifang	—	143	—	20	163
	—	989	193	84	1,266

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (CONTINUED)

(b) Executive directors and the chief executive (Continued)

Year ended 31 December 2019

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. He Huishan	—	681	—	35	716
Ms. He Huifen.	—	766	249	38	1,053
Ms. He Huifang	—	235	—	22	257
Mr. Lao Hansheng	—	746	80	32	858
	—	2,428	329	127	2,884

Year ended 31 December 2020

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total remuneration
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors:					
Mr. He Huishan	—	700	—	3	703
Ms. He Huifen.	—	872	4	3	879
Ms. He Huifang	—	230	—	2	232
Mr. Lao Hansheng	—	993	51	19	1,063
	—	2,795	55	27	2,877

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the Relevant Periods included 1, 2 and 3 directors and the chief executive, respectively, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining 4, 3 and 2 highest paid employees, respectively, who are neither a director nor chief executive of the Group during the Relevant Periods, are as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Salaries, allowances and benefits in kind	2,198	2,817	1,619
Pension scheme contributions	128	105	5
	2,326	2,922	1,624

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

	Year ended 31 December		
	2018	**2019**	**2020**
Nil to HK$1,000,000	4	2	2
HK$1,000,000~HK$2,000,000	—	1	—
	4	3	2

During the Relevant Periods, no emoluments were paid by the Group to the five highest paid employee as an inducement to join or upon joining the Group. None of the five highest paid employee have waived any remuneration during the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

10. INCOME TAX

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

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of the Cayman Islands and accordingly is not subject to income tax from business carried out in the Cayman Islands.

Lingnan Education Investment Limited, the Company's directly held subsidiary, was incorporated in the BVI as an exempted company with limited liability under the BVI Companies Act and accordingly is not subject to income tax from business carried out in the BVI.

South China Vocational Education Group (Hong Kong) Limited, a subsidiary incorporated in Hong Kong, has been subject to income tax at the rate of 16.5% on the estimated assessable profits arising in Hong Kong since the date of its incorporation. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the Relevant Periods.

According to the Implementation Rules for the Law for Promoting Private Education (the "Implementation Rules"), private schools, for which the sponsors whether require reasonable returns or not, may enjoy preferential tax treatments. Private schools for which the sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing academic qualification education are eligible to enjoy income tax exemption treatment if the sponsors of such schools do not require reasonable returns.

The sponsor of Lingnan Institute of Technology does not require reasonable returns. However, in accordance with the historical tax returns filed with and tax credit reference certificate obtained from the relevant tax authorities, Lingnan Institute of Technology has applied corporate income tax ("CIT") at a rate of 25% on the taxable income during the Relevant Periods and treated the academic education income as non taxable income in the years ended 31 December 2019 and 2020.

The Implementation Rules provide that the relevant authorities under the State Council may introduce preferential tax treatments and related policies applicable to private schools requiring reasonable returns. During the Relevant Periods, no separate policies, regulations or rules have been introduced by the authorities in this regard.

It is not explicitly stated that whether the sponsor of Lingnan Modern Technician College requires reasonable returns in the article of school. In accordance with the historical tax returns filed with and tax credit reference certificate obtained from the relevant tax authorities, Lingnan Modern Technician College has applied CIT at a rate of 25% on the taxable income during the Relevant Periods and treated the academic education income as non taxable income in the years ended 31 December 2019 and 2020.

Pursuant to the PRC CIT Law and the respective regulations, the Group's non-school subsidiaries which operate in Mainland China are generally subject to CIT at a rate of 25% on the taxable income during the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

10. INCOME TAX (CONTINUED)

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates. The major components of income tax expense of the Group are as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Current — Mainland China			
Charge for the year	12,415	5,829	4,989
Total tax charge for the year from continuing operations	12,415	5,829	4,989
Total tax charge for the year from discontinued operations	2,868	—	—
	15,283	5,829	4,989

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

	Year ended 31 December					
	2018		2019		2020	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax from continuing operations	149,445		160,654		175,490	
Profit before tax from discontinued operations	1,403		—		—	
	150,848		160,654		175,490	
Tax at the statutory tax rate	37,712	25.0	40,164	25.0	43,872	25.0
Income not subject to tax*	(24,794)	(16.4)	(35,494)	(22.1)	(39,296)	(22.4)
Expenses not deductible for tax	2,029	1.3	542	0.3	399	0.2
Losses attributable to associates	336	0.2	—	—	—	—
Tax losses not recognized	—	—	617	0.4	14	—
Tax charge at the Group's effective rate	15,283	10.1	5,829	3.6	4,989	2.8
Tax charge from continuing operations at the effective rate	12,415	8.3	5,829	3.6	4,989	2.8
Tax charge from discontinued operations at the effective rate	2,868	204.4	—	—	—	—

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

10. INCOME TAX (CONTINUED)

* As disclosed above, the academic education income was treated as taxable income for the year ended 31 December 2018 but as non taxable income for the years ended 31 December 2019 and 2020. Temporary differences arising from the academic education income at 31 December 2018, 2019 and 2020 between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes were RMB99,176,000, nil and nil, respectively. Management, based on their judgement and assessment, expected that the temporary differences arising from academic education income would be non taxable and hence, no deferred tax liabilities in this respect was provided at the end of each of the Relevant Periods.

The share of tax attributable to associates for the years ended 31 December 2018, 2019 and 2020 amounting to RMB1,343,000, nil and nil, respectively, is included in "Share of losses of associates" in the consolidated statements of profit or loss and other comprehensive income.

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

As at 31 December 2018, 2019 and 2020, no deferred tax has been recognized for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the Directors, the Group's earnings as of 31 December 2020 will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 31 December 2018, 2019 and 2020, the aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognized totalled approximately RMB434,887,000, RMB526,998,000 and RMB650,578,000, respectively.

As at 31 December 2018, 2019 and 2020, the Group had no material unused tax losses arising from subsidiaries now comprising the Group in Mainland China for offsetting against future taxable profits.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

11. DISCONTINUED OPERATIONS

In 2018, the Company announced the decision of its board of directors to dispose of Guangzhou Tianhe Lingnan International Kindergarten (廣州市天河區嶺南中英文幼兒園, "Lingnan International Kindergarten"), Guangzhou Tianhe Lingnan International School (廣州市天河區嶺南中英文學校, "Lingnan International School"), Guangzhou Lingzhong Incubation Management Co., Ltd. (廣州嶺眾孵化園管理有限公司), Guangzhou Haige Meina Film Production Co., Ltd. (廣州海格梅納影視製作有限公司), Guangzhou Lingnan Human Resources Services Co., Ltd. (廣州市嶺南人力資源服務有限公司) and Guangzhou Lingyi Education Technology Co., Ltd. (廣州嶺藝教育科技有限公司) (the "Discontinued operations"). Except for Lingnan International Kindergarten and Lingnan International School, the other discontinued operations did not have any substantial business or were dormant before the disposal. Lingnan International Kindergarten and Lingnan International School mainly engage in provision of kindergarten through sixth grade education ("K-12 education") services. The Group has decided to exclude the K-12 education services from the Listing Business because it plans to focus its resources on provision of higher vocational education.

The disposal of the Discontinued operations have been completed by 30 September 2018, resulting a net gain on disposal of the Discontinued operations of RMB428,000 and the related income taxes of RMB2,283,000, respectively. Further details of disposal of subsidiaries are included in note 29 to the Historical Financial Information.

The results of the Discontinued operations for the year ended 31 December 2018 is presented below:

	Year ended 31 December
	2018
	RMB'000
Revenue	21,787
Cost of sales	(13,752)
Other income and gains	1,276
Other expenses	(7,908)
Profit before tax from the discontinued operations	1,403
Income tax:	
Related to pre-tax profit	(585)
Related to gain on disposal	(2,283)
Loss from the discontinued operations	(1,465)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

11. DISCONTINUED OPERATIONS (CONTINUED)

The net cash flows incurred by the Discontinued operations for the year ended 31 December 2018 is as follow:

	Year ended 31 December 2018 RMB'000
Operating activities	13,961
Investing activities	(20,922)
Financing activities	1,800
Net cash outflow	(5,161)

12. DIVIDENDS

No dividend has been paid or declared by the Company since the date of its incorporation.

Dividends of RMB21,382,000 in aggregate have been declared and paid by a subsidiary now comprising the Group during the year ended 31 December 2019.

13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the basis of presentation of the results of the Group for the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14. PROPERTY, PLANT AND EQUIPMENT

	Property and buildings	Education equipment	Motor vehicles	Furniture and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018							
At 1 January 2018:							
Cost	507,881	139,311	10,425	121,070	48,334	38,125	865,146
Accumulated depreciation	(31,627)	(102,387)	(7,518)	(62,289)	(11,897)	—	(215,718)
Net carrying amount . .	476,254	36,924	2,907	58,781	36,437	38,125	649,428
At 1 January 2018, net of accumulated depreciation	476,254	36,924	2,907	58,781	36,437	38,125	649,428
Additions	—	7,778	448	17,327	10,596	142,397	178,546
Disposals	(491)	(26)	(4)	(51)	—	—	(572)
Disposal of subsidiaries (note 29)	(3,027)	(2,948)	(1,218)	(5,329)	—	—	(12,522)
Transfers	78,202	—	—	243	—	(78,445)	—
Transfer to right-of-use assets (note 16) . . .	—	—	—	—	—	(1,323)	(1,323)
Depreciation provided during the year . . .	(9,956)	(9,036)	(302)	(10,141)	(2,571)	—	(32,006)
At 31 December 2018, net of accumulated depreciation	540,982	32,692	1,831	60,830	44,462	100,754	781,551
At 31 December 2018:							
Cost	574,084	142,129	9,127	121,212	58,930	100,754	1,006,236
Accumulated depreciation	(33,102)	(109,437)	(7,296)	(60,382)	(14,468)	—	(224,685)
Net carrying amount . .	540,982	32,692	1,831	60,830	44,462	100,754	781,551

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Property and buildings	Education equipment	Motor vehicles	Furniture and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019							
At 1 January 2019:							
Cost	574,084	142,129	9,127	121,212	58,930	100,754	1,006,236
Accumulated depreciation	(33,102)	(109,437)	(7,296)	(60,382)	(14,468)	—	(224,685)
Net carrying amount	540,982	32,692	1,831	60,830	44,462	100,754	781,551
At 1 January 2019, net of accumulated depreciation	540,982	32,692	1,831	60,830	44,462	100,754	781,551
Additions	—	7,247	1,273	18,752	8,597	187,318	223,187
Disposals	—	(1)	(85)	(87)	—	—	(173)
Transfer to investment properties (note 15)	(11,655)	—	—	—	—	—	(11,655)
Transfers	79,886	—	—	1,577	594	(82,057)	—
Depreciation provided during the year (note 6)	(11,330)	(9,050)	(302)	(10,555)	(3,650)	—	(34,887)
At 31 December 2019, net of accumulated depreciation	597,883	30,888	2,717	70,517	50,003	206,015	958,023
At 31 December 2019:							
Cost	642,315	149,337	8,371	138,664	68,121	206,015	1,212,823
Accumulated depreciation	(44,432)	(118,449)	(5,654)	(68,147)	(18,118)	—	(254,800)
Net carrying amount	597,883	30,888	2,717	70,517	50,003	206,015	958,023

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Property and buildings	Education equipment	Motor vehicles	Furniture and other equipment	Leasehold improvements	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2020							
At 1 January 2020:							
Cost	642,315	149,337	8,371	138,664	68,121	206,015	1,212,823
Accumulated depreciation	(44,432)	(118,449)	(5,654)	(68,147)	(18,118)	—	(254,800)
Net carrying amount	597,883	30,888	2,717	70,517	50,003	206,015	958,023
At 1 January 2020, net of accumulated depreciation	597,883	30,888	2,717	70,517	50,003	206,015	958,023
Additions	—	16,405	63	15,202	9,578	59,727	100,975
Disposals	—	(11)	(31)	(823)	—	—	(865)
Disposal of subsidiaries (note 29)	—	—	—	(34)	—	—	(34)
Transfers	171,705	—	—	1,718	—	(173,423)	—
Depreciation provided during the year (note 6)	(12,743)	(9,415)	(374)	(12,090)	(4,348)	—	(38,970)
At 31 December 2020, net of accumulated depreciation	756,845	37,867	2,375	74,490	55,233	92,319	1,019,129
At 31 December 2020:							
Cost	814,020	165,484	7,360	146,713	77,699	92,319	1,303,595
Accumulated depreciation	(57,175)	(127,617)	(4,985)	(72,223)	(22,466)	—	(284,466)
Net carrying amount	756,845	37,867	2,375	74,490	55,233	92,319	1,019,129

The Group's buildings are situated in Mainland China.

As at 31 December 2018, 2019 and 2020, certificates of ownership in respect of certain buildings of the Group located in Qingyuan city, Guangdong province, the PRC, with total net carrying amounts of approximately RMB400,146,000, RMB221,038,000 and RMB218,204,000, respectively, have not yet been issued by the relevant PRC authorities. As at the end of the Relevant Periods, the Directors were still in the process of obtaining these certificates. In the opinion of the Directors, there is no major barrier for the Group to obtain the property ownership certificates.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2018, 2019 and 2020, certain of the Group's buildings with net carrying amounts of approximately RMB187,679,000, RMB183,896,000 and nil, respectively, were pledged to secure bank and other borrowings granted to the Group (note 25).

Capitalized borrowing costs

Additions to property, plant and equipment during the Relevant Periods included interest capitalized amounting to RMB21,098,000, RMB26,299,000 and RMB27,130,000 for the years ended 31 December 2018, 2019 and 2020, respectively, in respect of specific bank and other borrowings.

15. INVESTMENT PROPERTIES

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year	75,919	71,707	77,636
Transfer from owner-occupied properties (note 14)	—	11,655	—
Transfer from right-of-use assets (note 16)	1,417	—	—
Depreciation provided during the year (note 6)	(5,629)	(5,726)	(5,488)
Carrying amount at end of year	71,707	77,636	72,148
Carrying amount at end of year			
Cost	99,428	109,466	109,466
Accumulated depreciation	(27,721)	(31,830)	(37,318)
Net carrying amount	71,707	77,636	72,148

As at 31 December 2018, 2019 and 2020, the fair values of the investment properties were estimated to be approximately RMB179,700,000, RMB180,500,000 and RMB166,600,000, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

15. INVESTMENT PROPERTIES (CONTINUED)

The valuation was performed by an independent professionally qualified valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Selection criteria of the external valuer include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed. The valuation was determined using the income approach, discounted cash flow method. The most significant input into this valuation approach is estimated rental value, rental growth, vacancy rate and discount rate. The fair value measurement hierarchy of the investment property requires certain significant unobservable inputs (Level 3).

As at 31 December 2018, 2019 and 2020, certificates of ownership in respect of certain investment properties of the Group located in Qingyuan city, Guangdong province, the PRC, with total net carrying amounts of approximately RMB12,427,000, RMB19,861,000 and nil, respectively, have not yet been issued by the relevant PRC authorities.

As at 31 December 2018, 2019 and 2020, certain of the Group's investment properties with net carrying amounts of approximately RMB8,460,000, RMB8,288,000 and nil, respectively, were pledged to secure bank and other borrowings granted to the Group (note 25).

The investment properties are leased to related parties and third parties under operating leases, further summary details of which are included in note 16 to the Historical Financial Information.

16. LEASES

The Group as a lessee

The Group has lease contracts for property and buildings used in its operations.

Lump sum payments were made upfront to acquire certain land use rights from the government with lease periods of 50 years, and no ongoing payments will be made under the terms of these land leases. The certain land use rights are amortized on a straight-line basis over lease terms as stated in the relevant land use right certificates.

Leases of other leased lands and buildings generally have lease terms between 3 to 37 years.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

16. LEASES (CONTINUED)

The Group as a lessee (Continued)

(a) Right-of-use assets

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

	Leasehold land	Buildings	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2018			
As at 1 January 2018	259,116	275,286	534,402
Transfer from owner-occupied properties (note 14)	—	1,323	1,323
Transfer to investment properties (note 15)	—	(1,417)	(1,417)
Depreciation charge (note 6)	(10,316)	(23,085)	(33,401)
As at 31 December 2018	248,800	252,107	500,907
As at 31 December 2019			
As at 1 January 2019	248,800	252,107	500,907
Depreciation charge (note 6)	(9,728)	(22,777)	(32,505)
As at 31 December 2019	239,072	229,330	468,402
As at 31 December 2020			
As at 1 January 2020	239,072	229,330	468,402
Depreciation charge (note 6)	(8,553)	(22,263)	(30,816)
As at 31 December 2020	230,519	207,067	437,586

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

16. LEASES (CONTINUED)

The Group as a lessee (Continued)

(b) Lease liabilities

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

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Carrying amount at beginning of year	195,066	178,005	160,427
Accretion of interest recognized during the year	14,629	13,254	11,922
Payments	(31,690)	(30,832)	(32,547)
Carrying amount at end of year	178,005	160,427	139,802
Analyzed into:			
Current portion	29,590	27,714	22,877
Non-current portion	148,415	132,713	116,925

The maturity analysis of lease liabilities is disclosed in note 37 to the Historical Financial Information.

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

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Interest on lease liabilities	14,629	13,254	11,922
Depreciation charge of right-of-use assets	33,401	32,505	30,816
Expense relating to short-term leases (included in cost of sales)	–	1,816	3,065
Total amount recognized in profit or loss	48,030	47,575	45,803

(d) The total cash outflow for leases are disclosed in notes 30(b) to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

16. LEASES (CONTINUED)

The Group as a lessor

The Group leases its investment properties, consisting certain portion of buildings held by the Group as the owner and as the lessee of right-of-use assets under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognized by the Group for the year ended 31 December 2018, 2019 and 2020 were RMB48,551,000, RMB54,875,000, and RMB56,008,000, respectively, details of which are included in note 5 to the Historical Financial Information.

As at the end of each of the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within one year	48,069	38,429	55,862
After one year but within two years	31,070	7,958	53,672
After two years but within three years	6,242	7,476	36,963
After three years but within four years	5,835	5,243	1,815
After four years but within five years	3,623	1,610	1,811
After five years	—	9,025	6,670
	94,839	69,741	156,793

17. OTHER INTANGIBLE ASSETS

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Software			
At beginning of year			
Cost	33,812	34,533	34,945
Accumulated amortization	(28,997)	(30,291)	(31,527)
Net carrying amount	4,815	4,242	3,418
Cost at beginning of year, net of accumulated amortization	4,815	4,242	3,418
Additions	721	412	5,678
Amortization provided during the year (note 6)	(1,294)	(1,236)	(1,215)
At end of year	4,242	3,418	7,881

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

17. OTHER INTANGIBLE ASSETS (CONTINUED)

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At end of year			
Cost	34,533	34,945	40,623
Accumulated amortization	(30,291)	(31,527)	(32,742)
Net carrying amount	4,242	3,418	7,881

18. INVESTMENTS IN ASSOCIATES

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Share of net assets	—	—	—

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Share of the associates' losses for the year	(1,343)	—	—
Share of the associates' total comprehensive losses for the year	(1,343)	—	—
Aggregate carrying amount of the Group's investments in the associates	—	—	—

In 2018, the Company announced the decision of its board of directors to dispose of Guangzhou Lingnan Ivy Education Investment Co., Ltd., Guangzhou Lingyi Investment Partnership (limited partnership), Guangzhou Lingyu Investment Partnership (limited partnership) and Qingyuan Lingnan Driving School Co., Ltd. to a third party. These associates mainly engage in provision of non-Listing Business. The Group has decided to cease the investments into these associates because it plans to focus its resources on provision of private higher vocational education.

The disposal of the associates have been completed by December 2018, resulting a gain on disposal of the associates of RMB6,219,000 and the related income tax was nil as the associates were disposed of at the consideration of the original investment costs of RMB7,560,000.

The Group's investments in the associates have been accounted for using the equity method in the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

19. CONTRACT COSTS

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Non-current assets	2,704	6,159	4,278
Current assets	2,619	5,523	5,702
	5,323	11,682	9,980

Contract costs capitalized related to the incremental commission fees paid to agents for successful referral of students entering into contracts for the tuition services. Contract costs are recognized as part of the selling expenses in the consolidated statements of profit or loss and other comprehensive income in the period in which revenue from the related tuition services is recognized.

The amount of capitalized contract costs recognized in profit or loss during the years ended 31 December 2018, 2019 and 2020 were RMB1,925,000, RMB4,180,000 and RMB6,235,000, respectively. There was no impairment in relation to the capitalized contract costs during the Relevant Periods.

The contract costs are amortized over the duration of the tuition programmes for 3 years.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Notes	As at 31 December		
		2018	2019	2020
		RMB'000	RMB'000	RMB'000
Loans to third parties		3,000	3,000	—
Prepaid expenses		1,277	1,548	860
Advances to employees		2,500	1,905	883
Deposits		1,821	1,408	1,357
Listing expenses	(a)	1,713	1,713	6,906
Rental receivables		1,841	2,536	2,607
Receivable for disposal of subsidiaries	29	7,000	7,000	—
Receivable for disposal of associates		7,560	7,560	—
Other receivables		28,454	19,777	2,057
		55,166	46,447	14,670

(a) The listing expenses represented the capitalized expenses incurred during the initial public offering process and are expected be deducted from equity after the listing of the Company.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (CONTINUED)

Where applicable, an impairment analysis is performed for financial assets included in prepayments, other receivables and other assets at end of each of the Relevant Periods by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The financial assets included in the above balances were categorized in stage 1 at the end of each of the Relevant Periods. In calculating the expected credit loss rate, the Group considers the historical loss rate and adjusts for forward-looking macroeconomic data.

As at the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

21. ACCOUNTS RECEIVABLE

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Tuition fee and boarding fees receivables	3,460	6,060	7,269
Impairment	—	—	(101)
	3,460	6,060	7,168

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

21. ACCOUNTS RECEIVABLE (CONTINUED)

An ageing analysis of the accounts receivable 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 one year	3,076	5,535	7,117
One to two years	87	141	11
Two to three years	297	87	9
Over three years	—	297	31
	3,460	6,060	7,168

The movements in the loss allowance for impairment of accounts receivable are as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At beginning of year	—	—	—
Impairment losses (note 6)	—	—	536
Amount written off as uncollectible	—	—	(435)
At end of year	—	—	101

An impairment analysis is performed at the end of each of the Relevant Periods using a provision matrix to measure expected credit losses. The expected credit loss rates are determined into four categories, and the management groups the student with similar loss patterns into one of the categories. When grouping the students, the assessment adopted by the management is based on several factors, such as days past due, geographical region, performance and behavior of the students, students' family financial status and continued education service relationship with the students. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off after one year of the graduation of the specific students and are not subject to enforcement activity.

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all accounts receivable. The Group overall considers the credit risk and days past due of the accounts receivable to measure the expected credit losses.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

21. ACCOUNTS RECEIVABLE (CONTINUED)

The expected credit loss for accounts receivable is minimal for years ended 31 December 2018 and 2019.

Set out below is the information about the credit risk exposure on the Group's accounts receivable using a provision matrix:

		As at 31 December					
		2018	2018	2019	2019	2020	2020
	Expected credit loss rate	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses	Gross carrying amount	Expected credit losses
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Category 1	0	3,460	—	6,060	—	7,148	—
Category 2	50	—	—	—	—	—	—
Category 3	75	—	—	—	—	82	62
Category 4	100	—	—	—	—	39	39
		3,460	—	6,060	—	7,269	101

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

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Other unlisted investments, at fair value			
Wealth management products	60,181	45,260	20,190

Financial assets at fair value through profit or loss were wealth management products issued by banks in Mainland China with guaranteed principal under floating returns. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest. The wealth management products were denominated in RMB and have maturity within three months and expected coupon rates ranging from 2.30% to 3.50% per annum.

None of these investments are past due as at the end of each of the Relevant Periods. The fair values are based on cash flow discounted using the expected return based on management judgement and are within categorised level 2 of fair value hierarchy.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

23. CASH AND CASH EQUIVALENTS

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Cash and bank balances	131,048	167,836	268,446
Time deposits	—	19,000	20,000
Cash and cash equivalents	131,048	186,836	288,446
Denominated in:			
RMB	131,048	186,836	288,165
US$	—	—	281

At the end of each of the Relevant Periods, the cash and bank balances of the Group denominated in RMB amounted to RMB131,048,000, RMB186,836,000 and RMB288,165,000 respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorized to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and seven days depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

At the end of each of the Relevant Periods, the provisions for impairment of cash and cash equivalents were assessed to be immaterial based on 12-month ECLs.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

24. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Payables of salary	14,926	19,206	12,242
Payables of social insurance and housing fund	21,567	23,943	23,445
Payables of scholarship	10,598	12,261	10,946
Payables for purchase of property, plant and equipment	87,316	66,507	51,503
Payables of cooperative education fees	1,234	3,179	3,633
Other tax payables	3,530	6,003	4,202
Withholding tax payables (note (a))	—	—	15,120
Deposit payables	3,173	4,958	6,702
Miscellaneous advances received from students (note (b))	13,443	12,866	17,915
Payables for listing expense	2,493	1,399	7,068
Other payables and accruals	10,980	12,726	12,280
	169,260	163,048	165,056

Other payables and accruals are non-interest-bearing and expected to be settled within one year.

Note (a) On 1 January 2020, Lingnan Education entered into a school sponsor's interest transfer agreement with Ms. He Huifen, pursuant to which Lingnan Education acquired 30% school sponsor's interest of Ms. He Huifen in Lingnan Modern Technician College at a consideration of RMB77,401,000 (note 33(b)), the Group has obligation to settle related taxes amounting to RMB15,120,000 which would be borne by the Ms. He Huifen. Upon approvals from the relevant government authorities, Lingnan Education became the sole school sponsor of Lingnan Modern Technician College on 6 November 2020.

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

25. INTEREST-BEARING BANK AND OTHER BORROWINGS

	As at 31 December 2018			As at 31 December 2019			As at 31 December 2020		
	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000	Effective interest rate (%)	Maturity	RMB'000
Current									
Current portion of long term bank loans – unsecured. . . .	5.46	2019	12,200	5.23	2020	2,000	–	–	–
Current portion of long term bank loans – secured.	5.15	2019	10,815	5.15~5.49	2020	47,915	5.15~5.49	2021	77,915
Current portion of long term other borrowings – unsecured	–	–	–	–	–	–	8.51	2021	10,000
Current portion of long term other borrowings – secured. .	5.84~8.51	2019	39,294	5.84~8.51	2020	39,294	5.84	2021	9,294
			62,309			89,209			97,209
Non-current									
Bank loans – unsecured	–	–	–	5.23	2021	6,000	–	–	–
Bank loans – secured.	5.15~5.49	2020~2026	166,569	5.15~5.49	2021~2026	274,851	5.15~5.49	2022~2026	212,756
Other borrowings – unsecured .	–	–	–	–	–	–	8.51	2022	12,500
Other borrowings – secured. . .	5.84~8.51	2020~2025	128,420	5.84~8.51	2021~2025	89,127	5.84	2022~2025	57,332
			294,989			369,978			282,588
			357,298			459,187			379,797

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Analyzed into:			
Bank loans repayable:			
Within one year.	23,015	49,915	77,915
In the second year	48,815	74,815	78,815
In the third to fifth years, inclusive.	88,445	206,036	133,941
Beyond five years	29,309	—	—
	189,584	330,766	290,671
Other borrowings repayable:			
Within one year.	39,294	39,294	19,294
In the second year	39,294	29,294	26,768
In the third to fifth years, inclusive.	65,332	45,307	43,064
Beyond five years	23,794	14,526	—
	167,714	128,421	89,126
	357,298	459,187	379,797

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

25. INTEREST-BEARING BANK AND OTHER BORROWINGS (CONTINUED)

Notes:

All of the Group's bank and other borrowings and interest accruals are denominated in RMB.

(a) During the Relevant Periods, certain of the Group's bank and other borrowings were secured by mortgages over certain of the Group's buildings situated in Mainland China, which had a net carrying values of RMB187,679,000, RMB183,896,000 and nil as at 31 December 2018, 2019 and 2020, respectively (note 14).

(b) During the Relevant Periods, certain of the Group's bank and other borrowings were secured by mortgages over certain of the Group's investment properties situated in Mainland China, which had a net carrying values of RMB8,460,000, RMB8,288,000 and nil as at 31 December 2018, 2019 and 2020, respectively (note 15).

(c) As at 31 December 2018, 2019 and 2020, an other borrowing with carrying amounts of RMB82,500,000, RMB52,500,000 and nil, respectively, was secured by the tuition fee charging right of the Lingnan International School and Lingnan International Kindergarten at no cost. These schools were subsidiaries before 1 October 2018 and related parties since 1 October 2018.

(d) As at 31 December 2018, 2019 and 2020, certain bank and other borrowings with carrying amounts of RMB262,598,000, RMB398,687,000 and RMB357,297,000, respectively, was secured by the tuition fee charging right of Lingnan Institute of Technology.

(e) The Group's bank and other borrowings are also guaranteed by certain related parties at no cost. The guarantee amounts provided by the related parties as at 31 December 2018, 2019 and 2020 are as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Mr. He Huishan and Ms. Zhou Lanqing	94,236	60,107	22,177
Mr. He Huishan, Ms. Zhou Lanqing and Lingnan International School	227,062	216,882	182,703
Lingnan International School	36,000	182,198	174,917
	357,298	459,187	379,797

The relationships with these related parties are set out in note 33 to the Historical Financial Information. All the aforesaid guarantees/pledges provided to the Group by the directors or their respective close associates will be released before the date of listing.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

26. DEFERRED INCOME

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Government grants			
At beginning of year	98,424	97,411	98,349
Grants received	6,493	8,159	12,823
Released to profit or loss	(7,399)	(7,221)	(7,545)
Deferred income included in the discontinued operations (note 29)	(107)	—	—
At end of year	97,411	98,349	103,627
Current	3,134	3,661	4,846
Non-current	94,277	94,688	98,781
	97,411	98,349	103,627

These government grants are related to the subsidies received from the local government for the purpose of compensating the operating expenses arising from the teaching activities of Group's schools and expenditures on certain pieces of leasehold land and teaching facilities. Upon completion of the operating activities and the related projects, the grants related to the expense items would be recognized as other income directly in profit or loss and the grants related to an asset would be released to profit or loss over the expected useful life of the relevant asset.

27. SHARE CAPITAL

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Issued	—	—	9

A summary of movements in the Company's share capital is as follows:

	Notes	Number of shares in issue	Share capital
			RMB'000
At 1 January 2018		—	—
Shares issued	(a)	3	—
At 31 December 2018, 31 December 2019 and 1 January 2020		3	—
Shares issued	(b)	999,997	9
At 31 December 2020		1,000,000	9

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

27. SHARE CAPITAL (CONTINUED)

(a) The Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability on 15 August 2018 with an authorized share capital of HK$380,000 divided into 38,000,000 shares with par value of HK$0.01 each, of which 1, 1, and 1 shares were issued and allotted to Zhihui Guang Limited ("Zhihui Guang"), China Foreign Education Limited ("China Foreign Education") and Fangyuan International Education Investment Limited ("Fangyuan Education"), respectively, credited as fully paid. Zhihui Guang, China Foreign Education and Fangyuan Education are companies incorporated in the BVI and controlled by Mr. He Huishan and Ms. Zhou Lanqing, Ms. He Huifen, and Ms. He Huifang, respectively.

(b) On 15 October 2020, the Company issued and allotted a total of 999,997 shares for a consideration at par value of HK$0.01, 569,999 shares of which to Zhihui Guang, 189,999 shares of which to China Foreign Education, 189,999 shares to Fangyuan Education and 50,000 shares of which to Good Booming Limited. Good Booming Limited is a company incorporated in the BVI and controlled by Mr. He Huishan.

28. RESERVES

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statement of changes in equity of this report. The relevant notes to certain movements of the Group's equity during the Relevant Periods are included below:

(a) Capital reserve

The capital reserve of the Group represents the capital contribution from the then equity holders of the Group's subsidiaries, after elimination of investments in the subsidiaries. The decrease during the Relevant Periods represented the deemed distribution to Ms. He Huifen, director and shareholder of the Company, arising from the acquisition of non-controlling interests of a subsidiary pursuant to the Reorganization.

(b) Statutory and other surplus reserves

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

28. RESERVES (CONTINUED)

(b) **Statutory and other surplus reserves (Continued)**

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

29. DISPOSAL OF SUBSIDIARIES

31 December 2018

The Discontinued operations (defined in note 11) was disposed of on 30 September 2018:

	Notes	RMB'000
Net assets disposed of:		
Property, plant and equipment	14	12,522
Prepayments, other receivables and other assets		5,000
Prepayment for non-current asset		60
Financial assets at fair value through profit or loss		16,720
Cash and cash equivalents		16,113
Amounts due from related parties		14,500
Deferred income	26	(107)
Contract liabilities		(12,383)
Tax payable		(3,309)
Other payables and accruals		(22,603)
		26,513
Gain on disposal of subsidiaries	5	428
		26,941
Satisfied by:		
Cash		26,941

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

29. DISPOSAL OF SUBSIDIARIES (CONTINUED)

31 December 2018 (Continued)

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	Note	RMB'000
Cash consideration		26,941
Amounts due from directors	33(b)	(19,941)
Receivable for disposal of subsidiaries		(7,000)
Cash and bank balances disposed of		(16,113)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries		(16,113)

31 December 2020

In 2019, Lingnan WFOE has set up several companies, Guangzhou Lingchuang E-commerce Technology Co., Ltd. (廣州嶺創電商科技有限公司), Guangzhou Lingxian Venture Incubator Co., Ltd. (廣州嶺先創業孵化器有限公司), Guangzhou Linghang Education Technology Development Co., Ltd. (廣州嶺航教育科技發展有限公司), under the laws of the PRC in the preparation of business opportunities that did not materialize. In order to focus the resources on the Listing Business, these relevant entities were disposed of as at 1 January 2020.

	Notes	RMB'000
Net assets disposed of:		
Property, plant and equipment	14	34
Prepayments, other receivables and other assets		144
Cash and cash equivalents		2,156
Other payables and accruals		(3,797)
		(1,463)
Gain on disposal of subsidiaries	5	2,463
		1,000
Satisfied by:		
Cash		1,000

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	RMB'000
Cash consideration	1,000
Cash and bank balances disposed of	(2,156)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	(1,156)

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

30. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Changes in liabilities arising from financial activities:

Interest-bearing bank and other borrowings	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At beginning of year	371,365	357,298	459,187
Changes from financing cash flows	(15,810)	99,440	(82,131)
Interest expense	1,743	2,449	2,741
At end of year	357,298	459,187	379,797

Lease liabilities	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
At beginning of year	195,066	178,005	160,427
Interest expense	14,629	13,254	11,922
Changes from financing cash flows			
– Principal portion of lease payments	(17,061)	(17,578)	(20,625)
– Interest paid	(14,629)	(13,254)	(11,922)
At end of year	178,005	160,427	139,802

(b) Total cash outflow for leases

The total cash outflow for leases included in the consolidated statement of cash flows is as follows:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Within operating activities	—	1,816	3,065
Within financing activities	31,690	30,832	32,547
	31,690	32,648	35,612

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

31. CONTINGENT LIABILITIES

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

32. COMMITMENTS

The 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:			
Property, plant and equipment	160,829	22,259	24,994

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

33. RELATED PARTY TRANSACTIONS

The Directors are of the view that the following individuals/companies are related parties that had material transactions or balances with the Group during the Relevant Periods.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Name and relationship of related parties

Name	Relationship
Mr. He Huishan (賀惠山)	Director of the Company and one of the shareholders
Ms. Zhou Lanqing (周蘭慶)	Spouse of Mr. He Huishan and one of the shareholders
Ms. He Huifen (賀惠芬)	Director of the Company, one of the shareholders and sister of Mr. He Huishan and Ms. He Huifang
Ms. He Huifang (賀惠芳)	Director of the Company, one of the shareholders and sister of Mr. He Huishan and Ms. He Huifen
Mr. Du Wenyu (杜文宇)	Spouse of Ms. He Huifang
Mr. Han Liqing (韓利慶)	Spouse of Ms. He Huifen
Guangzhou Lingnan Tongwen Education Investment Management Co., Ltd.* (廣州嶺南同文教育投資管理有限公司, "Tongwen Investment")	A limited liability company indirectly owned by Ms. He Huifen, Mr. Han Liqing, Ms. Zhou Lanqing and Ms. He Huifang
Guangzhou Lingnan Vocational Training School* (廣州市嶺南職業培訓學校, "Vocational Training School")	A school controlled by Ms. He Huifen
Guangzhoushi Huangpuqu Lingnan Shuyuan Academy Training Center* (廣州市黃埔區嶺南書院培訓中心, "Huangpu Training Center")	A company controlled by Mr. Du Wenyu
Guangzhou Lingnan Health Valley Investment Co., Ltd.* (廣州嶺南養生谷投資有限公司, "Health Valley")	A limited liability company controlled by Mr. He Huishan and Ms. Zhou Lanqing
Lingnan International Kindergarten	A former subsidiary of the Group and has become a school controlled by Mr. He Huishan since 1 October 2018
Lingnan International School	A former subsidiary of the Group and has become a school controlled by Ms. He Huifang since 1 October 2018

* The English names of these companies established in the PRC represent the best effort made by the Directors to translate the Chinese names as they have not been registered with any official English names.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in these Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Rental income			
Tongwen Investment	20,975	21,510	22,585
Health Valley	6,160	11,151	14,002
Vocational Training School	—	762	—
	27,135	33,423	36,587

The rental income were made according to the published prices and conditions offered to the other third party lessees of the Group.

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Brand licensing income			
Lingnan International School	377	1,646	2,007
Lingnan International Kindergarten	258	1,213	1,441
	635	2,859	3,448

The brand licensing income were received for the brand name used by Lingnan International School and Lingnan International Kindergarten. The fees were charged pursuant to the normal commercial terms in the agreements signed between the Group and Lingnan International School and Lingnan International Kindergarten, respectively.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) In addition to the transactions detailed elsewhere in these Historical Financial Information, the Group had the following transactions with related parties during the Relevant Periods: (Continued)

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Disposal of subsidiaries			
Mr. He Huishan	15,453	—	—
Ms. He Huifang	4,488	—	—
	19,941	—	—

On 30 September 2018, the Group disposed of 100% school sponsor's interests in Lingnan International Kindergarten and Lingnan International School to Mr. He Huishan and Ms. He Huifang, respectively. The considerations for the disposal were in form of cash amounting to RMB15,453,000 and RMB4,488,000, respectively, which were net assets of the subsidiaries as at the disposal date. Further details of disposal of subsidiaries are included in note 29 to the Historical Financial Information.

	Year ended 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Deemed distribution arising from acquisition of non-controlling interests of a subsidiary pursuant to the Reorganization			
Ms. He Huifen	—	—	77,401

On 1 January 2020, Lingnan Education entered into a school sponsor's interest transfer agreement with Ms. He Huifen, pursuant to which Lingnan Education acquired 30% school sponsor's interest of Ms. He Huifen in Lingnan Modern Technician College at a consideration of RMB77,401,000, which was determined after arm's length negotiations between the parties by reference to the equity appraisal report issued by Jones Lang LaSalle Corporate Appraisal and Advisory Limited. Upon approvals from the relevant government authorities on 6 November 2020, Lingnan Education became the sole school sponsor of Lingnan Modern Technician College.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties

As disclosed in the consolidated statements of financial position, the Group had outstanding balances due from/to related parties at 31 December 2018, 2019 and 2020 as follows:

Amounts due from related parties:

	As at 31 December		
Name	**2018**	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Tongwen Investment*	20,966	28,028	6,457
Health Valley*	3,206	16,016	14,007
Huangpu Training Center**	1,900	2,100	—
Vocational Training School**	303	303	—
Lingnan International School*	565	—	—
Lingnan International Kindergarten*	376	—	—
	27,316	46,447	20,464

* The amounts due from related parties were unsecured, interest-free and had no fixed terms of repayment. The amounts due from related parties were trade in nature, which caused by the transactions disclosed in note 33(b).

** The amounts due from related parties were unsecured, interest-free and had no fixed terms of repayment. The amounts due from related parties were non-trade in nature.

Amounts due from directors:

	As at 31 December		
Name	**2018**	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Mr. He Huishan	5,634	5,634	—
Ms. He Huifang	4,488	4,488	—
	10,122	10,122	—

The amounts due from the directors were unsecured, interest-free and had no fixed terms of repayment. The amounts due from directors were non-trade in nature and had been settled as at 31 December 2020.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Outstanding balances with related parties (Continued)

Amounts due to related parties:

	As at 31 December		
Name	**2018**	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Lingnan International Kindergarten	—	479	287
Lingnan International School	—	463	426
	—	942	713

The amounts due to related parties were unsecured, interest-free and had no fixed terms of repayment. The amounts due to related parties were trade in nature and were payment in advance of the brand licensing income (note 33(b)).

Amount due to a director:

	As at 31 December		
Name	**2018**	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Ms. He Huifen	—	—	62,281

The amount due to a director was unsecured, interest-free and had no fixed terms of repayment.

The amount due to Ms. He Huifen was the payable for the acquisition of 30% non-controlling interests of Lingnan Modern Technician College (note 33(b)) pursuant to the Reorganization, which were non-trade in nature. The amount due to Ms. He Huifen is expected to be settled prior to the date of listing.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

33. RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Other related party transactions

For interest-bearing bank and other borrowings secured or guaranteed by related parties, please refer to note 25 to the Historical Financial Information. All the aforesaid guarantees/pledges provided to the Group by the directors or their respective close associates will be released before the listing.

(e) Compensation of key management personnel of the Group:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	**RMB'000**	**RMB'000**
Salaries, allowances and benefits in kind	1,098	2,428	3,277
Performance related bonuses	193	329	76
Pension scheme contributions	99	127	27
	1,390	2,884	3,380

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

34. LOANS TO DIRECTORS

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

	As at 1 January 2018	As at 31 December 2018	Maximum amount outstanding during the year 2018	As at 31 December 2019	Maximum amount outstanding during the year 2019	As at 31 December 2020	Maximum amount outstanding during the year 2020
Name	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. He Huishan	—	5,634	5,634	5,634	5,634	—	5,634
Ms. He Huifang	—	4,488	4,488	4,488	4,488	—	4,488
	—	10,122	10,122	10,122	10,122	—	10,122

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

	As at 1 January 2018	As at 31 December 2018	Maximum amount outstanding during the year 2018	As at 31 December 2019	Maximum amount outstanding during the year 2019	As at 31 December 2020	Maximum amount outstanding during the year 2020
Name	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Health Valley	851	3,206	6,160	16,016	21,510	14,007	25,918
Huangpu Training Center	3,510	1,900	3,510	2,100	2,100	—	2,100
Vocational Training School	337	303	303	303	303	—	303
Lingnan International School	—	565	565	—	1,646	—	1,527
Lingnan International Kindergarten	—	376	376	—	1,213	—	2,007
	4,698	6,350	10,914	18,419	26,772	14,007	31,855

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

35. FINANCIAL INSTRUMENTS BY CATEGORY

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

As at 31 December 2018

Financial assets

	Financial assets at amortized costs	Financial assets at fair value through profit or loss — Mandatorily designated as such	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	49,676	—	49,676
Accounts receivable	3,460	—	3,460
Amounts due from directors	10,122	—	10,122
Amounts due from related parties	27,316	—	27,316
Financial assets at fair value through profit or loss	—	60,181	60,181
Cash and cash equivalents	131,048	—	131,048
	221,622	60,181	281,803

Financial liabilities

	Financial liabilities at amortized costs
	RMB'000
Financial liabilities included in other payables and accruals	105,196
Interest-bearing bank and other borrowings	357,298
Lease liabilities	178,005
	640,499

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

As at 31 December 2019

Financial assets

	Financial assets at amortized costs	Financial assets at fair value through profit or loss — Mandatorily designated as such	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	41,281	—	41,281
Accounts receivable	6,060	—	6,060
Amounts due from directors	10,122	—	10,122
Amounts due from related parties	46,447	—	46,447
Financial assets at fair value through profit or loss	—	45,260	45,260
Cash and cash equivalents	186,836	—	186,836
	290,746	45,260	336,006

Financial liabilities

	Financial liabilities at amortized costs
	RMB'000
Financial liabilities included in other payables and accruals	88,769
Interest-bearing bank and other borrowings	459,187
Lease liabilities	160,427
Amounts due to related parties	942
	709,325

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

35. FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

As at 31 December 2020

Financial assets

	Financial assets at amortized costs	Financial assets at fair value through profit or loss — Mandatorily designated as such	Total
	RMB'000	RMB'000	RMB'000
Financial assets included in prepayments, other receivables and other assets	6,021	—	6,021
Accounts receivable	7,168	—	7,168
Amounts due from related parties	20,464	—	20,464
Financial assets at fair value through profit or loss	—	20,190	20,190
Cash and cash equivalents	288,446	—	288,446
	322,099	20,190	342,289

Financial liabilities

	Financial liabilities at amortized costs
	RMB'000
Financial liabilities included in other payables and accruals	81,186
Interest-bearing bank and other borrowings	379,797
Lease liabilities	139,802
Amounts due to related parties	713
Amount due to a director	62,281
	663,779

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

As at 31 December 2018, 2019 and 2020, the fair values of the Group's financial assets and liabilities approximated to their respective carrying amounts.

Management has assessed that the fair values of cash and cash equivalents, accounts receivable, financial assets included in prepayments, other receivables and other assets, amounts due from related parties, amounts due from directors, financial liabilities included in other payables and accruals, the current portion of interest-bearing bank loans, amount due to a director and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The finance manager reports directly to the chief financial officer. At each reporting date, the finance department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the Directors twice a year.

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

The fair values of wealth management products have been estimated by discounting the expected future cash flows using rates currently available for instruments with similar terms. The valuation requires the Directors to make estimates about the expected future cash flows including expected future interest return on maturity of the wealth management products. The Directors believe that the estimated fair value resulting from the valuation technique, which are recorded in the consolidated statements of financial position, and the related changes in fair values, which are recorded in the consolidated statements of profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of each of the Relevant Periods.

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at the end of each of the Relevant Periods were assessed to be insignificant.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy

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

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	—	60,181	—	60,181

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	—	45,260	—	45,260

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Assets measured at fair value: (Continued)

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets at fair value through profit or loss	—	20,190	—	20,190

During the years ended 31 December 2018, 2019 and 2020, there were no transfers of fair value measurement between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

Liabilities for which fair values are disclosed:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion of interest-bearing bank and other borrowings	—	294,989	—	294,989

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

36. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (Continued)

Liabilities for which fair values are disclosed: (Continued)

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion of interest-bearing bank and other borrowings	—	369,978	—	369,978

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current portion of interest-bearing bank and other borrowings	—	282,588	—	282,588

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, lease liabilities, cash and cash equivalents and wealth management products. The main purpose of the financial instruments is to raise finance for the Group's operation. The Group has various other financial assets and liabilities such as accounts receivable, amounts due from/to related parties, amounts due from/to directors, financial assets included in prepayments, other receivables and other assets and financial liabilities included in other payables and accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The Group is not exposed to the cash flow interest rate risk as the interest-bearing bank and other borrowings are at fixed interest rates. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

Credit risk is the risk of loss due to the inability or unwillingness of a counterparty to meets its contractual obligation. The Group has no concentration of credit risk from third party debtors. The Group's maximum exposure to credit risk is the carrying amounts of cash and cash equivalents, accounts receivable, amounts due from related parties, amounts due from directors and financial assets included in prepayments, other receivables and other assets.

Cash and cash equivalents

As disclosed in note 23 to the Historical Financial Information, substantially all of the bank balances and time deposits are deposited with creditworthy banks with no recent history of default. The expected credit loss is close to zero.

Accounts receivable

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

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on financial situation and historical payment records for groupings of various student segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written-off after one year of the graduation of the specific students and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets disclosed in note 21 to the Historical Financial Information. The Group does not hold collateral as security.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Amounts due from related parties and amounts due from directors

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

Financial assets included in prepayments, other receivables and other assets

Financial assets included in prepayments, other receivables and other assets were mainly loans to third parties, rental receivables, deposits and other receivables. The Group considers the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group and whether there has been significant increase in credit risk on ongoing basis during the Relevant Periods. To assess whether there is a significant increase in credit risk the Group compares risk of a default occurring on the assets as the reporting date with the historical loss record. It considers available reasonable and supportive forward-looking information.

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

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

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging as at 31 December 2018, 2019 and 2020

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December 2018, 2019 and 2020. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2018					
Accounts receivable*	—	—	—	3,460	3,460
Financial assets included in prepayments, other receivables and other assets					
- Normal**	49,676	—	—	—	49,676
Amounts due from directors					
- Normal**	10,122	—	—	—	10,122
Amounts due from related parties					
- Normal**	27,316	—	—	—	27,316
Cash and cash equivalents					
- Not yet past due	131,048	—	—	—	131,048
	218,162	—	—	3,460	221,622

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk (Continued)

Maximum exposure and year-end staging as at 31 December 2018, 2019 and 2020 (Continued)

	12-month ECLs	Lifetime ECLs			
	Stage 1	Stage 2	Stage 3	Simplified approach	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
31 December 2019					
Accounts receivable*	—	—	—	6,060	6,060
Financial assets included in prepayments, other receivables and other assets					
- Normal**	41,281	—	—	—	41,281
Amounts due from directors					
- Normal**	10,122	—	—	—	10,122
Amounts due from related parties					
- Normal**	46,447	—	—	—	46,447
Cash and cash equivalents					
- Not yet past due	186,836	—	—	—	186,836
	284,686	—	—	6,060	290,746
31 December 2020					
Accounts receivable*	—	—	—	7,269	7,269
Financial assets included in prepayments, other receivables and other assets					
- Normal**	6,021	—	—	—	6,021
Amounts due from related parties					
- Normal**	20,464	—	—	—	20,464
Cash and cash equivalents					
- Not yet past due	288,446	—	—	—	288,446
	314,931	—	—	7,269	322,200

* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 21 to the Historical Financial Information.

** The credit quality of amounts due from related parties, amounts due from directors and the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of internally generated cash flows from operation and interest-bearing bank and other borrowings.

The Group's policy is that not more than 40% of borrowings should mature in any 12-month period. The percentages of the Group's debts would mature in less than one year as at 31 December 2018, 2019 and 2020, respectively, were in consistence with the Group's policy based on the carrying value of borrowings reflected in the Historical Financial Information.

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

31 December 2018	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	11,029	73,709	294,502	60,310	439,550
Lease liabilities	—	7,945	22,886	110,183	116,590	257,604
Financial liabilities included in other payables and accruals	105,196	—	—	—	—	105,196
	105,196	18,974	96,595	404,685	176,900	802,350

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

31 December 2019	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	19,535	96,704	413,126	14,917	544,282
Lease liabilities	—	7,276	21,618	104,640	93,239	226,773
Financial liabilities included in other payables and accruals	88,769	—	—	—	—	88,769
Amounts due to related parties	942	—	—	—	—	942
	89,711	26,811	118,322	517,766	108,156	860,766

31 December 2020	On demand	Less than 3 months	3 to less than 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Interest-bearing bank and other borrowings	—	11,435	105,486	301,873	—	418,794
Lease liabilities	—	6,978	20,685	96,621	73,595	197,879
Financial liabilities included in other payables and accruals	81,186	—	—	—	—	81,186
Amounts due to related parties	713	—	—	—	—	713
Amounts due to a directors	62,281	—	—	—	—	62,281
	144,180	18,413	126,171	398,494	73,595	760,853

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION (CONTINUED)

37. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Capital management (Continued)

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

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

	As at 31 December		
	2018	2019	2020
	RMB'000	RMB'000	RMB'000
Total liabilities	994,746	1,070,610	1,036,228
Total assets	1,651,121	1,860,428	1,919,155
Debt-to-asset ratios	60%	58%	54%

38. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2020.

The following information does not form part of the Accountants' Report from Ernst & Young, Certified Public Accountants, Hong Kong, the Company's reporting accountants, as set out in Appendix I to this prospectus, and is included for information purposes only. The unaudited pro forma financial information should be read in conjunction with the "Financial Information" section in this prospectus and the Accountants' Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and with reference to Accounting Guideline 7 "*Preparation of Pro Forma Financial Information for inclusion in Investment Circulars*" issued by the Hong Kong Institute of Certified Public Accountants for illustration purpose only, and is set out here to illustrate the effect of the Global Offering on our consolidated net tangible assets as of 31 December 2020 as if the Global Offering had taken place on 31 December 2020.

The unaudited pro forma statement of adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not provide a true picture of the financial position of the Group had the Global Offering been completed as of 31 December 2020 or any future date. It is prepared based on our consolidated net tangible assets as of 31 December 2020 as set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted consolidated net tangible assets does not form part of the Accountants' Report as set out in Appendix I to this prospectus.

	Consolidated net tangible assets attributable to owners of the parent as of 31 December 2020	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets	Unaudited pro forma adjusted consolidated net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK$ equivalent (Note 4)
Based on an Offer Price of HK$1.59 per Share	875,046	401,030	1,276,076	0.96	1.15
Based on an Offer Price of HK$2.01 per Share	875,046	517,263	1,392,309	1.04	1.26

Notes:

(1) The consolidated net tangible assets attributable to owners of the parent as at 31 December 2020 is extracted from the Accountants' Report, which is based on the audited consolidated equity attributable to owners of the parent as of 31 December 2020 of approximately RMB882.9 million less intangible assets as of 31 December 2020 of approximately RMB7.9 million.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$1.59 per Share or HK$2.01 per Share, after deduction of the underwriting fees and other related expenses payable by the Company (excluding approximately RMB21.0 million which have been recognized in profit or loss up to 31 December 2020) and do not take into account any Shares which may be issued upon exercise of the Over-allotment Option. The estimated net proceeds from the Global Offering are converted from Hong Kong dollars into Renminbi at an exchange rate of HK$1.0 to RMB0.8315 prevailing on 21 June 2021.

(3) The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on 1,334,000,000 Shares in issue immediately following the completion of the Global Offering and does not take into account of any Shares which may be issued upon the exercise of the Over-allotment Option.

(4) The unaudited pro forma adjusted consolidated net tangible assets per Share is converted into Hong Kong dollars at an exchange rate of HK$1.0 to RMB0.8315 prevailing on 21 June 2021.

(5) No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2020.

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

The following is the text of a report received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose for inclusion in this prospectus.

27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

To the Directors of South China Vocational Education Group Company Limited (中國華南職業教育集團有限公司) (previously known as Lingnan Education International Holdings Limited (嶺南教育國際控股有限公司))

We have completed our assurance engagement to report on the compilation of pro forma financial information of South China Vocational 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 pro forma financial information consists of the pro forma consolidated net tangible assets as at 31 December 2020 and related notes as set out on page II-1 of the prospectus dated 30 June 2021 (the "Prospectus") issued by the Company (the "Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Appendix II to the Prospectus.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Global Offering of shares of the Company 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 financial statements for the year ended 31 December 2020, on which an accountants' report has been published.

Directors' responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 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 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 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 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 Pro Forma Financial Information.

The purpose of the Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the Global Offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the 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 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 Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,

Ernst & Young
Certified Public Accountants
Hong Kong
30 June 2021

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer, in connection with its valuation as at 31 March 2021 of the selected property interest held by South China Vocational Education Group Company Limited.

JLL®
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
7/F One Taikoo Place 979 King's Road Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

30 June 2021

The Board of Directors
South China Vocational Education Group Company Limited
40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

Dear Sirs,

In accordance with your instructions to value the selected property interest held by South China Vocational Education Group Company Limited (the "Company") and Guangdong Lingnan Institute of Technology ("Lingnan Institute of Technology", a wholly-owned private education institution of the Company) in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the selected property interest as at 31 March 2021 (the "valuation date").

The selected property interest in Group I do not form part of property activities but the property has a carrying amount of 15% or more of total assets of the Company and its subsidiaries, PRC Affiliated Entities and combined affiliated entities (hereinafter together referred to as the "Group") and therefore the valuation report of the property interest is required to be included in this document. Except for the property interest in Group I, no single property interest that forms part of non-property activities had a carrying amount of 15% or more of total assets of the Group.

The selected property interest in Group II forms part of property activities and has a carrying amount of over 1% of total assets of the Group and therefore the valuation of the property interest is required to be included in this document. The property interests not valued that form part of property activities have carrying amount below 1% of the Group's total assets and total carrying amount of property interests not valued that form part of property activities is less than 10% of the Group's total assets as at the valuation date.

The selected property interests in Group III are material properties for the operation of the Group and therefore are disclosed in this document.

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Due to the nature of the completed buildings and structures of the property in Group I, there are no market sales comparables readily available, the property interest has been valued by the cost approach with reference to their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business. In our valuation, it applies to the whole of the complex or development as a unique interest, and no piecemeal transaction of the complex or development is assumed.

We have valued the property interest in Group II which is held for investment by the Group by the income approach by taking into account the net rental income of the property derived from the existing leases and/or achievable in the existing market with due allowance for the reversionary income potential of the leases, which have been then capitalized to determine the market value at an appropriate capitalization rate.

We have attributed no commercial value to the properties in Group III which are leased by the Group due to the leased land nature, the collectively-owned nature of the land or the prohibitions against assignment.

Our valuation has been made on the assumption that the seller sells the property interest in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the value of the property interest.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interest valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their value.

In valuing the property interest, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation — Global Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of title documents including State-owned Construction Land Use Rights Grant Contracts, State-owned Land Use Rights Certificates, Building Ownership Certificates, Real Estate Title Certificates and other official plans relating to the property interest and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interest in the PRC and any material encumbrance that might be attached to the property interest or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC Legal Advisors — Commerce & Finance Law Offices, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in September 2020 by Mr. Samuel Feng. Mr. Samuel Feng has more than 3 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

We are instructed to provide our opinion of values as per the valuation date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the valuation date and we assume no obligation to update or otherwise revise these materials for events in the time since then. In particular, the outbreak of the Novel Coronavirus (COVID-19) since declared Global Pandemic on 11 March 2020 has caused much disruption to economic activities around the world. As of the report date, China's economy has recovered and most business activities have been back to normal. We also note that market activity and market sentiment in this particular market sector remain stable. However, we remain cautious due to uncertainty for the pace of global economic recovery in the midst of the outbreak which may have future impact on the real estate market. Therefore, we recommend that you keep the valuation of these properties under frequent review.

Our summary of values and valuation certificates are attached below for your attention.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T. W. Yiu
MRICS MHKIS RPS (GP)
Senior Director

Note: Eddie T. W. Yiu is a Chartered Surveyor who has 27 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Abbreviation:

Group I: Property held and occupied by the Group in the PRC

Group II: Property held for investment by the Group in the PRC

Group III: Properties leased and occupied by the Group in the PRC

"—" or N/A: Not Applicable or Not Available

No.	Property	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	Market value in existing state as at the valuation date	The total market value in existing state as at the valuation date
		RMB Group I:	RMB Group II:	RMB Group III:	RMB
1.	Qingyuan Campus of Guangdong Lingnan Institute of Technology No. 6 Daxue East Road Dongcheng Street Qingcheng District Qingyuan City Guangdong Province The PRC (廣東嶺南職業技術學院清遠校區)	1,035,800,000	29,100,000	—	1,064,900,000
2.	Guangzhou Campus of Guangdong Lingnan Institute of Technology No. 492 Daguan Middle Road Tianhe District Guangzhou City Guangdong Province The PRC (廣東嶺南職業技術學院廣州校區－大觀中路)	—	—	No commercial value	Nil
3.	South Campus of Guangdong Lingnan Modern Technician College No. 11 Xinda Street Tianhe District Guangzhou City Guangdong Province The PRC (廣東嶺南現代技師學院南校區)	—	—	No commercial value	Nil
4.	Guangzhou Campus of Guangdong Lingnan Institute of Technology No. 2 Science Boulevard Huangpu District Guangzhou City Guangdong Province The PRC (廣東嶺南職業技術學院廣州校區－科學大道)	—	—	No commercial value	Nil
	Total:	1,035,800,000	29,100,000	Nil	1,064,900,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021
				RMB
1.	Qingyuan Campus of Guangdong Lingnan Institute of Technology No. 6 Daxue East Road Dongcheng Street Qingcheng District Qingyuan City Guangdong Province The PRC (廣東嶺南職業技術學院清遠校區)	The property comprises 4 parcels of land with a total site area of approximately 511,303.34 sq.m., 24 buildings, a basement and various structures which were completed between 2014 and 2020. The property has a total gross floor area of approximately 335,519.47 sq.m. The buildings mainly include 7 academic buildings, a library, 11 dormitory buildings, 3 canteens and 2 ancillary buildings. The structures mainly include ancillary facility rooms, boundary walls and roads. The land use rights of the property have been granted for terms expiring on 5 September 2064, 28 October 2065 and 30 December 2066 for scientific and educational use. The classification, usage and gross floor area details of the property were set out in note 8.	As at the valuation date, portions of the property were leased to various third parties for canteen purpose, whilst the remaining portion of the property was occupied by Lingnan Institute of Technology for educational and ancillary purposes.	1,064,900,000

Notes:

1. Pursuant to 4 State-owned Land Use Rights Grant Contracts — Nos. 441801-2014-000056, 441801-2015-000065, 441801-2016-000021, 441801-2016-000022 dated 5 September 2014, 28 October 2015, 1 November 2016 and 1 November 2016 respectively, the land use rights of 4 parcels of land of the property with a total site area of approximately 521,894.57 sq.m. were contracted to be granted to Lingnan Institute of Technology (廣東嶺南職業技術學院). The total land premium is RMB207,896,270.

2. Pursuant to 2 State-owned Land Use Rights Certificates — Qing Yuan Shi Guo Yong (2014) Di No. 01233 and Qing Yuan Shi Guo Yong (2016) Di No. 00026, the land use rights of 2 parcels of land of the property with a total site area of approximately 326,653.07 sq.m. have been granted to Lingnan Institute of Technology for terms of 50 years expiring on 5 September 2064 and 28 October 2065 for scientific and educational use.

3. Pursuant to 2 Real Estate Title Certificates — Yue (2016) Qing Yuan Shi Bu Dong Chan Di Nos. 0006947 and 0006948, the land use rights of 2 parcels of land of the property with a total site area of approximately 184,650.27 sq.m. have been granted to Lingnan Institute of Technology for a term of 50 years expiring on 30 December 2066 for scientific and educational use.

4. Pursuant to 7 Construction Work Planning Permits — Jian Zi Di Nos. Gong Cheng Xu Ke A20170600, Gong Cheng Xu Ke A20170602 to Gong Cheng Xu Ke A20170606 and Gong Cheng Xu Ke A20170660 in favour of Lingnan Institute of Technology, 6 buildings and a basement of the property with a total gross floor area of approximately 99,077.57 sq.m. have been approved for construction.

5. Pursuant to 3 Construction Work Commencement Permits — 441802201901150101, 441802201901160101 and 441802201811200201 in favour of Lingnan Institute of Technology, 6 buildings and a basement of the property with a total gross floor area of approximately 99,266.72 sq.m. have been approved for construction.

6. Pursuant to 20 Real Estate Title Certificates — Yue (2018) Qing Yuan Shi Bu Dong Chan Di No. 0061248 and Yue (2019) Qing Yuan Shi Bu Dong Chan Di Nos. 0016971 to 0016973, 0017525, 0017526, 0067677, 0079309 to 0079311 and 0079313 and Yue (2020) Qing Yuan Shi Bu Dong Chan Di Nos. 0005880 to 0005885, 0006612, 0052822 and 0052827, 4 academic buildings, a library, 9 dormitory buildings, 3 canteens and an ancillary building of the property with a total gross floor area of approximately 236,252.75 sq.m. are owned by Lingnan Institute of Technology.

7. For 3 academic buildings, 2 dormitory buildings, an ancillary facility and a basement of the property with a total gross floor area of approximately 99,266.72 sq.m. mentioned in note 5, we have not been provided with any Real Estate Title Certificates. As advised by the Company, the Company is applying for the Construction Work Completion and Inspection Certificates of such properties.

8. According to the information provided by the Company, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area
		(sq.m.)
Group I — held and occupied by the Group.	Academic	99,611.41
	Library	10,280.00
	Canteen	4,452.92
	Dormitory	159,380.17
	Ancillary	10,944.26
	Basement	38,946.19
	Sub-total:	323,614.95
Group II — held for investment by the Group.	Canteen	11,904.52
	Sub-total:	11,904.52
	Total:	335,519.47

9. Pursuant to an Operation Contract, No. 7 Canteen of the property was leased to Guangzhou Haolin Catering Management Co., Ltd. (廣州浩林餐飲管理有限公司, an independent third party) for a term of 8 years commencing from 1 September 2014. The annual management fee is approximately RMB464,000 as at the valuation date, exclusive of water, electricity, gas and communication charges.

10. Pursuant to an Operation Contract, portions of No. 16 Canteen of the property were leased to Guangdong Dejin Catering Management Co., Ltd. (廣東德進餐飲管理有限公司, an independent third party) for a term of 10 years commencing from 1 October 2019. The annual rent is approximately RMB813,000 as at the valuation date, inclusive of management fee, but exclusive of water, electricity, gas and communication charges.

11. Pursuant to an Operation Contract, portions of No. 45 Canteen of the property were leased to Qingyuan Lingnan Administrative Services Development Co., Ltd. (清遠市嶺南後勤服務發展有限公司, an independent third party) for a term of 10 years and a month commencing from 1 November 2019. As advised by the Company, the annual rent is approximately RMB247,000 as at the valuation date, exclusive of water, electricity, gas and communication charges.

12. Our valuation has been made on the following basis and analysis:

    a. For portions of the property in Group II, we have considered the actual rents in the existing operation contracts and also compared with similar developments which are located in the similar areas as the canteen units of the subject property, for the calculation of market rent in considering (1) the reversionary rental income after the expiry of the existing leases for occupied area, and (2) the rental income of vacant area;

    b. The unit rent of these comparable commercial units ranges from RMB10 to RMB15 per sq.m. per month; and

    c. Based on our research on property market in the surrounding area of the property, the stabilized market yield ranged from 4% to 4.5% for commercial units as at the valuation date. Considering the location, risks and characteristics of the property, we have applied a market yield of 4.5% for canteen units of the property as the capitalization rate in the valuation.

13. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisors, which contains, *inter alia*, the following:

    a. Lingnan Institute of Technology has obtained the State-owned Land Use Rights Certificates and Real Estate Title Certificates of the land parcels mentioned in notes 2 and 3. Within the land use rights terms, Lingnan Institute of Technology has the rights to legally and solely own, use, lease or transfer such land parcels of the property;

    b. Lingnan Institute of Technology has obtained the Real Estate Title Certificates of the buildings mentioned in note 6. Within the land use rights terms, Lingnan Institute of Technology has the rights to legally and solely occupy, use, transfer and lease such land parcels and buildings;

    c. According to the PRC laws, educational facilities of non-profit institutions and social organizations such as schools, kindergartens and etc. shall not be mortgaged, hence the land use rights and buildings of the property shall not be mortgaged;

d. For the 2 dormitory buildings and an academic building of the property with a total gross floor area of approximately 30,898.89 sq.m., Lingnan Institute of Technology has put these buildings into use without passing the construction project completion acceptance check as of the report date, and may be ordered to rectify and may be obliged to pay compensation whenever any damage has been caused. A fine of not less than 2% but not more than 4% of the contract price of the construction may also be imposed. However, according to the confirmation of the Qingyuan City Housing and Urban-rural Development Bureau (清遠市住房和城鄉建設局), the risk that Lingnan Institute of Technology may be subject to any administrative penalty is relatively small; and

e. According to relevant construction permits, Lingnan Institute of Technology has the rights to commence the construction of the 3 academic buildings, 2 dormitory buildings, an ancillary building and a basement of the property mentioned in note 5.

14. For the purpose of this report, the property is classified into the following groups according to the purpose for which it is held, we are of the opinion that the market value of each group as at the valuation date in its existing state is set out as below:

Group	Market value in existing state as at the valuation date
	(RMB)
Group I — Property held and occupied by the Group in the PRC	1,035,800,000
Group II — Property held for investment by the Group in the PRC	29,100,000
Total:	1,064,900,000

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021
				RMB
2.	Guangzhou Campus of Guangdong Lingnan Institute of Technology No. 492 Daguan Middle Road Tianhe District Guangzhou City Guangdong Province The PRC (廣東嶺南職業技術學院廣州校區－大觀中路)	The property comprises 8 parcels of land (agricultural land use rights nature) with a total site area of approximately 175,519.34 sq.m. and 26 buildings erected thereon which were completed in various stage between 1999 and 2017. The buildings have a total gross floor area of approximately 132,053.05 sq.m., including 6 academic buildings, 3 ancillary buildings and 13 dormitory buildings, a library, a gymnasium and 2 canteens. As advised by the Company, the land parcels were leased from Guangzhou Xintang.	As at the valuation date, the property was occupied by Lingnan Institute of Technology and Lingnan Modern Technician College for educational and ancillary purposes.	No commercial value

Notes:

1. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, 4 parcels of land of the property with a total site area of approximately 108,862.94 sq.m. were leased from Guangzhou State-owned Xintang Agriculture and Commerce Union Co., Ltd. (廣州市國營新塘農工商聯合公司, "Guangzhou Xintang", an independent third party) to Guangzhou Tianhe Lingnan Technology Development Company Limited (廣州天河嶺南科技發展有限公司, the former name of Guangzhou Lingnan Education Group Co., Ltd., a wholly-owned subsidiary of the Company) for terms commencing from dates between 1 September 1999 and 1 October 2007 and all expiring on 30 August 2049. The total monthly unit rent is approximately RMB1.5 for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly unit rental increase rate is 4% for every 5 years.

2. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, a parcel of land of the property with a site area of approximately 18,586 sq.m. was leased from Guangzhou Xintang to Guangzhou Lingnan Education Development Company Limited (廣州嶺南教育發展有限公司, the former name of Guangzhou Lingnan Education Group Co., Ltd., a wholly-owned subsidiary of the Company) for a term commencing from 1 September 2007 and expiring on 30 August 2049. The monthly unit rent is approximately RMB1.5 for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly unit rental increase rate is 4% for every 5 years.

3. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, a parcel of land of the property with a site area of approximately 15,341 sq.m. was leased from Guangzhou Xintang to Guangzhou Lingnan Education Development Company Limited for a term commencing from 1 September 2007 and expiring on 30 August 2049. The monthly unit rent is approximately RMB0.22 for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly unit rental increase rate is 4% for every 5 years.

4. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, a parcel of land of the property with a site area of approximately 3,876 sq.m. was leased from Guangzhou Xintang to Guangzhou Lingnan Education Development Company Limited for a term commencing from 1 June 2009 and expiring on 30 August 2049. The monthly unit rent is approximately RMB3 for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly unit rental increase rate is 4% for every 5 years.

5. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, a parcel of land of the property with a site area of approximately 28,853.40 sq.m. was leased from Guangzhou Xintang to Guangzhou Tianhe Lingnan Educational Technology Company Limited (廣州天河嶺南教育科技有限公司, the former name of Guangzhou Lingnan Education Group Co., Ltd., a wholly-owned subsidiary of the Company) for a term commencing from 1 September 2004 and expiring on 30 August 2049. The monthly unit rent is approximately RMB1.5 for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly unit rental increase rate is 4% for every 5 years.

6. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, 15 buildings of the property with a total gross floor area of approximately 86,658.11 sq.m. were leased from Guangzhou Xintang to Lingnan Institute of Technology for terms commencing from the dates between 1 September 1999 and 1 September 2007 and all expiring on 30 August 2049. The range of the monthly unit rent is from RMB6 to RMB12 for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly unit rental increase rate is 4% for every 5 years.

7. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, for the 6 buildings of the property with a total gross floor area of approximately 20,405 sq.m. erected on the subject land parcels, Lingnan Institute of Technology has the right of use free of charge from 1 September 1999 to 30 August 2049 permitted by Guangzhou Xintang.

8. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, 3 buildings of the property with a total gross floor area of approximately 16,581.44 sq.m. were leased from Guangzhou Xintang to Guangdong Lingnan Modern Technician College ("Lingnan Modern Technician College", 廣東嶺南現代技師學院, a wholly-owned private education institution of the Company) for terms commencing from dates between 1 September 1999 and 1 September 2005 and all expiring on 30 August 2049. The monthly unit rent is RMB9 for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly unit rental increase rate is 4% for every 5 years.

9. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, a building of the property with a gross floor area of approximately 5,848.50 sq.m. was leased from Guangzhou Xintang to Lingnan Modern Technician College for a term commencing from 1 April 2010 and expiring on 31 March 2030. The monthly unit rent is RMB12 for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly unit rental increase rate is 5% for every 3 years from the seventh year.

10. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, for the building of the property with a total gross floor area of approximately 2,560 sq.m. erected on the subject land parcels, Lingnan Modern Technician College has the right of use free of charge from 1 September 1999 to 30 August 2049 permitted by Guangzhou Xintang.

11. According to the information provided by the Company, the gross floor area of the property is set out as below:

Group	**Usage**	**Gross Floor Area (sq.m.)**
Group III — leased and occupied by the Group.	Academic	46,400.64
	Library	18,099.39
	Canteen	2,563.00
	Dormitory	57,109.65
	Ancillary	3,423.37
	Gymnasium	4,457.00
	Total:	132,053.05

12. For the purpose of this report, the property is classified into the group as "Group III — Properties leased and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021
				RMB
3.	South Campus of Guangdong Lingnan Modern Technician College No. 11 Xinda Street Tianhe District Guangzhou City Guangdong Province The PRC (廣東嶺南現代技師學院南校區)	The property comprises a parcel of land (agricultural land use rights nature) with a site area of approximately 17,500 sq.m. and 4 buildings erected thereon which were completed in various stages between 2007 and 2008. The buildings have a total gross floor area of approximately 22,422.44 sq.m., including an academic building and 3 dormitory buildings. As advised by the Company, the land parcels were leased from Guangzhou Xintang.	As at the valuation date, the property was occupied by Guangdong Lingnan Modern Technician College for educational and ancillary purposes.	No commercial value

Notes:

1. As advised by the Company, according to a Land Use Agreement, a parcel of land of the property with a site area of approximately 17,500 sq.m. was leased from Guangzhou Xintang to Guangzhou Lingnan Education Development Company Limited for a term commencing from 1 September 2007 and expiring on 31 August 2057. The monthly unit rent is RMB4 for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly unit rental increase rate is 3% for every 5 years.

2. According to a Lease Agreement, its supplemental agreements and the Company's written confirmation, for the 4 buildings of the property with a total gross floor area of approximately 22,422.44 sq.m. erected on the subject land parcels, Lingnan Modern Technician College has the right of use free of charge from 1 September 1999 to 30 August 2049 permitted by Guangzhou Xintang.

3. According to the information provided by the Company, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area
		(sq.m.)
Group III — leased and occupied by the Group.	Academic	7,542.00
	Dormitory	14,880.44
	Total:	22,422.44

4. For the purpose of this report, the property is classified into the group as "Group III — Properties leased and occupied by the Group in the PRC" according to the purpose for which it is held.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at 31 March 2021
				RMB
4.	Guangzhou Campus of Guangdong Lingnan Institute of Technology No. 2 Science Boulevard Huangpu District Guangzhou City Guangdong Province The PRC (廣東嶺南職業技術學院廣州校區－科學大道)	The property comprises 2 parcels of land (collectively-owned land use rights nature) with a total site area of approximately 53,634.80 sq.m. and 8 buildings erected thereon which were completed in various stage between 2003 and 2016. The buildings have a total gross floor area of approximately 89,424.63 sq.m., including 2 academic buildings and 6 dormitory buildings. As advised by the Company, the land parcels were leased from Guangzhou Yangji.	As at the valuation date, the property was occupied by the Lingnan Institute of Technology and Lingnan Modern Technician College for educational and ancillary purposes.	No commercial value

Notes:

1. According to a Cooperation Construction Agreement, a parcel of land of the property with a site area of approximately 22,288.70 sq.m. was leased from Guangzhou Yangji Economic Development Co., Ltd. (廣州市楊箕經濟發展有限公司, "Guangzhou Yangji", an independent third party) to Lingnan Institute of Technology for a term commencing from 1 January 2014 and expiring on 31 December 2033. The monthly rent is RMB6.25 per sq.m. for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly rental increase rate is 4% for every 3 years.

2. According to a Cooperation Construction Agreement and its supplemental agreement, a parcel of land of the property with a site area of approximately 31,346.10 sq.m. was leased from Guangzhou Yangji to Lingnan Institute of Technology for a term commencing from 1 January 2014 and expiring on 31 December 2033. The unit monthly rent is RMB6.25 per sq.m. for the first year and has been increased to RMB7.5 per sq.m. from 1 January 2018, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly rental increase rate is 4% for every 3 years from 1 January 2014.

3. As advised by the Company, according to a Lease Agreement, 3 buildings of the property with a total gross floor area of approximately 15,000 sq.m. were leased from Guangzhou Yangji to Lingnan Institute of Technology for a term commencing from 1 September 2010 and expiring on 31 August 2030. The monthly unit rent is from RMB11.5 for the first year, exclusive of management fees, water, electricity, gas and communication charges and other outgoings. The monthly unit rental increase rate is 5% for every 3 years from the seventh year.

4. As advised by the Company, According to a Cooperation Construction Agreement and its supplemental agreement, for the 4 buildings of the property with a total gross floor area of approximately 62,078.86 sq.m. erected on the subject land parcels, Lingnan Institute of Technology has the right of use free of charge from 1 January 2014 to 31 December 2033 permitted by Guangzhou Yangji.

5. As advised by the Company, According to a Cooperation Construction Agreement and its supplemental agreement, for a building of the property with a gross floor area of approximately 12,345.77 sq.m. erected on the subject land parcels, Lingnan Modern Technician College has the right of use free of charge from 1 January 2014 to 31 December 2033 permitted by Guangzhou Yangji.

6. According to the information provided by the Company, the gross floor area of the property is set out as below:

Group	Usage	Gross Floor Area
		(sq.m.)
Group III – leased and occupied by the Group.	Academic	42,454.66
	Dormitory	46,969.97
	Total:	89,424.63

7. For the purpose of this report, the property is classified into the group as "Group III — Properties leased and occupied by the Group in the PRC" according to the purpose for which it is held.

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on August 15, 2018 under the Companies Act, Cap 22 (Act 3 of 1961, as combined and revised) of the Cayman Islands (the "Companies Act"). The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and its Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares respectively held by them and that the objects for which the Company is established are unrestricted (including acting as an investment company), and that the Company shall have and be capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit, as provided in section 27(2) of the Companies Act and in view of the fact that the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.

(b) The Company may by special resolution alter its Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were conditionally adopted on June 23, 2021 with effect from the Listing Date. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) Classes of shares

The share capital of the Company consists of ordinary shares.

(ii) Variation of rights of existing shares or classes of shares

Subject to the Companies Act, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to the shares or any class of shares may (unless otherwise provided for by the terms of issue of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings will *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class and at any adjourned meeting two holders present in person or by proxy (whatever the number of shares held by them) shall be a quorum. Every holder of shares of the class shall be entitled to one vote for every such share held by him.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(iii) Alteration of capital

The Company may by ordinary resolution of its members:

(i) increase its share capital by the creation of new shares;

(ii) consolidate all or any of its capital into shares of larger amount than its existing shares;

(iii) divide its shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges, conditions or restrictions as the Company in general meeting or as the directors may determine;

(iv) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum; or

(v) cancel any shares which, at the date of passing of the resolution, have not been taken and diminish the amount of its capital by the amount of the shares so cancelled.

The Company may reduce its share capital or any capital redemption reserve or other undistributable reserve in any way by special resolution.

(iv) Transfer of shares

All transfers of shares may be effected by an instrument of transfer in the usual or common form or in a form prescribed by The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or in such other form as the board may approve and which may be under hand or, if the transferor or transferee is a clearing house or its nominee(s), by hand or by machine imprinted signature or by such other manner of execution as the board may approve from time to time.

Notwithstanding the foregoing, for so long as any shares are listed on the Stock Exchange, titles to such listed shares may be evidenced and transferred in accordance with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares. The register of members in respect of its listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Companies Act in a form otherwise than legible if such recording otherwise complies with the laws applicable to and the rules and regulations of the Stock Exchange that are or shall be applicable to such listed shares.

The instrument of transfer shall be executed by or on behalf of the transferor and the transferee provided that the board may dispense with the execution of the instrument of transfer by the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of that share.

The board may, in its absolute discretion, at any time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

The board may decline to recognise any instrument of transfer unless a fee (not exceeding the maximum sum as the Stock Exchange may determine to be payable) determined by the Directors is paid to the Company, the instrument of transfer is properly stamped (if applicable), it is in respect of only one class of share and is lodged at the relevant registration office or registered office or such other place at which the principal register is kept accompanied by the relevant share certificate(s) and such other evidence as the board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in any newspaper or by any other means in accordance with the requirements of the Stock Exchange, at such times and for such periods as the board may determine. The register of members must not be closed for periods exceeding in the whole thirty (30) days in any year.

Subject to the above, fully paid shares are free from any restriction on transfer and free of all liens in favour of the Company.

(v) Power of the Company to purchase its own shares

The Company is empowered by the Companies Act and the Articles to purchase its own shares subject to certain restrictions and the board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange.

Where the Company purchases for redemption a redeemable share, purchases not made through the market or by tender must be limited to a maximum price determined by the Company in general meeting. If purchases are by tender, tenders must be made available to all members alike.

The board may accept the surrender for no consideration of any fully paid share.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to ownership of shares in the Company by a subsidiary.

(vii) Calls on shares and forfeiture of shares

The board may from time to time make such calls upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium). A call may be made payable either in one lump sum or by installments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding twenty per cent. (20%) per annum as the board may agree to accept from the day appointed for the payment thereof to the time of actual payment, but the board may waive payment of such interest wholly or in part. The board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the monies uncalled and unpaid or installments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) as the board may decide.

If a member fails to pay any call on the day appointed for payment thereof, the board may serve not less than fourteen (14) clear days' notice on him requiring payment of so much of the call as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment and stating that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all monies which, at the date of forfeiture, were payable by him to the Company in respect of the shares, together with (if the board shall in its discretion so require) interest thereon from the date of forfeiture until the date of actual payment at such rate not exceeding twenty per cent. (20%) per annum as the board determines.

(b) Directors

(i) Appointment, retirement and removal

At each annual general meeting, one third of the Directors for the time being (or if their number is not a multiple of three, then the number nearest to but not less than one third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Directors to retire by rotation shall include any Director who wishes to retire and not offer himself for re-election. Any further Directors so to retire shall be those who have been longest in office since their last re-election or appointment but as between persons who became or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

Neither a Director nor an alternate Director is required to hold any shares in the Company by way of qualification. Further, there are no provisions in the Articles relating to retirement of Directors upon reaching any age limit.

The Directors have the power to appoint any person as a Director either to fill a casual vacancy on the board or as an addition to the existing board. Any Director appointed to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any Director appointed as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and members of the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two. There is no maximum number of Directors.

The office of director shall be vacated if:

(aa) he resigns by notice in writing delivered to the Company;

(bb) he becomes of unsound mind or dies;

(cc) without special leave, he is absent from meetings of the board for six (6) consecutive months, and the board resolves that his office is vacated;

(dd) he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors;

(ee) he is prohibited from being a director by law; or

(ff) he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles.

The board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the board may determine and the board may revoke or terminate any of such appointments. The board may delegate any of its powers, authorities and discretions to committees consisting of such Director or Directors and other persons as the board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed must, in the exercise of the powers, authorities and discretions so delegated, conform to any regulations that may from time to time be imposed upon it by the board.

(ii) Power to allot and issue shares and warrants

Subject to the provisions of the Companies Act and the Memorandum and Articles and to any special rights conferred on the holders of any shares or class of shares, any share may be issued (a) with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine, or (b) on terms that, at the option of the Company or the holder thereof, it is liable to be redeemed.

The board may issue warrants conferring the right upon the holders thereof to subscribe for any class of shares or securities in the capital of the Company on such terms as it may determine.

Subject to the provisions of the Companies Act and the Articles and, where applicable, the rules of the Stock Exchange and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company are at the disposal of the board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount to their nominal value.

Neither the Company nor the board is obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others with registered addresses in any particular territory or territories being a territory or territories where, in the absence of a registration statement or other special formalities, this would or might, in the opinion of the board, be unlawful or impracticable. Members affected as a result of the foregoing sentence shall not be, or be deemed to be, a separate class of members for any purpose whatsoever.

(iii) Power to dispose of the assets of the Company or any of its subsidiaries

There are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries. The Directors may, however, exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Companies Act to be exercised or done by the Company in general meeting.

(iv) Borrowing powers

The board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and assets and uncalled capital of the Company and, subject to the Companies Act, to issue debentures, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

(v) Remuneration

The ordinary remuneration of the Directors is to be determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the board may agree or, failing agreement, equally, except that any Director holding office for part only of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he held office. The Directors are also entitled to be prepaid or repaid all travelling, hotel and incidental expenses reasonably expected to be incurred or incurred by them in attending any board meetings, committee meetings or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties as Directors.

Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the board go beyond the ordinary duties of a Director may be paid such extra remuneration as the board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration and such other benefits and allowances as the board may from time to time decide. Such remuneration may be either in addition to or in lieu of his remuneration as a Director.

The board may establish or concur or join with other companies (being subsidiary companies of the Company or companies with which it is associated in business) in establishing and making contributions out of the Company's monies to any schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or ex-Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and ex-employees of the Company and their dependents or any class or classes of such persons.

The board may pay, enter into agreements to pay or make grants of revocable or irrevocable, and either subject or not subject to any terms or conditions, pensions or other benefits to employees and ex-employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or ex-employees or their dependents are or may become entitled under any such scheme or fund as is mentioned in the previous paragraph. Any such pension or benefit may, as the board considers desirable, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vi) Compensation or payments for loss of office

Pursuant to the Articles, payments to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company must not make any loan, directly or indirectly, to a Director or his close associate(s) if and to the extent it would be prohibited by the Companies Ordinance (Chapter 622 of the laws of Hong Kong) as if the Company were a company incorporated in Hong Kong.

(viii) Disclosure of interests in contracts with the Company or any of its subsidiaries

A Director may hold any other office or place of profit with the Company (except that of the auditor of the Company) in conjunction with his office of Director for such period and upon such terms as the board may determine, and may be paid such extra remuneration therefor in addition to any remuneration provided for by or pursuant to the Articles. A Director may be or become a director or other officer of, or otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profits or other benefits received by him as a director, officer or member of, or from his interest in, such other company. The board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.

No Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case, at the first meeting of the board after he knows that he is or has become so interested.

A Director shall not vote (nor be counted in the quorum) on any resolution of the board approving any contract or arrangement or other proposal in which he or any of his close associates is materially interested, but this prohibition does not apply to any of the following matters, namely:

(aa) any contract or arrangement for giving to such Director or his close associate(s) any security or indemnity in respect of money lent by him or any of his close associates or obligations incurred or undertaken by him or any of his close associates at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his close associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;

(cc) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his close associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his close associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company; or

(ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death, or disability benefits scheme or other arrangement which relates both to Directors, his close associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not accorded generally to the class of persons to which such scheme or fund relates.

(c) Proceedings of the Board

The board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it considers appropriate. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have an additional or casting vote.

(d) Alterations to constitutional documents and the Company's name

The Articles may be rescinded, altered or amended by the Company in general meeting by special resolution. The Articles state that a special resolution shall be required to alter the provisions of the Memorandum, to amend the Articles or to change the name of the Company.

(e) Meetings of members

(i) Special and ordinary resolutions

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or, in the case of such members as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

Under the Companies Act, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within fifteen (15) days of being passed.

An ordinary resolution is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice has been duly given in accordance with the Articles.

(ii) Voting rights and right to demand a poll

Subject to any special rights or restrictions as to voting for the time being attached to any shares, at any general meeting on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorised representative shall have one vote for every fully paid share of which he is the holder but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purposes as paid up on the share. A member entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by way of a poll save that the chairman of the meeting may in good faith, allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands in which case every member present in person (or being a corporation, is present by a duly authorized representative), or by proxy(ies) shall have one vote provided that where more than one proxy is appointed by a member which is a clearing house (or its nominee(s)), each such proxy shall have one vote on a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same powers on behalf of the recognized clearing house (or its nominee(s)) as if such person was the registered holder of the shares of the Company held by that clearing house (or its nominee(s)) including, where a show of hands is allowed, the right to vote individually on a show of hands.

Where the Company has any knowledge that any shareholder is, under the rules of the Stock Exchange, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings and extraordinary general meetings

The Company must hold an annual general meeting of the Company every year within a period of not more than fifteen (15) months after the holding of the last preceding annual general meeting or a period of not more than eighteen (18) months from the date of adoption of the Articles, unless a longer period would not infringe the rules of the Stock Exchange.

Extraordinary general meetings may be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the board or the secretary for the purpose of requiring an extraordinary general meeting to be called by the board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the board shall be reimbursed to the requisitionist(s) by the Company.

(iv) Notices of meetings and business to be conducted

An annual general meeting must be called by notice of not less than twenty-one (21) clear days and not less than twenty (20) clear business days. All other general meetings must be called by notice of at least fourteen (14) clear days and not less than ten (10) clear business days. The notice is exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time and place of the meeting and particulars of resolutions to be considered at the meeting and, in the case of special business, the general nature of that business.

In addition, notice of every general meeting must be given to all members of the Company other than to such members as, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the auditors for the time being of the Company.

Any notice to be given to or by any person pursuant to the Articles may be served on or delivered to any member of the Company personally, by post to such member's registered address or by advertisement in newspapers in accordance with the requirements of the Stock Exchange. Subject to compliance with Cayman Islands law and the rules of the Stock Exchange, notice may also be served or delivered by the Company to any member by electronic means.

All business that is transacted at an extraordinary general meeting and at an annual general meeting is deemed special, save that in the case of an annual general meeting, each of the following business is deemed an ordinary business:

(aa) the declaration and sanctioning of dividends;

(bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;

(cc) the election of directors in place of those retiring;

(dd) the appointment of auditors and other officers; and

(ee) the fixing of the remuneration of the directors and of the auditors.

(v) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment of a chairman.

The quorum for a general meeting shall be two members present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(vi) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and is entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy is entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. Votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

(f) Accounts and audit

The board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act or necessary to give a true and fair view of the Company's affairs and to explain its transactions.

The accounting records must be kept at the registered office or at such other place or places as the board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any accounting record or book or document of the Company except as conferred by law or authorised by the board or the Company in general meeting. However, an exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

A copy of every balance sheet and profit and loss account (including every document required by law to be annexed thereto) which is to be laid before the Company at its general meeting, together with a printed copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one (21) days before the date of the meeting and at the same time as the notice of annual general meeting be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles; however, subject to compliance with all applicable laws, including the rules of the Stock Exchange, the Company may send to such persons summarised financial statements derived from the Company's annual accounts and the directors' report instead provided that any such person may by notice in writing served on the Company, demand that the Company sends to him, in addition to summarised financial statements, a complete printed copy of the Company's annual financial statement and the directors' report thereon.

At the annual general meeting or at a subsequent extraordinary general meeting in each year, the members shall appoint an auditor to audit the accounts of the Company and such auditor shall hold office until the next annual general meeting. Moreover, the members may, at any general meeting, by special resolution remove the auditors at any time before the expiration of his terms of office and shall by ordinary resolution at that meeting appoint another auditor for the remainder of his term. The remuneration of the auditors shall be fixed by the Company in general meeting or in such manner as the members may determine.

The financial statements of the Company shall be audited by the auditor in accordance with generally accepted auditing standards which may be those of a country or jurisdiction other than the Cayman Islands. The auditor shall make a written report thereon in accordance with generally accepted auditing standards and the report of the auditor must be submitted to the members in general meeting.

(g) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the board.

The Articles provide dividends may be declared and paid out of the profits of the Company, realised or unrealised, or from any reserve set aside from profits which the directors determine is no longer needed. With the sanction of an ordinary resolution dividends may also be declared and paid out of share premium account or any other fund or account which can be authorised for this purpose in accordance with the Companies Act.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide, (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid but no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share and (ii) all dividends shall be apportioned and paid pro rata according to the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Directors may deduct from any dividend or other monies payable to any member or in respect of any shares all sums of money (if any) presently payable by him to the Company on account of calls or otherwise.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the board may think fit.

The Company may also upon the recommendation of the board by an ordinary resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

The board may resolve to capitalise all or any part of any amount for the time being standing to the credit of any reserve or fund (including a share premium account and the profit and loss account) whether or not the same is available for distribution by applying such sum in paying up unissued shares to be allotted to (i) employees (including directors) of the Company and/or its affiliates (meaning any individual, corporation, partnership, association, joint-stock company, trust, unincorporated association or other entity (other than the Company) that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with, the Company) upon exercise or vesting of any options or awards granted under any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting, or (ii) any trustee of any trust to whom shares are to be allotted and issued by the Company in connection with the operation of any share incentive scheme or employee benefit scheme or other arrangement which relates to such persons that has been adopted or approved by the members in general meeting.

Any dividend, interest or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, or in the case of joint holders, addressed to the holder whose name stands first in the register of the Company in respect of the shares at his address as appearing in the register or addressed to such person and at such addresses as the holder or joint holders may in writing direct. Every such cheque or warrant shall, unless the holder or joint holders otherwise direct, be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register in respect of such shares, and shall be sent at his or their risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the board or the Company in general meeting has resolved that a dividend be paid or declared the board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the board and shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

(h) Inspection of corporate records

Pursuant to the Articles, the register and branch register of members shall be open to inspection for at least two (2) hours during business hours by members without charge, or by any other person upon a maximum payment of HK$2.50 or such lesser sum specified by the board, at the registered office or such other place at which the register is kept in accordance with the Companies Act or, upon a maximum payment of HK$1.00 or such lesser sum specified by the board, at the office where the branch register of members is kept, unless the register is closed in accordance with the Articles.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles relating to rights of minority shareholders in relation to fraud or oppression. However, certain remedies are available to shareholders of the Company under Cayman Islands law, as summarised in paragraph 3(f) of this Appendix.

(j) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

(i) if the Company is wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

(ii) if the Company is wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively.

If the Company is wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the authority of a special resolution and any other sanction required by the Companies Act divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, but so that no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(k) Subscription rights reserve

The Articles provide that to the extent that it is not prohibited by and is in compliance with the Companies Act, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of a share, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

3. CAYMAN ISLANDS COMPANY LAW

The Company is incorporated in the Cayman Islands subject to the Companies Act and, therefore, operates subject to Cayman Islands law. Set out below is a summary of certain provisions of Cayman company law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of Cayman company law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar:

(a) Company operations

As an exempted company, the Company's operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorised share capital.

(b) Share capital

The Companies Act provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account, to be called the "share premium account". At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium.

The Companies Act provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association in (a) paying distributions or dividends to members; (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares; (c) the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Act); (d) writing-off the preliminary expenses of the company; and (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Act provides that, subject to confirmation by the Grand Court of the Cayman Islands (the "Court"), a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

(c) Financial assistance to purchase shares of a company or its holding company

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company to another person for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and acting in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder and the Companies Act expressly provides that it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. However, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares unless the manner and terms of purchase have first been authorised by an ordinary resolution of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any issued shares of the company other than shares held as treasury shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

Shares purchased by a company is to be treated as cancelled unless, subject to the memorandum and articles of association of the company, the directors of the company resolve to hold such shares in the name of the company as treasury shares prior to the purchase. Where shares of a company are held as treasury shares, the company shall be entered in the register of members as holding those shares, however, notwithstanding the foregoing, the company is not be treated as a member for any purpose and must not exercise any right in respect of the treasury shares, and any purported exercise of such a right shall be void, and a treasury share must not be voted, directly or indirectly, at any meeting of the company and must not be counted in determining the total number of issued shares at any given time, whether for the purposes of the company's articles of association or the Companies Act.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

The Companies Act permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account. With the exception of the foregoing, there are no statutory provisions relating to the payment of dividends. Based upon English case law, which is regarded as persuasive in the Cayman Islands, dividends may be paid only out of profits.

No dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

The Courts ordinarily would be expected to follow English case law precedents which permit a minority shareholder to commence a representative action against or derivative actions in the name of the company to challenge (a) an act which is ultra vires the company or illegal, (b) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company, and (c) an irregularity in the passing of a resolution which requires a qualified (or special) majority.

In the case of a company (not being a bank) having a share capital divided into shares, the Court may, on the application of members holding not less than one fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Court shall direct.

Any shareholder of a company may petition the Court which may make a winding up order if the Court is of the opinion that it is just and equitable that the company should be wound up or, as an alternative to a winding up order, (a) an order regulating the conduct of the company's affairs in the future, (b) an order requiring the company to refrain from doing or continuing an act complained of by the shareholder petitioner or to do an act which the shareholder petitioner has complained it has omitted to do, (c) an order authorising civil proceedings to be brought in the name and on behalf of the company by the shareholder petitioner on such terms as the Court may direct, or (d) an order providing for the purchase of the shares of any shareholders of the company by other shareholders or by the company itself and, in the case of a purchase by the company itself, a reduction of the company's capital accordingly.

Generally claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

(g) Disposal of assets

The Companies Act contains no specific restrictions on the power of directors to dispose of assets of a company. However, as a matter of general law, every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

A company must cause proper books of account to be kept with respect to (i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company; and (iii) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

An exempted company must make available at its registered office in electronic form or any other medium, copies of its books of account or parts thereof as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Act of the Cayman Islands.

(i) Exchange control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

(j) Taxation

Pursuant to the Tax Concessions Act of the Cayman Islands, the Company has obtained an undertaking:

(1) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciation shall apply to the Company or its operations; and

(2) that the aforesaid tax or any tax in the nature of estate duty or inheritance tax shall not be payable on or in respect of the shares, debentures or other obligations of the Company.

The undertaking for the Company is for a period of twenty years from August 23, 2018.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save for certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are a party to a double tax treaty entered into with the United Kingdom in 2010 but otherwise is not party to any double tax treaties.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision in the Companies Act prohibiting the making of loans by a company to any of its directors.

(m) Inspection of corporate records

The notice of registered office is a matter of public record. A list of the names of the current directors and alternate directors (if applicable) is made available by the Registrar of Companies for inspection by any person on payment of a fee. The register of mortgages is open to inspection by creditors and members.

Members of the Company have no general right under the Companies Act to inspect or obtain copies of the register of members or corporate records of the Company. They will, however, have such rights as may be set out in the Company's Articles.

(n) Register of members

An exempted company may maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as the directors may, from time to time, think fit. The register of members shall contain such particulars as required by Section 40 of the Companies Act. A branch register must be kept in the same manner in which a principal register is by the Companies Act required or permitted to be kept. The company shall cause to be kept at the place where the company's principal register is kept a duplicate of any branch register duly entered up from time to time.

There is no requirement under the Companies Act for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of members, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law of the Cayman Islands.

(o) Register of Directors and Officers

The Company is required to maintain at its registered office a register of directors and officers which is not available for inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within thirty (30) days of any change in such directors or officers.

(p) Beneficial Ownership Register

An exempted company is required to maintain a beneficial ownership register at its registered office that records details of the persons who ultimately own or control, directly or indirectly, 25% or more of the equity interests or voting rights of the company or have rights to appoint or remove a majority of the directors of the company. The beneficial ownership register is not a public document and is only accessible by a designated competent authority of the Cayman Islands. Such requirement does not, however, apply to an exempted company with its shares listed on an approved stock exchange, which includes the Stock Exchange. Accordingly, for so long as the shares of the Company are listed on the Stock Exchange, the Company is not required to maintain a beneficial ownership register.

(q) Winding up

A company may be wound up (a) compulsorily by order of the Court, (b) voluntarily, or (c) under the supervision of the Court.

The Court has authority to order winding up in a number of specified circumstances including where the members of the company have passed a special resolution requiring the company to be wound up by the Court, or where the company is unable to pay its debts, or where it is, in the opinion of the Court, just and equitable to do so. Where a petition is presented by members of the company as contributories on the ground that it is just and equitable that the company should be wound up, the Court has the jurisdiction to make certain other orders as an alternative to a winding-up order, such as making an order regulating the conduct of the company's affairs in the future, making an order authorising civil proceedings to be brought in the name and on behalf of the company by the petitioner on such terms as the Court may direct, or making an order providing for the purchase of the shares of any of the members of the company by other members or by the company itself.

A company (save with respect to a limited duration company) may be wound up voluntarily when the company so resolves by special resolution or when the company in general meeting resolves by ordinary resolution that it be wound up voluntarily because it is unable to pay its debts as they fall due. In the case of a voluntary winding up, such company is obliged to cease to carry on its business (except so far as it may be beneficial for its winding up) from the time of passing the resolution for voluntary winding up or upon the expiry of the period or the occurrence of the event referred to above.

For the purpose of conducting the proceedings in winding up a company and assisting the Court therein, there may be appointed an official liquidator or official liquidators; and the court may appoint to such office such person, either provisionally or otherwise, as it thinks fit, and if more persons than one are appointed to such office, the Court must declare whether any act required or authorised to be done by the official liquidator is to be done by all or any one or more of such persons. The Court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the Court.

As soon as the affairs of the company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and how the property of the company has been disposed of, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof. This final general meeting must be called by at least 21 days' notice to each contributory in any manner authorised by the company's articles of association and published in the Gazette.

(r) Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing seventy-five per cent. (75%) in value of shareholders or class of shareholders or creditors, as the case may be, as are present at a meeting called for such purpose and thereafter sanctioned by the Court. Whilst a dissenting shareholder would have the right to express to the Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management.

(s) Take-overs

Where an offer is made by a company for the shares of another company and, within four (4) months of the offer, the holders of not less than ninety per cent. (90%) of the shares which are the subject of the offer accept, the offeror may at any time within two (2) months after the expiration of the said four (4) months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Court within one (1) month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

(t) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Court to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

(u) Economic Substance Requirements

Pursuant to the International Tax Cooperation (Economic Substance) Act, 2018 of the Cayman Islands ("ES Act") that came into force on January 1, 2019, a "relevant entity" is required to satisfy the economic substance test set out in the ES Act. A "relevant entity" includes an exempted company incorporated in the Cayman Islands as is the Company; however, it does not include an entity that is tax resident outside the Cayman Islands. Accordingly, for so long as the Company is a tax resident outside the Cayman Islands, including in Hong Kong, it is not required to satisfy the economic substance test set out in the ES Act.

4. GENERAL

Conyers Dill & Pearman, the Company's special legal counsel on Cayman Islands law, have sent to the Company a letter of advice summarising certain aspects of Cayman Islands company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix VI to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY

1. Incorporation

Our Company was incorporated in the Cayman Islands under the Companies Act as an exempted company with limited liability under the name of "Lingnan Education International Holdings Limited (嶺南教育國際控股有限公司)" on August 15, 2018 and changed its name to "South China Vocational Education Group Company Limited (中國華南職業教育集團有限公司)" on February 5, 2021. Our Company was registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on January 27, 2021. Our Company's principal place of business in Hong Kong is at 40th Floor, Dah Sing Financial Centre, No. 248 Queen's Road East, Wan Chai, Hong Kong. A Hong Kong resident has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was incorporated in the Cayman Islands, we operate subject to the relevant law of the Cayman Islands and its constitution which comprises the Articles of Association. A summary of the relevant aspects of the Companies Act and certain provisions of Articles of Association is set out in Appendix IV in this prospectus.

2. Changes in share capital of our Company

As of the date of the incorporation of our Company, the authorized share capital of our Company was HK$380,000 divided into 38,000,000 Shares of HK$0.01 each. At the time of incorporation, the issued share capital of our Company was HK$0.01, with one Share of HK$0.01, held by initial subscriber, an Independent Third Party. On the same date, the said one Share was transferred to Zhihui Guang for a consideration at par value.

On the same date, our Company issued and allotted one Share to China Foreign Education and one Share to Fangyuan Education, each for a consideration at par value.

On October 15, 2020, our Company issued and allotted a total of 999,997 Shares for a consideration at par value of HK$0.01, 569,999 Shares of which to Zhihui Guang, 189,999 Shares of which to China Foreign Education, 189,999 Shares to Fangyuan Education and 50,000 Shares of which to Good Booming.

Immediately following completion of the Capitalization Issue and the Global Offering and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK$100,000,000 divided into 10,000,000,000 Shares, of which 1,334,000,000 Shares will be issued fully paid or credited as fully paid, and 8,666,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "A. Further Information about our Company — 4. Written Resolutions of the Then Shareholders Passed on June 23, 2021" in this appendix, the Directors do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meetings, no issue of Shares will be made which would effectively alter the control of our Company.

3. Changes in share capital of our subsidiaries and PRC Affiliated Entities

There has been no alteration in the share capital or registered capital of the subsidiaries and PRC Affiliated Entities of our Company within the two years preceding the date of this prospectus.

4. Written resolutions of the then shareholders passed on June 23, 2021

Pursuant to the written resolutions of the then shareholders of our Company entitled to vote at general meetings of our Company, which were passed on June 23, 2021:

(a) our Company approved and adopted the Memorandum of Association with immediate effect;

(b) the authorized share capital of our Company was increased from HK$380,000 divided into 38,000,000 Shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 Shares of HK$0.01 each by the creation of 9,962,000,000 Shares of HK$0.01 each, which shall rank *pari passu* in all respects with the Shares in issue as of the date of the resolution;

(c) conditional upon (i) the Stock Exchange granting the listing of, and permission to deal in, on the Main Board, our Shares in issue and to be issued (pursuant to the Capitalization Issue, the Global Offering, the Over-allotment Option and the Share Option Scheme) as mentioned in this prospectus; and (ii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including, if relevant, as a result of the waiver of any condition(s)) by the Global Coordinator (on behalf of the Underwriters) and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise:

(i) our Company approved and adopted the Articles of Association;

(ii) conditional on the share premium account of our Company being credited as a result of the Global Offering, the sum of HK$9,990,000 be capitalized and applied in paying up in full at par value HK$0.01 Shares for allotment and issue to our Shareholders whose names were on the register of members of our Company immediately prior to the Global Offering and such Shares (or as they may direct) to be allotted and issued pursuant to this resolution shall rank pari passu in all respect with the existing issued Shares;

(iii) the Global Offering and the Over-allotment Option were approved and our Directors were authorized to allot and issue the Offer Shares and the Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option on and subject to the terms and conditions stated in this prospectus and in the relevant application forms;

(iv) the rules of the Share Option Scheme were approved and adopted, and our Directors or any committee thereof established by the Board were authorized, at their sole discretion, to: (i) administer the Share Option Scheme; (ii) modify/amend the Share Option Scheme from time to time as requested by the Stock Exchange; (iii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iv) allot, issue and deal with Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; (v) make application at the appropriate time or times to the Stock Exchange for the listing of, and permission to deal in, any

Shares or any part thereof that may hereafter from time to time be issued and allotted pursuant to the exercise of the options granted under the Share Option Scheme; and (vi) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme;

(v) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with (including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued), otherwise than by way of Rights Issue, or pursuant to any scrip dividend schemes or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles or pursuant to the issue of Shares upon the exercise of any subscription rights attached to any warrants of our Company or pursuant to the exercise of options granted under the Share Option Scheme or any other option scheme(s) or similar arrangement for the time being adopted for the grant or issue to Directors and/or officers and/or employees of our Group or rights to acquire Shares or pursuant to a specific authority granted by our Shareholders in general meeting, the Shares with an aggregate nominal amount not exceeding 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before any exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within the next annual general meeting of our Company is required by the Articles of Association or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in general meetings of our Company varying or revoking the authority given to the Directors, whichever occurs first;

For the purpose of this paragraph, "Rights Issue" means an offer of shares in our Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by our Directors to holders of shares in our Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as our Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to our Company, or any recognized regulatory body or any stock exchange applicable to our Company);

(vi) a general unconditional mandate be and is hereby given to our Directors to exercise all powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, such number of Shares with an aggregate nominal value not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme, until the conclusion of the next annual general meeting of our Company, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions or the expiration of the period within which the next annual general meeting of our Company is required by the Article of Association of our Company or any applicable law of the Cayman Islands to be held or the passing of an ordinary resolution by our Shareholders in a general meeting of our Company varying or revoking the authority given to the Directors, whichever occurs first; and

(vii) the extension of the general mandate to allot, issue and deal with Shares as mentioned in paragraph (c)(v) above by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to paragraph (c)(vi) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but before the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme be and is approved;

Each of the general mandates referred to in paragraphs (c)(v), (c)(vi) and (c)(vii) above will remain in effect until whichever is the earliest of:

(1) the conclusion of our next annual general meeting, unless renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;

(2) the expiration of the period within which our Company is required by any applicable law or the Articles of Association to hold our next annual general meeting; or

(3) the time when such mandate is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

5. Repurchase of our Shares

This section includes information relating to the repurchases of securities, including information required by the Stock Exchange to be included in this prospectus concerning such repurchase.

(a) Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important restrictions are summarized below:

(i) Shareholders' approval

All proposed repurchases of Shares must be approved in advance by an ordinary resolution of our Shareholders in a general meeting, either by way of general mandate or by specific approval in relation to a particular transaction.

Pursuant to the written resolutions of the then shareholders of our Company passed on June 23, 2021 by all our Shareholders, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors to exercise all powers of our Company to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue or to be issued immediately following completion of the Global Offering (excluding Shares which may be issued pursuant to the exercise of the Over-allotment Option and any options which may be granted under the Share Option Scheme), further details of which have been described above in the paragraph headed "A. Further information about our company — 4. Written Resolutions of the Then Shareholders Passed on June 23, 2021" in this Appendix.

(ii) Source of funds

Any repurchases of Shares by us must be paid out of funds legally available for the purpose in accordance with our Articles of Association, the Listing Rules and the Companies Act. We are not permitted to repurchase our Shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time.

(iii) Shares to be repurchased

The Listing Rules provide that the Shares which are proposed to be repurchased by us must be fully-paid up.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have general authority from our Shareholders to enable them to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of repurchases

In repurchasing the Shares, we may only apply funds legally available for such purpose in accordance with the Articles of Association, the Listing Rules and the applicable laws and regulations of the Cayman Islands.

On the basis of our Company's current financial position as disclosed in this prospectus and taking into account its current working capital position, our Directors consider that, if the Repurchase Mandate is exercised in full, it might have a material adverse effect on our working capital and/or gearing position as compared with the position disclosed in this prospectus. However, our Directors do not propose to exercise the Repurchase Mandate to such an extent as it would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels which in the opinion of our Directors are from time to time appropriate for us.

(d) General

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to us.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of the Cayman Islands.

If, as a result of any repurchase of Shares, a shareholder's proportionate interest in the voting rights is increased, such increase will be treated as an acquisition for the purposes of the Takeovers Code. Accordingly, a shareholder or a group of shareholders acting in concert could obtain or consolidate control of us and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.

We have not made any repurchases of our own securities in the past six months.

No core connected person has notified us that he/she has a present intention to sell Shares to us, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. CORPORATE REORGANIZATION

In order to streamline the corporate structure and rationalize our corporate structure for the Listing, our Group underwent the Corporate Reorganization. Please see the sub-section headed "History and Corporate Structure — Corporate Reorganization" in this prospectus for details.

C. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of the material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Group within the two years preceding the date of this prospectus and are or may be material:

(1) a shareholder's capital contribution transfer agreement dated April 23, 2020 and entered into between Lingnan WFOE and Lingzhong Investment, pursuant to which Lingnan WFOE transferred its entire equity interest held in Guangzhou Linghang Education Technology Development Co., Ltd.* (廣州嶺航教育科技發展有限公司) to Lingzhong Investment at nil consideration;

(2) a shareholder's capital contribution transfer agreement dated April 23, 2020 and entered into between Lingnan WFOE and Lingzhong Investment, pursuant to which Lingnan WFOE transferred its entire equity interest held in Guangzhou Lingchuang E-commerce Technology Co., Ltd.* (廣州嶺創電商科技有限公司) to Lingzhong Investment at a consideration of RMB1 million;

(3) a shareholder's capital contribution transfer agreement dated April 24, 2020 and entered into between Lingnan WFOE and Lingzhong Investment, pursuant to which Lingnan WFOE transferred its entire equity interest held in Guangzhou Lingxian Venture Incubator Co., Ltd.* (廣州嶺先創業孵化器有限公司) to Lingzhong Investment at nil consideration;

(4) a business cooperation agreement dated November 21, 2020 entered into by and among Lingnan WFOE, our PRC Affiliated Entities and the Registered Shareholders, pursuant to which Lingnan WFOE agreed to provide technical service, management support service and consultancy service necessary for conducting private education activities to our PRC Affiliated Entities, and in return, our PRC Affiliated Entities agreed to pay service fees to Lingnan WFOE in accordance with the terms therein;

(5) an exclusive technical service and management consultancy agreement dated November 21, 2020 and entered into by and among Lingnan WFOE and our PRC Affiliated Entities, pursuant to which Lingnan WFOE agreed to provide exclusive technical service as well as exclusive management and consultancy service to our PRC Affiliated Entities, and as consideration, our PRC Affiliated Entities agreed to pay on an annual basis the relevant services fees to Lingnan WFOE in accordance with the terms therein;

(6) an exclusive call option agreement dated November 21, 2020 and entered into by and among Lingnan WFOE, the Registered Shareholders and our PRC Affiliated Entities, pursuant to which each of the Registered Shareholders irrevocably granted Lingnan WFOE or its designated purchaser an exclusive option to purchase all or part of his/her direct or indirect interest in our PRC Affiliated Entities at the lowest price permitted under the PRC laws and regulations;

(7) a shareholders' rights entrustment agreement dated November 21, 2020 and entered into by and among the Registered Shareholders, Lingnan Education and Lingnan WFOE, pursuant to which each of the Registered Shareholders irrevocably authorized and entrusted Lingnan WFOE to exercise all his/her rights as the shareholder of Lingnan Education to the extent permitted by the PRC laws;

(8) a shareholder's power of attorney executed by Mr. He Huishan (賀惠山) dated November 21, 2020 appointing Lingnan WFOE and its designated person as his agent to act on his behalf to exercise or delegate the exercise of all his shareholder's rights in Lingnan Education;

(9) a shareholder's power of attorney executed by Ms. He Huifen (賀惠芬) dated November 21, 2020 appointing Lingnan WFOE and its designated person as her agent to act on her behalf to exercise or delegate the exercise of all her shareholder's rights in Lingnan Education;

(10) a shareholder's power of attorney executed by Ms. He Huifang (賀惠芳) dated November 21, 2020 appointing Lingnan WFOE and its designated person as her agent to act on her behalf to exercise or delegate the exercise of all her shareholder's rights in Lingnan Education;

(11) a school sponsor's and directors' rights entrustment agreement dated November 21, 2020 and entered into by and among Lingnan Education, the school directors of our PRC Operating Entities (being Mr. He Huishan (賀惠山), Ms. He Huifen (賀惠芬), Ms. Zhou Lanqing (周蘭慶), Mr. Lao Hansheng (勞漢生), Mr. Chai Kesheng (柴克生), Mr. Zhong Yanfeng (鍾燕鋒), Mr. Zhong Weimin (鍾衛民), Mr. Chen Jinqi (陳錦棋), Mr. Guo Yang (郭颺), Mr. Huang Keming (黃克明) and Mr. Wu Zhijian (吳志堅)) (together, the "**School Directors**"), our PRC Operating Entities, and Lingnan WFOE, pursuant to which (i) Lingnan Education irrevocably authorized and entrusted Lingnan WFOE to exercise all its rights as the school sponsor of our PRC Operating Entities to the extent permitted by the PRC laws; and (ii) each of the School Directors irrevocably authorized and entrusted Lingnan WFOE to exercise all his/her rights as the school director of our PRC Operating Entities to the extent permitted by the PRC laws;

(12) a school sponsor's power of attorney executed by Lingnan Education dated November 21, 2020 appointing Lingnan WFOE as its appointee to exercise all its school sponsor's rights in Lingnan Institute of Technology;

(13) a school sponsor's power of attorney executed by Lingnan Education dated November 21, 2020 appointing Lingnan WFOE as its appointee to exercise all its school sponsor's rights in Lingnan Modern Technician College;

(14) a director's power of attorney executed by Mr. He Huishan dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Institute of Technology;

(15) a director's power of attorney executed by Mr. He Huishan dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Modern Technician College;

(16) a director's power of attorney executed by Ms. He Huifen dated November 21, 2020 appointing Lingnan WFOE as her appointee to exercise all her director's rights in Lingnan Institute of Technology;

(17) a director's power of attorney executed by Ms. He Huifen dated November 21, 2020 appointing Lingnan WFOE as her appointee to exercise all her director's rights in Lingnan Modern Technician College;

(18) a director's power of attorney executed by Ms. Zhou Lanqing dated November 21, 2020 appointing Lingnan WFOE as her appointee to exercise all her director's rights in Lingnan Institute of Technology;

(19) a director's power of attorney executed by Mr. Lao Hansheng dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Institute of Technology;

(20) a director's power of attorney executed by Mr. Chai Kesheng dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Institute of Technology;

(21) a director's power of attorney executed by Mr. Zhong Yanfeng dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Institute of Technology;

(22) a director's power of attorney executed by Mr. Zhong Yanfeng dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Modern Technician College;

(23) a director's power of attorney executed by Mr. Zhong Weimin dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Institute of Technology;

(24) a director's power of attorney executed by Mr. Chen Jinqi dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Institute of Technology;

(25) a director's power of attorney executed by Mr. Guo Yang dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Institute of Technology;

(26) a director's power of attorney executed by Mr. Huang Keming dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Modern Technician College;

(27) a director's power of attorney executed by Mr. Wu Zhijian dated November 21, 2020 appointing Lingnan WFOE as his appointee to exercise all his director's rights in Lingnan Modern Technician College;

(28) an equity pledge agreement dated November 21, 2020 and entered into by and among the Registered Shareholders, Lingnan WFOE and Lingnan Education, pursuant to which each of the Registered Shareholders unconditionally and irrevocably agreed to pledge and grant first priority security interests over all of his/her her equity interest in Lingnan Education together with all related rights and benefits thereto to Lingnan WFOE for the purpose of securing the performance of the contractual obligations or liabilities of the PRC Affiliated Entities and the Registered Shareholders under the Contractual Arrangements;

(29) an spouse undertaking dated November 21, 2020 executed by Ms. Zhou Lanqing (周蘭慶), the spouse of Mr. He Huishan, irrevocably consenting to the signing of the Contractual Arrangements by Mr. He Huishan;

(30) an spouse undertaking dated November 21, 2020 executed by Mr. Han Liqing (韓利慶), the spouse of Ms. He Huifen, irrevocably consenting to the signing of the Contractual Arrangements by Ms. He Huifen;

(31) an spouse undertaking dated November 21, 2020 executed by Mr. Du Wenyu (杜文宇), the spouse of Ms. He Huifang, irrevocably consenting to the signing of the Contractual Arrangements by Ms. He Huifang;

(32) the Deed of Indemnity;

(33) the Deed of Non-competition; and

(34) the Hong Kong Underwriting Agreement.

2. Intellectual property rights of our Group

Trademarks

As at the Latest Practicable Date, we have registered the following trademarks in the PRC which, in the opinion of our Directors, are material to our business:

No.	Trademark	Registered owner	Place of registration	Class	Registration number	Expiry date
1		Lingnan Education	PRC	41	12590267	August 20, 2025
2		Lingnan Education	PRC	36	12590351	August 13, 2025
3		Lingnan Education	PRC	35	12590412	May 13, 2026

As at the Latest Practicable Date, we have applied for registration of the following trademarks in the PRC:

No.	Trademark	Applicant	Date of application	Class	Application number
1		Lingnan Education	July 25, 2018	38	32476290
2		Lingnan Education	March 25, 2020	41	44883729
3		Lingnan Education	March 25, 2020	16	44896066
4	岭南教育	Lingnan Education	March 25, 2020	41	44887797
5		Lingnan Education	March 25, 2020	41	44899020
6		Lingnan Education	April 24, 2020	9	45762391
7		Lingnan Education	April 24, 2020	16	45775207
8		Lingnan Education	April 24, 2020	25	45775232

No.	Trademark	Applicant	Date of application	Class	Application number
9		Lingnan Education	April 24, 2020	35	45756328
10		Lingnan Education	April 24, 2020	36	45767677
11		Lingnan Education	April 24, 2020	41	45774669
12		Lingnan Education	April 24, 2020	42	45742582

As at the Latest Practicable Date, we have registered the following trademarks in Hong Kong which, in the opinion of our Directors, are material to our business:

No.	Trademark	Applicant	Date of registration	Class	Registration number	Expiry date
1		Lingnan WFOE	April 26, 2020	41	305257143	April 25, 2030
2		Lingnan WFOE	April 26, 2020	41	305257152	April 25, 2030

Patents

As of the Latest Practicable Date, in the opinion of our Directors, we had no patents which we consider to be or may be material to our business.

Domain Names

As of the Latest Practicable Date, we have registered the following domain names which, in the opinion of our Directors, are material to our business:

No.	Registrant	Domain name	Date of registration	Expiry date
1	Lingnan Education	lnedugroup.com	October 16, 2015	October 16, 2029
2	Lingnan Modern Technician College	lnmtc.com	April 9, 2013	April 9, 2024

Save as aforesaid, as at the Latest Practicable Date, there were no other trade or service marks, patents, intellectual property rights which were material in relation to our Group's business.

3. Further information about our PRC establishments

Lingnan WFOE

(i)	nature of the company .	:	limited liability company (wholly foreign owned enterprise)
(ii)	date of establishment .	:	December 27, 2018
(iii)	term of business operation	:	December 27, 2018 to December 27, 2068
(iv)	registered capital	:	US$30,000,000
(v)	paid-up capital	:	Nil
(vi)	attributable interest of the company	:	100%

(vii)	scope of business	:	Educational vocational skills training (excluding academic education); supply chain management and consulting, business management consulting, market information consulting, business information consulting (excluding financial information), information technology consulting, education consulting, marketing planning, corporate image planning, exhibition display planning; graphic design, website design, product design; computer network technology development; import and export of goods or technology (except for the import and export of goods and technology prohibited by the state or require administrative approval), information technology outsourcing, business process outsourcing, knowledge process outsourcing, software technology development and services; cultural and creative design; design, production, agency, and publication of various types of advertisements at home and abroad (Projects involving industry license management must apply in accordance with relevant national regulations)

Lingnan Education

(i)	nature of the company	:	limited liability company
(ii)	date of establishment .	:	September 6, 1993
(iii)	term of business operation	:	September 6, 1993 to long term
(iv)	registered capital	:	RMB30 million
(v)	paid-up capital	:	RMB30 million
(vi)	attributable interest of the company	:	100%
(vii)	scope of business	:	Vocational skills training (excluding vocational skills training programs requiring prior approval before operation); business management consulting services; investment consulting services (Projects required to be approved under the laws must obtain prior approval from the relevant department before operation)

Lingnan Institute of Technology

(i)	nature of the company	:	private non-enterprise unit
(ii)	date of establishment .	:	May 24, 2002
(iii)	term of the registration certificate	:	March 23, 2020 to March 22, 2024
(iv)	establishment capital . .	:	RMB34.49 million
(v)	paid-up capital	:	RMB34.49 million
(vi)	attributable interest of the company	:	100%
(vii)	scope of business	:	Academic education, diploma examination, self-study examination counseling, and senior vocational training

Lingnan Modern Technician College

(i)	nature of the company	:	private non-enterprise unit
(ii)	date of establishment .	:	July 22, 2005
(iii)	term of the registration certificate	:	July 1, 2019 to June 30, 2023
(iv)	registered capital	:	RMB6 million
(v)	paid-up capital	:	RMB6 million
(vi)	attributable interest of the company	:	100%
(vii)	scope of business	:	Full-time technical education and vocational skills training

D. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Directors' service contracts and letters of appointment

Each of our executive Directors has entered into a service contract with us for an initial fixed term of three years commencing from the Listing Date unless terminated by not less than three months' notice in writing served by either party on the other, which notice shall not expire until after the fixed term. Under their respective service contracts, each executive Director is entitled to a fixed director's fee, discretionary bonuses and benefits.

Each of our independent non-executive Directors has entered into a letter of appointment with us for an initial fixed term of one year commencing from the Listing Date unless terminated by not less than three months' notice in writing served by the non-executive Director to our Company or with immediate effect following the notice in writing served by our Company to the non-executive Director. Under their respective letters of appointment, each of our independent non-executive Directors is entitled to a fixed director's fee.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with us or any of our subsidiaries (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

2. Directors' remuneration during the Track Record Period

For the three years ended December 31, 2018, 2019 and 2020, the aggregate amount of the remuneration paid and benefits in kind granted to our Directors by us and our subsidiaries was RMB1,266,000, RMB2,884,000 and RMB2,877,000, respectively.

Save as disclosed in above, no other emoluments have been paid or are payable, in respect of the three years ended December 31, 2018, 2019 and 2020 by us to our Directors.

Under the arrangements currently in force, we estimate that the aggregate remuneration payable to, and benefits in kind receivable by, our Directors (excluding discretionary bonus) for the year ending December 31, 2021 will be approximately RMB3,099,000.

E. DISCLOSURE OF INTERESTS

1. Disclosure of interests

(a) Interests and short positions of our Directors in our share capital and our associated corporations as at the Latest Practicable Date and following the Capitalization Issue and the Global Offering

As of the Latest practicable Date and immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, the interests or short positions of our Directors and the chief executive of our Company in our Shares, underlying Shares and debentures of our associated corporations, within the meaning of Part XV of the SFO which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Interests and short positions in the shares, underlying shares and debentures and associated corporations:

(i) Long positions in our Company

		Immediately after the Global Offering and the Capitalization Issue[1]	
Name of Directors	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Mr. He Huishan . . .	Interest in a controlled corporation [2]	620,000,000	46.4767%
Ms. He Huifen	Interest in a controlled corporation [3]	190,000,000	14.2429%
Ms. He Huifang . . .	Interest in a controlled corporation [4]	190,000,000	14.2429%

Notes:

(1) The calculation is based on the total number of 1,334,000,000 Shares in issue after the completion of the Capitalization Issue and immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) Zhihui Guang is owned as to 51% by Mr. He Huishan and 49% by his spouse Ms. Zhou Lanqing, respectively. Mr. He Huishan is deemed to be interested in the Shares held by Zhihui Guang by virtue of the SFO, being 570,000,000 Shares. Mr. He Huishan is the sole shareholder of Good Booming and he is therefore deemed to be interested in the Shares held by Good Booming by virtue of the SFO, being 50,000,000 Shares.

(3) Ms. He Huifen is the sole shareholder of China Foreign Education, and she is therefore deemed to be interested in the Shares held by China Foreign Education by virtue of the SFO, being 190,000,000 Shares.

(4) Ms. He Huifang is the sole shareholder of Fangyuan Education, and she is therefore deemed to be interested in the Shares held by Fangyuan Education by virtue of the SFO, being 190,000,000 Shares.

(ii) Long position(s) in associated companies

Lingnan Education

		Immediately after the Global Offering and the Capitalization Issue	
Name of Directors	**Capacity/Nature of interest**	**Amount of registered share capital (RMB)**	**Approximate percentage of shareholding**
Mr. He Huishan . . .	Beneficial owner	18,000,000	60%
Ms. He Huifen	Beneficial owner	6,000,000	20%
Ms. He Huifang . . .	Beneficial owner	6,000,000	20%

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

As of the Latest practicable Date and immediately following completion of the Capitalization Issue and the Global Offering and taking no account of any Shares which may be allotted and issued pursuant to the Share Option Scheme or the exercise of the Over-allotment Option, so far as our Directors are aware, the following persons (not being a Director or chief executive of our Company) are expected to have interests or short positions in our Shares or underlying Shares which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 members of our Group:

Interests and short positions in our Shares and underlying Shares of our Company:

Long positions in our Company

		Immediately after the Global Offering and the Capitalization Issue[(1)]	
Name	**Capacity/Nature of interest**	**Number of Shares**	**Approximate percentage of shareholding in our Company**
Zhihui Guang . . .	Beneficial owner (2)	570,000,000	42.7286%
China Foreign Education	Beneficial owner (3)	190,000,000	14.2429%
Fangyuan Education	Beneficial owner (4)	190,000,000	14.2429%
Ms. Zhou Lanqing.	Interest in a controlled corporation (5)	570,000,000	42.7286%
	Spouse interest (5)	50,000,000	3.7481%
Mr. Han Liqing . .	Spouse interest (3)	190,000,000	14.2429%
Mr. Du Wenyu . .	Spouse interest (4)	190,000,000	14.2429%

Notes:

(1) The calculation is based on the total number of 1,334,000,000 Shares in issue after the completion of the Capitalization Issue and immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised).

(2) Zhihui Guang is owned as to 51% by Mr. He Huishan and 49% by Ms. Zhou Lanqing, respectively.

(3) Ms. He Huifen is the sole shareholder of China Foreign Education. Mr. Han Liqing is the spouse of Ms. He Huifen. Both Ms. He Huifen and Mr. Han Liqing are therefore deemed to be interested in the Shares held by China Foreign Education by virtue of the SFO, being 190,000,000 Shares.

(4) Ms. He Huifang is the sole shareholder of Fangyuan Education. Mr. Du Wenyu is the spouse of Ms. He Huifang. Both Ms. He Huifang and Mr. Du Wenyu are therefore deemed to be interested in the Shares held by Fangyuan Education by virtue of the SFO, being 190,000,000 Shares.

(5) Ms. Zhou Lanqing is the spouse of Mr. He Huishan. Zhihui Guang is owned as to 51% by Mr. He Huishan and 49% by Ms. Zhou Lanqing, respectively. Mr. He Huishan is the sole shareholder of Good Booming. Both Mr. He Huishan and Ms. Zhou Lanqing are therefore deemed to be interested in the Shares held by Zhihui Guang and Good Booming, respectively, by virtue of the SFO, being 570,000,000 and 50,000,000 Shares, respectively.

2. Disclaimers

Save as disclosed in this prospectus:

(a) our Directors are not aware of any person (not being our Director or chief executive) who will, immediately after completion of the Capitalization Issue and the Global Offering (without taking into account Shares which may be issued upon the exercise of the Over-allotment Option or the Shares which may be issued upon the exercise of options granted under the Share Option Scheme and the Capitalization Issue), have an interest or a short position in Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will, directly or indirectly, be 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 members of our Group;

(b) none of our Directors or chief executive has any interest or short position in any of our Shares, underlying Shares or debentures or any shares, underlying shares or debentures of any associated corporation within the meaning of Part XV of the SFO, which will have to be notified to us and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which will be required to be notified to us and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, in each case once our Shares are listed;

(c) none of our Directors nor any of the parties listed in the section headed "G. Other Information — 10. Consents of Experts" in this Appendix to this prospectus is interested in the promotion of our Company, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of our subsidiaries, or are proposed to be acquired or disposed of by or leased to our Company or any of our subsidiaries;

(d) none of our Directors nor any of the parties listed in the section headed "G. Other Information — 10. Consents of Experts" in this Appendix to this prospectus is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(e) save in connection with the Underwriting Agreements, none of the parties listed in the section headed "G. Other Information — 10. Consents of Experts" in this Appendix to this prospectus:

(i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or

(ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries;

(f) none of our Directors or their close associates (as defined in the Listing Rules) or the existing Shareholders (who, to the knowledge of our Directors, owns more than 5% of our issued share capital) has any interest in any of the five largest customers or the five largest suppliers of our Group; and

(g) none of our Directors are interested in any business apart from the Group's business which competes or is likely to compete, directly or indirectly with the business of our Group.

F. SHARE OPTION SCHEME

The following is a summary of principal terms of the Share Option Scheme conditionally approved by a resolution of the then shareholders of our Company passed on June 23, 2021 and adopted by a resolution of the Board on June 23, 2021 (the "Adoption Date"). The terms of the Share Option Scheme are in compliance with the provisions of Chapter 17 of the Listing Rules.

1. Purpose

The purpose of the Share Option Scheme is to give the Eligible Persons (as defined in the following paragraph) an opportunity to have a personal stake in our Company and help motivate them to optimize their future contributions to our Group and/or to reward them for their past contributions, to attract and retain or otherwise maintain on-going relationships with such Eligible Persons who are significant to and/or whose contributions are or will be beneficial to the performance, growth or success of our Group, and additionally in the case of Executives (as defined below), to enable our Group to attract and retain individuals with experience and ability and/or to reward them for their past contributions.

2. Who may join

The Board may, at its absolute discretion, offer options ("Options") to subscribe for such number of Shares in accordance with the terms set out in the Share Option Scheme to:

(a) any executive director of, manager of, or other employee holding an executive, managerial, supervisory or similar position in any member of our Group ("Executive"), any proposed employee, any full-time or part-time employee, or a person for the time being seconded to work full-time or part-time for any member of our Group ("Employee");

(b) a director or proposed director (including an independent non-executive director) of any member of our Group;

(c) a direct or indirect shareholder of any member of our Group;

(d) a supplier of goods or services to any member of our Group;

(e) a customer, consultant, business or joint venture partner, franchisee, contractor, agent or representative of any member of our Group;

(f) a person or entity that provides design, research, development or other support or any advisory, consultancy, professional or other services to any member of our Group;

(g) an associate of any of the persons referred to in paragraphs (a) to (f) above; and

(h) any person involved in the business affairs of our Company whom our Board determined to participate in the Share Option Scheme (the person referred above are the "Eligible Persons").

3. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Scheme and any other schemes of our Group shall not in aggregate exceed 10% of the Shares in issue as at the Listing Date (such 10% limit representing 133,400,000 Shares excluding Shares which may fall to be issued upon the exercise of the Over-allotment Option granted by our Company) (the "Scheme Mandate Limit") provided that:

(a) our Company may at any time as our Board may think fit seek approval from our Shareholders to refresh the Scheme Mandate Limit, save that the maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company shall not exceed 10% of our Shares in issue as at the date of approval by our Shareholders in general meeting where the Scheme Mandate Limit is refreshed. Options previously granted under the Share Option Scheme and any other schemes of our Company (including those outstanding, canceled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other schemes of our Company) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed. Our Company shall send to our Shareholders a circular containing the details and information required under the Listing Rules;

(b) our Company may seek separate approval from our Shareholders in general meeting for granting Options beyond the Scheme Mandate Limit, provided that the Options in excess of the Scheme Mandate Limit are granted only to the Eligible Person specified by our Company before such approval is obtained. Our Company shall issue a circular to our Shareholders containing the details and information required under the Listing Rules; and

(c) the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Group shall not exceed 30% of our Company's issued share capital from time to time. No Options may be granted under the Share Option Scheme and any other share option scheme of our Company if this will result in such limit being exceeded.

4. Maximum entitlement of each participants

No Option may be granted to any one person such that the total number of Shares issued and to be issued upon exercise of Options granted and to be granted to that person in any 12-month period exceeds 1% of our Company's issued share capital from time to time. Where any further grant of Options to such an Eligible Person would result in our Shares issued and to be issued upon exercise of all Options granted and to be granted to such Eligible Person (including exercised, canceled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of our Shares in issue, such further grant shall be separately approved by our Shareholders in general meeting with such Eligible Person and his close associates (or his associates if such Eligible Person is a connected person) abstaining from voting. Our Company shall send a circular to our Shareholders disclosing the identity of the Eligible Person, the number and terms of the Options to be granted (and Options previously granted) to such Eligible Person, and containing the details and information required under the Listing Rules. The number and terms (including the subscription price) of the Options to be granted to such Eligible Person must be fixed before the approval of our Shareholders and the date of the Board meeting proposing such grant shall be taken as the offer date for the purpose of calculating the subscription price of those Options.

5. Offer and grant of Options

Subject to the terms of the Share Option Scheme, the Board shall be entitled at any time within 10 years from the Adoption Date to offer the grant of an Option to any Eligible Person as the Board may in its absolute discretion select to subscribe at the subscription price for such number of Shares as the Board may (subject to the terms of the Share Option Scheme) determine (provided the same shall be a board lot for dealing in the Shares on the Stock Exchange or an integral multiple thereof).

6. Granting Options to connected persons

Subject to the terms in the Share Option Scheme, only insofar as and for so long as the Listing Rules require, where any offer of an Option is proposed to be made to a director, chief executive or a substantial shareholder (as defined in the Listing Rules) of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding the independent non-executive Director who or whose associates is the grantee of an Option).

Where any grant of Options to a substantial shareholder (as defined in the Listing Rules) or an independent non-executive Director of our Company, or any of their respective associates, would result in the securities issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, canceled and outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of the relevant class of securities in issue; and

(b) (where the securities are listed on the Stock Exchange), having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK$5.0 million,

such further grant of Options must be approved by our Shareholders (voting by way of a poll). Our Company shall send a circular to our Shareholders containing the information required under the Listing Rules. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

Approval from our Shareholders is required for any change in the terms of Options granted to a participant who is a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates. The grantee, his associates and all core connected persons of our Company must abstain from voting in favor at such general meeting.

7. Restriction on the time of grant of Options

The Board shall not grant any Option under the Share Option Scheme after inside information has come to its knowledge until such inside information has been announced pursuant to the requirements of the Listing Rules. In particular, no Option shall be granted during the period commencing one month immediately preceding the earlier of the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and the deadline for our Company to publish an announcement of its results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcements.

8. Minimum holding period, vesting and performance target

Subject to the provisions of the Listing Rules, the Board may in its absolute discretion when offering the grant of an Option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the letter containing the offer of the grant of the Option) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, conditions, restrictions or limitations relating to the achievement of performance, operating or financial targets by our Company and/or the grantee, the satisfactory performance or maintenance by the grantee of certain conditions or obligations or the time or period before the right to exercise the Option in respect of any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an Option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the Option can be exercised.

9. Amount payable for Options and offer period

An offer of the grant of an Option shall remain open for acceptance by the Eligible Person concerned for a period of 28 days from the offer date provided that no such grant of an Option may be accepted after the expiry of the effective period of the Share Option Scheme. An Option shall be deemed to have been granted and accepted by the Eligible Person and to have taken effect when the duplicate offer letter comprising acceptance of the offer of the Option duly signed by the grantee together with a remittance in favor of our Company of HK$1.00 by way of consideration for the grant thereof is received by our Company on or before the date upon which an offer of an Option must be accepted by the relevant Eligible Person, being a date no later than 28 days after the offer date (the "Acceptance Date"). Such remittance shall in no circumstances be refundable.

Any offer of the grant of an Option may be accepted in respect of less than the number of Shares in respect of which it is offered provided that it is accepted in respect of board lots for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer letter comprising acceptance of the offer of the Option. To the extent that the offer of the grant of an Option is not accepted by the Acceptance Date, it will be deemed to have been irrevocably declined.

10. Subscription price

The subscription price in respect of any particular Option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant Option (and shall be stated in the letter containing the offer of the grant of the Option) but the subscription price shall not be less than whichever is the highest of:

(a) the nominal value of a Share;

(b) the closing price of a Share as stated in the Stock Exchange's daily quotations sheet on the offer date; and

(c) the average closing price of a Share as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days (as defined in the Listing Rules) immediately preceding the offer date.

11. Exercise of Option

(a) An Option shall be exercised in whole or in part (but if in part only, in respect of a board lot or any integral multiple thereof) within the Option period in the manner as set out in this Share Option Scheme by the grantee (or his or her legal personal representative(s)) by giving notice in writing to our Company stating that the Option is thereby exercised and specifying the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and, where appropriate, receipt of a certificate from our auditors pursuant to the Share Option Scheme, our Company shall accordingly allot and issue the relevant number of Shares to the grantee (or his or her legal personal representative(s)) credited as fully paid with effect from (but excluding) the relevant exercise date and issue to the grantee (or his or her legal personal representative(s)) share certificate(s) in respect of the Shares so allotted.

(b) The exercise of any Option may be subject to a vesting schedule to be determined by the Board in its absolute discretion, which shall be specified in the offer letter.

(c) The exercise of any Option shall be subject to the members of our Company in general meeting approving any necessary increase in the authorized share capital of our Company.

(d) Subject as hereinafter provided and subject to the terms and conditions upon which the Option was granted, an Option may be exercised by the Grantee at any time during the Option Period, provided that:

(i) in the event that the grantee dies or becomes permanently disabled before exercising an Option (or exercising it in full) and none of the events for termination of employment or engagement pursuant to the terms of the Share Option Scheme exists with respect to such grantee, he or she (or his or her legal representative(s)) may exercise the Option up to the grantee's entitlement immediately prior to the death or permanently disability (to the extent not already exercised) within a period of 12 months following his or her death or permanent disability or such longer period as the Board may determine;

(ii) in the event that the grantee ceases to be an Executive for any reason (including his or her employing company ceasing to be a member of our Group) other than his or her death, permanent disability, retirement pursuant to such retirement scheme applicable to our Group at the relevant time or the transfer of his or her employment to an affiliate company or the termination of his or her employment with the relevant member of our Group by resignation or culpable termination, the Option (to the extent not already exercised) shall lapse on the date of cessation of such employment and not be exercisable unless the Board otherwise determines in which event the Option (or such remaining part thereof) shall be exercisable within such period as the Board may in its absolute discretion determine following the date of such cessation;

(iii) if a general offer is made to all holders of Shares and such offer becomes or is declared unconditional (in the case of a takeover offer) or is approved by the requisite majorities at the relevant meetings of our Shareholders (in the case of a scheme of arrangement), the grantee shall be entitled to exercise the Option (to the extent not already exercised) at any time (in the case of a takeover offer) within one month after the date on which the offer becomes or is declared unconditional or (in the case of a scheme of arrangement) prior to such time and date as shall be notified by our Company;

(iv) if a compromise or arrangement between our Company and its members or creditors is proposed for the purpose of or in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company, our Company shall give notice thereof to the grantees who have Options unexercised at the same time as it dispatches notices to all members or creditors of our Company summoning the meeting to consider such a compromise or arrangement and thereupon each grantee (or his or her legal representatives or receiver) may until the expiry of the earlier of:

(1) the Option period;

(2) the period of two months from the date of such notice; or

(3) the date on which such compromise or arrangement is sanctioned by the court, exercise in whole or in part his or her Option.

(v) in the event a notice is given by our Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or his or her legal personal representative(s)) shall be entitled to exercise all or any of his or her options at any time not later than two Business Days (as defined in the Listing Rules) prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the business day (as defined in the Listing Rules) immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

12. Life of Share Option Scheme

Subject to the terms of this Share Option Scheme, the Scheme shall be valid and effective for a period of 10 years from the date on which it becomes unconditional, after which no further options will be granted or offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such expiry and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

13. Lapse of Share Option Scheme

An Option shall lapse automatically and not be exercisable, to the extent not already exercised, on the earliest of:

(a) the expiry of the Option period;

(b) the expiry of any of the period referred to paragraphs related to exercise of the Option;

(c) subject to the terms of the period mentioned in the paragraph headed "F. Share Option Scheme — 11. Exercise of Option" in this Appendix to this prospectus, the date of the commencement of the winding-up of our Company;

(d) there is an unsatisfied judgment, order or award outstanding against the grantee or the Board has reason to believe that the grantee is unable to pay or to have no reasonable prospect of being able to pay his/her/its debts;

(e) there are circumstances which entitle any person to take any action, appoint any person, commence proceedings or obtain any order of the type mentioned in this Share Option Scheme with respect to the exercise of the Option;

(f) a bankruptcy order has been made against any director or shareholder of the grantee (being a corporation) in any jurisdiction.

No compensation shall be payable upon the lapse of any Option, provided that the Board shall be entitled in its discretion to pay such compensation to the grantee in such manner as it may consider appropriate in any particular case.

14. Adjustment

In the event of any alteration to the capital structure of our Company while any Option remains exercisable, whether by way of capitalization of profits or reserves, right issue, consolidations, reclassification, reconstruction, sub-division or reduction of the share capital of our Company, the Board may, if it considers the same to be appropriate, direct that adjustments be made to:

(a) the maximum number of Shares subject to the Share Option Scheme; and/or

(b) the aggregate number of Shares subject to the Option so far as unexercised; and/or

(c) the subscription price of each outstanding Option.

Where the Board determines that such adjustments are appropriate (other than an adjustment arising from a capitalization issue), the auditors appointed by our Company shall certify in writing to the Board that any such adjustments are in their opinion fair and reasonable, provided that:

(a) any such adjustments shall give the Eligible Persons the same proportion of equity capital as they were previously entitled to. In respect of any such adjustments, other than any made on a capitalization issue, the auditors shall confirm to the Board in writing that the adjustments satisfy this requirement;

(b) any such adjustments shall be made on the basis that the aggregate subscription price payable by the grantee on the full exercise of any Option shall remain as nearly as practicable same as (but shall not be greater than) it was before such event;

(c) no such adjustments shall be made the effect of which would be to enable a Share to be issued at less than its nominal value;

(d) any such adjustments shall be made to in accordance with the provisions as stipulated under Chapter 17 of the Listing Rules and supplementary guidance on the interpretation of the Listing Rules issued by the Stock Exchange from time to time; and

(e) the issue of securities as consideration in a transaction shall not be regarded as a circumstance requiring any such adjustments.

15. Offer and grant of Options

The Board shall be entitled for the following causes to cancel any Option in whole or in part by giving notice in writing to the grantee stating that such Option is thereby canceled with effect from the date specified in such notice (the "Cancelation Date"):

(a) the grantee commits or permits or attempts to commit or permit a breach of restriction on transferability of Option or any terms or conditions attached to the grant of the Option;

(b) the grantee makes a written request to the Board for the Option to be canceled; or

(c) if the grantee has, in the opinion of the Board, conducted himself in any manner whatsoever to the detriment of or prejudicial to the interests of our Company or its subsidiary.

16. Ranking of Shares

The Shares to be allotted upon the exercise of an Option will be subject to all the provisions of the Articles of Association and the laws of the Cayman Islands from time to time and shall rank *pari passu* in all respects with the then existing fully paid Shares in issue commencing from (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first date of the re-opening of the register of members. Accordingly, it will entitle the holders to participate in all dividends or other distributions paid or made on or after (i) the allotment date or, (ii) if that date falls on a day when the register of members of our Company is closed, the first day of the re-opening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefore shall be before the allotment date.

Share issued upon the exercise of an Option shall not carry rights until the registration of the grantee (or any other person) as the holder thereof.

17. Termination

Our Company may by resolution in general meeting at any time terminate the operation of the Share Option Scheme. Upon termination of the Share Option Scheme as aforesaid, no further Options shall be offered but the provisions of the Share Option Scheme shall remain in force and effect in all other respects. All Options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the Share Option Scheme.

18. Transferability

The Option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest (legal or beneficial) in favor of any third party over or in relation to any Option or attempt to do so (save that the grantee may nominate a nominee in whose name the Shares issued pursuant to the Share Option Scheme may be registered). Any breach of the foregoing shall entitle our Company to cancel any outstanding Option or part thereof granted to such grantee.

19. Alteration of Share Option Scheme

The Share Option Scheme may be altered in any respect by a resolution of the Board except that the following shall not be carried out except with the prior sanction of an ordinary resolution of our Shareholders in general meeting:

(a) any material alteration to its terms and conditions or any change to the terms of Options granted (except where the alterations take effect under the existing terms of the Share Option Scheme);

(b) any alteration to the provisions of the Share Option Scheme in relation to the matters set out in Rule 17.03 of the Listing Rules to the advantage of grantee;

(c) any change to the authority of the Board or any person or committee delegated by the Board pursuant to the Share Option Scheme to administer the day-to-day running of the Scheme; and

(d) any alteration to the aforesaid alteration provisions, provided always that the amended terms of the Share Option Scheme shall comply with the applicable requirements of the Listing Rules.

20. Conditions of the Share Option Scheme

The Share Option Scheme shall come into effect on the date on which the following conditions are fulfilled:

(a) the approval of our Shareholders for the adoption of the Share Option Scheme;

(b) the approval of the Stock Exchange for the listing of and permission to deal in, a maximum of 133,400,000 Shares to be allotted and issued pursuant to the exercise of the Share Option Scheme in accordance with the terms and conditions of the Share Option Scheme;

(c) the commencement of dealing in our Shares on the Stock Exchange; and

(d) the obligations of the underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms thereof or otherwise.

If the permission referred to in paragraph (b) above is not granted within two calendar months after the Adoption Date:

(a) the Share Option Scheme will forthwith terminate;

(b) any Option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect;

(c) no person shall be entitled to any rights or benefits or be under any obligations under or in respect of the Share Option Scheme or any Option; and

(d) the Board may further discuss and devise another share option scheme that is applicable to a private company for adoption by our Company.

Application has been made to the Stock Exchange for the listing of 133,400,000 Shares which may be issued pursuant to the exercise of Options under the Share Option Scheme.

G. OTHER INFORMATION

1. Deed of Indemnity

The Controlling Shareholders have entered into the Deed of Indemnity with and in favor of our Company for itself and as trustee for its subsidiaries, to provide indemnities in respect of, among other things:

(a) certain estate duty which might be payable by any companies in our Group by virtue of or under the provisions of the Estate Duty Ordinance (Chapter 111 of Laws of Hong Kong); and

(b) any liability of any or all of the members of our Group to any form of taxation and duty whenever created or imposed, whether of Hong Kong, the PRC or of any other part of the world, and without prejudice to the generality of the foregoing includes profits tax, provisional profits tax, business tax on gross income, income tax, value added tax, interest tax, salaries tax, property tax, land appreciation tax, lease registration tax, estate duty, capital gains tax, death duty, capital duty, stamp duty, payroll tax, withholding tax, rates, import, customs and excise duties and generally any tax duty, impost, levy or rate or any amount payable to the revenue, customs or fiscal authorities of local, municipal, provincial, national, state or federal level whether of Hong Kong, the PRC or of any other part of the world falling on any of the members of our Group resulting from or by reference to any income, profits or gains earned, accrued or received on or before the Listing Date or any event on transaction on or before Listing Date whether alone or in conjunction with any circumstances whenever occurring and whether or not such taxation is chargeable against or attributable to any other person, firm or company.

The Deed of Indemnity does not cover any claim and our Controlling Shareholders shall be under no liability under this Deed of Indemnity in respect of above:

(a) to the extent that provision or allowance has been made for such taxation in the combined financial statements of our Group as set out in in Appendix I to this prospectus or in the audited accounts of the relevant members of our Group for the years ended December 31, 2018, 2019 and 2020 (the "Accounts"); or

(b) for which any company of our Group is liable as a result of any event occurring or income, profits earned, accrued or received or alleged to have been earned, accrued or received or transactions entered into in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets after December 31, 2020 up to and including the Listing Date or consisting of any company of our Group ceasing, or being deemed to cease, to be a company in our Group for the purposes of any matter of the taxation; or; or

(c) to the extent that such claim arises or is incurred as a consequence of any retrospective change in the law or the interpretation or practice by the Hong Kong Inland Revenue Department or the tax authorities or any other authority in any part of the world coming into force after the Listing Date or to the extent such claim arises or is increased by an increase in the rates of taxation after the Listing Date with retrospective effect; or

(d) to the extent that any provision or reserve made for such taxation in the Accounts is finally established to be an over-provision or an excessive reserve as certified by a firm of accountants acceptable to our Company then the liability of our Controlling Shareholders (if any) in respect of such taxation shall be reduced by an amount not exceeding such over-provision or excess reserve.

Under the Deed of Indemnity, our Controlling Shareholders have also undertaken to indemnify, on a joint and several basis, from any depletion in or reduction in value of its assets or any loss (including all legal costs and suspension of operation), cost, expenses, damages, penalties, fines or other liabilities which any member of our Group may incur or suffer arising from the non-compliances as disclosed in the section headed "Business — Legal Proceedings and Non-compliance" in this prospectus.

2. Litigation

As of the Latest Practicable Date, neither we nor any of our subsidiaries were/was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against us, that would have a material adverse effect on its results of operations or financial condition.

3. Preliminary expenses

Our estimated preliminary expenses are approximately RMB8.7 million and have been paid by us.

4. Promoter

There are no promoters of our Company.

5. Sole Sponsor

The Sole Sponsor made an application on our behalf to the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein, the Shares to be issued pursuant to the Capitalization Issue and any Shares falling to be issued pursuant to the exercise of the Over-allotment Option, and the Shares that may be issued upon the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS. The Sole Sponsor confirms that it satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

Our Company has entered into an engagement agreement with the Sole Sponsor, pursuant to which our Company agreed to pay the Sole Sponsor a fee of USD900,000 to act as sponsor to our Company in the Global Offering.

6. No material adverse change

Our Directors confirm that there has been no material adverse change in our Company's financial or trading position or prospects since December 31, 2020 (being the date to which our latest audited combined financial statements were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance (Chapter 32 of the Laws of Hong Kong) so far as applicable.

8. Miscellaneous

(1) Save as disclosed in this prospectus:

(a) within the two years immediately preceding the date of this prospectus, no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(b) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) neither our Company nor any of our subsidiaries have issued or agreed to issue any founder shares, management shares or deferred shares;

(d) within the two years immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;

(e) within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the Underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any Shares in our Company;

(f) none of the equity and debt securities of our Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought; and

(g) we have no outstanding convertible debt securities.

(2) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the twelve (12) months immediately preceding the date of this prospectus.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
BNP Paribas Securities (Asia) Limited .	A corporation licensed to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Ernst & Young	Certified Public Accountants and Registered Public Interest Entity Auditor
Conyers Dill & Pearman	Cayman Islands attorneys-at-law
Commerce & Finance Law Offices. . . .	PRC legal advisors to our Company
Frost & Sullivan (Beijing), Inc., Shanghai Branch Co.	Independent industry consultant
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Guangzhou Da Gong Certified Public Accountants Co., Ltd.	Qualified PRC tax consultant
Wilkinson & Grist.	Hong Kong legal advisors to our Company

10. Consents of experts

Each of the experts named in the section headed "— G. Other Information — 9. Qualification of Experts" in this Appendix to this prospectus has given and has not withdrawn their respective consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

11. Bilingual prospectus

The English language and the Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** Application Forms, the written consents referred to in the paragraph headed "G. Other Information — 10. Consents of Experts" in Appendix V to this prospectus and copies of the material contracts referred to in "C. Further Information about Our Business — 1. Summary of the Material Contracts" in Appendix V to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Morgan, Lewis & Bockius at Suites 1902-09, 19/F, Edinburgh Tower, 15 Queen's Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date that is 14 days from the date of this prospectus:

(1) our Memorandum and the Articles of Association;

(2) the Accountants' Report from Ernst & Young, the text of which is set out in Appendix I to this prospectus;

(3) the audited financial statements of our Group for each of the three years ended December 31, 2018, 2019 and 2020;

(4) the report received from Ernst & Young on unaudited pro forma financial information, the texts of which are set out in Appendix II to this prospectus;

(5) the letter, summary of values and valuation certificates relating to our property interests prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, the texts of which are set out in Appendix III to this prospectus;

(6) the material contracts referred to in the paragraph headed "C. Further Information about Our Business — 1. Summary of the Material Contracts" in Appendix V to this prospectus;

(7) the service contracts and letters of appointment with Directors, referred to in the paragraph headed "D. Further Information about our Directors — 1. Directors' Service Contracts and Letters of Appointment" in Appendix V to this prospectus;

(8) the tax report prepared by Guangzhou Da Gong Certified Public Accountants Co., Ltd., our PRC tax consultant;

(9) the written consents referred to in the paragraph headed "G. Other Information — 10. Consents of Experts" in Appendix V to this prospectus;

(10) the PRC legal opinions prepared by Commerce & Finance Law Offices, our legal advisors as to the PRC law, in respect of certain aspects of our Group and our property interests;

(11) the letter of advice prepared by Conyers Dill & Pearman summarizing certain aspects of the Cayman Islands company law referred to in Appendix IV to this prospectus;

(12) the industry report prepared by Frost & Sullivan;

(13) the Cayman Islands Companies Act;

(14) the rules of the Share Option Scheme; and

(15) the legal opinion of Wilkinson & Grist.