CHINA CHUNLAI EDUCATION GROUP CO., LTD.
中國春來教育集團有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1969

GLOBAL OFFERING

Sole Sponsor

CLSA A CITIC Securities Company

Joint Global Coordinators

CLSA A CITIC Securities Company

AMTD 尚乘

Joint Bookrunners and Joint Lead Managers

CLSA A CITIC Securities Company

AMTD 尚乘

原銀證券 YUANYIN SECURITIES LIMITED

首控證券 FIRST CAPITAL SECURITIES LIMITED

IMPORTANT: If you are in doubt about any of the contents of this document, you should obtain independent professional advice.

CHINA CHUNLAI EDUCATION GROUP CO., LTD.
中國春來教育集團有限公司

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GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	**300,000,000 Shares (subject to the Over-allotment Option)**
Number of Hong Kong Public Offer Shares	:	**30,000,000 Shares (subject to reallocation)**
Number of International Offering Shares	:	**270,000,000 Shares (subject to reallocation and the Over-allotment Option)**
Maximum Offer Price	:	**HK$2.98 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)**
Nominal Value	:	**HK$0.00001 per Share**
Stock Code	:	**1969**

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A copy of this document, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix VI to this document, 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 and the Registrar of Companies in Hong Kong take no responsibility for the contents of this document or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 6 September 2018 and, in any event, not later than Wednesday, 12 September 2018. The Offer Price will be not more than HK$2.98 and is currently expected to be not less than HK$2.08. If, for any reason, the Offer Price is not agreed by Wednesday, 12 September 2018 between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, the Global Offering will not proceed and will lapse.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination" in this document.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this document, including the risk factors set out in the section headed "Risk Factors" in this document. 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 or any state securities law in 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 (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S.

31 August 2018

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 in English in the South China Morning Post and in Chinese in Hong Kong Economic Times.

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Wednesday, 5 September 2018
Application lists of the Hong Kong Public Offering open[3]	11:45 a.m. on Wednesday, 5 September 2018
Latest time to lodge **White** and **Yellow** Application Forms	12:00 noon on Wednesday, 5 September 2018
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Wednesday, 5 September 2018
Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 5 September 2018
Application lists of the Hong Kong Public Offering close	12:00 noon on Wednesday, 5 September 2018
Expected Price Determination Date[5]	Thursday, 6 September 2018

(1) Announcement of:

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

to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Stock Exchange at **www.hkexnews.hk** and our Company at **www.chunlaiedu.com** on or before[6]	Wednesday, 12 September 2018
(2) 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 websites of the Stock Exchange at **www.hkexnews.hk** and our Company's website at **www.chunlaiedu.com** (see the section headed "How to Apply for Hong Kong Public Offer Shares — 11. Publication of Results" in this prospectus) from	Wednesday, 12 September 2018
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at **www.hkexnews.hk**[7] and our Company's website at **www.chunlaiedu.com**[8] from	Wednesday, 12 September 2018

Results of allocations for the Hong Kong Public Offering will be available at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on . . .	Wednesday, 12 September 2018
Dispatch of Share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before[6] . . .	Wednesday, 12 September 2018
Dispatch of White Form e-Refund payment instructions/refund cheques on or before[9] . . .	Wednesday, 12 September 2018
Dealings in Shares on the Stock Exchange to commence at 9:00 a.m. on . .	Thursday, 13 September 2018

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 designated website at **www.eipo.com.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 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 a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 September 2018, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Public Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

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

(5) The Price Determination Date is expected to be on or around Thursday, 6 September 2018, and, in any event, not later than Wednesday, 12 September 2018, or such other date as agreed between parties. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company by Wednesday, 12 September 2018, or such other date as agreed between parties, the Global Offering will not proceed and will lapse.

(6) Share certificates are expected to be issued on Wednesday, 12 September 2018 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 Thursday, 13 September 2018. 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.

(7) The announcement will be available for viewing on the "Main Board — Allotment of Results" page on the Stock Exchange's website at **www.hkexnews.hk** and our Company's website at **www.chunlaiedu.com**.

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

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

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 Hong Kong Public Offer Shares" in this prospectus for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Public Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and Share certificates.

IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This document is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Public Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Public Offer Shares offered by this document pursuant to the Hong Kong Public Offering. This document may not be used for the purpose of making, 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 Hong Kong Public Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this document in any jurisdiction other than Hong Kong. The distribution of this document for purposes of a public offering and the offering and sale of the Hong Kong Public 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 authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this document and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this document. We have not authorised anyone to provide you with information that is different from what is contained in this document. Any information or representation not contained nor made in this document and the Application Forms must not be relied on by you as having been authorised by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

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

OVERVIEW

We are a leading provider of private higher education in China. We ranked first in Central China and fourth nationwide among providers of private higher education as measured by total student enrolment in the 2017/2018 school year, according to Frost & Sullivan. Since our inception in 2004, we have grown to operate three colleges in Henan Province, namely Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus, and participate in the operation of one college in Hubei Province, namely Hubei College. The total student enrolment of our colleges increased from 29,673 for the 2014/2015 school year to 45,210 for the 2017/2018 school year, while Hubei College has a total student enrolment of 7,789 for the 2017/2018 school year. We believe that we have strong potential to further grow our business, and the private higher education market in China presents many market opportunities. According to Frost & Sullivan, in 2017, the total revenue and the total number of student enrolments of private higher education market in China accounted for 9.8% and 22.8% of that of higher education market in China, respectively. Central China is a densely populated and fast-developing region. In particular, Henan Province had the largest registered population and generated the fifth largest GDP among all provinces in China in 2017, according to Frost & Sullivan. In 2017, the total revenue and the total number of student enrolments of private higher education market in Central China accounted for 11.9% and 24.0% of that of higher education market in Central China, respectively, according to Frost & Sullivan. To capture these growth opportunities, each of our current colleges in Henan Province has acquired or is in the process of acquiring additional land and other resources to further expand its student enrolment.

Our employment-oriented curricula are focused on equipping our students with practicable skills that meet the demand of economic development in China. The effectiveness of our practical curricula and training programmes is reflected in our high graduate employment rates. For the 2014/2015, 2015/2016 and 2016/2017 school years, the average initial employment rate of our higher education programmes was 96.1%, 96.4% and 94.1%, respectively, substantially above the overall average for higher education in China, which was between 77.4% and 78.4% from 2013 through 2017, according to Frost & Sullivan.

We experienced significant growth in our revenue and profit during the Track Record Period. Our revenue increased from RMB336.3 million for the year ended 31 August 2015 to RMB378.6 million for the year ended 31 August 2016, and further to RMB460.9 million for the year ended 31 August 2017. We had a loss of RMB62.8 million for the year ended 31 August 2015, and a profit of RMB109.8 million for the year ended 31 August 2016, which increased to RMB151.6 million for the year ended 31 August 2017. Our adjusted net profit increased from RMB76.1 million for the year ended 31 August 2015 to RMB88.2 million for the year ended 31 August 2016, and further to RMB154.7 million for the year ended 31 August 2017. For the six months ended 28 February 2018, our revenue was RMB243.8 million, our profit was RMB58.7 million, and our adjusted net profit was RMB70.5 million. See the section headed "Financial Information – Non-IFRS Measure" in this document for further information on our adjusted net profit. For the year ended 31 August 2017 and the six months ended 28 February 2018, Hubei College recorded revenue of RMB95.4 million and RMB49.9 million, respectively, and a profit of RMB27.5 million and RMB10.4 million, respectively.

OUR COLLEGES

We currently own and operate three colleges in Henan Province, namely (i) Shangqiu University, a Private HEI; (ii) Anyang University, a Private HEI; and (iii) Shangqiu University Kaifeng Campus, a branch college (下屬學院) of Shangqiu University. As of the Latest Practicable Date, we participated in the operation of Hubei College, an independent college of Yangtze University in Hubei Province and were in the process of acquiring its sponsor interest.

Unless otherwise indicated, information presented in this "Our Colleges" section relates to the three colleges currently owned and operated by us. See also the section headed "— Additional College to Be Acquired by Our Group" below for information on Hubei College.

The following table sets forth a breakdown of our revenue by nature for the periods indicated:

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Tuition fees	301,689	89.7	340,822	90.0	415,686	90.2	206,369	89.6	217,326	89.1
Boarding fees	34,563	10.3	37,810	10.0	45,203	9.8	24,076	10.4	26,471	10.9
Total	336,252	100.0	378,632	100.0	460,889	100.0	230,445	100.0	243,797	100.0

The following table sets forth a breakdown of our revenue by college for the periods indicated:

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Shangqiu University	182,764	54.4	188,201	49.7	197,957	43.0	98,979	43.0	99,136	40.7
Anyang University	138,685	41.2	163,141	43.1	205,357	44.5	102,679	44.5	103,635	42.5
Shangqiu University Kaifeng Campus	14,803	4.4	27,290	7.2	57,575	12.5	28,787	12.5	41,026	16.8
Total	336,252	100.0	378,632	100.0	460,889	100.0	230,445	100.0	243,797	100.0

The following table sets forth the gross profit and gross profit margin of each of our colleges for the periods indicated:

	Gross profit					Gross profit margin				
	For the year ended 31 August			For the six months ended 28 February		For the year ended 31 August			For the six months ended 28 February	
	2015	2016	2017	2017	2018	2015	2016	2017	2017	2018
	(in thousands of RMB)					(%)				
				(unaudited)					(unaudited)	
Shangqiu University	119,592	116,708	118,898	60,155	49,201	65.4	62.0	60.1	60.8	49.6
Anyang University	86,013	109,268	142,402	68,812	68,936	62.0	67.0	69.3	67.0	66.5
Shangqiu University Kaifeng Campus	2,746	7,734	29,546	14,675	24,478	18.6	28.3	51.3	51.0	59.7

Shangqiu University Kaifeng Campus had lower gross profit margin as compared with Shangqiu University and Anyang University during the Track Record Period primarily because of the generally lower utilisation rate of Shangqiu University Kaifeng Campus. The gross profit margin of Shangqiu University Kaifeng Campus increased for the six months ended 28 February 2018 notwithstanding the increase in teaching staff costs during such period was primarily a result of a large increase in student number that outweighed the effect of increase in teaching staff costs.

Enrolment, Capacity and Utilisation

The table below sets forth enrolment statistics of our colleges for the school years indicated:

	Student enrolment(1) for the school year			
	2014/2015	2015/2016	2016/2017	2017/2018
Shangqiu University				
Bachelor's degree programmes	10,532	10,598	10,052	9,776
Junior college to bachelor's degree transfer programmes	458	626	1,010	1,150
Junior college diploma programmes(2)	5,114	6,725	6,354	5,717
Vocational education programmes(3)	1,040	554	1,978	2,606
School subtotal	17,144	18,503	19,394	19,249
Anyang University				
Bachelor's degree programmes	8,816	10,036	11,783	11,512
Junior college to bachelor's degree transfer programmes	795	695	1,474	1,680
Junior college diploma programmes	1,796	3,026	3,472	3,529
Vocational education programmes(3)(4)	–	–	1,622	2,803
School subtotal	11,407	13,757	18,351	19,524
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes(5)	946	1,818	3,637	4,995
Junior college to bachelor's degree transfer programmes(6)	–	–	–	396
Junior college diploma programmes(7)	176	397	812	1,046
School subtotal	1,122	2,215	4,449	6,437
Total	29,673	34,475	42,194	45,210

Notes:

(1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 30 June for the 2014/2015, 2015/2016 and 2016/2017 school years. We present student enrolment statistics as of 28 February for the 2017/2018 school year.

(2) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.

(3) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes.
(4) Anyang University started its vocational education programmes and combined vocational education and junior college diploma programmes in 2016.
(5) Shangqiu University Kaifeng Campus started its bachelor's degree programmes in 2013. Consequently, the 2016/2017 school year was the first school year when it had students enrolled in all four class years of its bachelor's degree programmes.
(6) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.
(7) Shangqiu University Kaifeng Campus started its junior college diploma programmes in 2013. Consequently, the 2015/2016 school year was the first school year when it had students enrolled in all three class years of its junior college diploma programmes.

For the 2017/2018 school year, students enrolled in bachelor's degree programmes of Shangqiu University and Anyang University decreased slightly from the previous school years because we allocated part of their admission quotas to Shangqiu University Kaifeng Campus, as approved by or filed with relevant local education authorities.

The table below sets forth information relating to the capacity and utilisation rate of each of our colleges for the school years indicated:

	Capacity(1) for the school year				Utilisation rate(2) for the school year			
	2014/2015	2015/2016	2016/2017	2017/2018	2014/2015	2015/2016	2016/2017	2017/2018
Shangqiu University	18,597	20,302	21,874	21,874	92.2%	91.1%	88.7%	88.0%
Anyang University	15,532	17,720	19,604	20,528	73.4%	77.6%	93.6%	95.1%
Shangqiu University Kaifeng Campus	2,034	2,856	5,430	7,848	55.2%	77.6%	81.9%	82.0%
Total	36,163	40,878	46,908	50,250	82.1%	84.3%	90.0%	90.0%

Notes:
(1) The capacity of each college is based on the approximate number of students that its dormitories are designed to accommodate for the relevant school year.
(2) The utilisation rate of each college equals its actual student enrolment as of 30 June (in the case of 2014/2015, 2015/2016 and 2016/2017 school years) or as of 31 October (in the case of the 2017/2018 school year) of a school year divided by its capacity for that school year.

Tuition Fees and Boarding Fees

During the Track Record Period, tuition fees from bachelor's degree programmes and junior college diploma programmes accounted for over 90% of our total tuition fees. The following table sets forth the average tuition fees per student for these two types of programmes as well as the average boarding fees per student for each of our colleges for the school years indicated:

	For the school year			
	2014/2015	2015/2016	2016/2017	2017/2018
	(in RMB)			
Shangqiu University				
Average tuition fees for bachelor's degree programmes	11,984	12,047	12,522	12,839
Average tuition fees for junior college diploma programmes	5,872	5,842	5,822	6,111
Average boarding fees	1,185	1,132	1,144	1,167
Anyang University				
Average tuition fees for bachelor's degree programmes	12,087	12,136	12,411	12,726
Average tuition fees for junior college diploma programmes	6,012	5,972	5,934	6,214
Average boarding fees	1,109	1,005	921	1,104
Shangqiu University Kaifeng Campus				
Average tuition fees for bachelor's degree programmes	12,028	12,069	12,642	13,013
Average tuition fees for junior college diploma programmes	5,931	5,921	5,970	6,265
Average boarding fees	1,418	1,369	1,376	1,387

The average tuition fees for bachelor's degree programmes increased in the 2016/2017 school year as each of our colleges increased the tuition fee rate applicable to bachelor's degree students newly admitted in the 2016/2017 school year. The average boarding fees for Anyang University decreased in the 2015/2016 and 2016/2017 school years primarily due to (i) an increase in the number of students who lived in dormitories with a greater per-room occupancy and thus a lower boarding fee rate, and (ii) an increase in the number of graduating students who received boarding fee reduction or waiver when they lived off-campus for internship programmes.

Our Teachers

Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of their respective subject areas who are open to innovative teaching methods and a caring heart towards students' well-being. As of 28 February 2018, we had 1,718 full-time and part-time teachers. As of the Latest Practicable Date, we had 1,944 full-time and part-time teachers.

ADDITIONAL COLLEGE TO BE ACQUIRED BY OUR GROUP

As of the Latest Practicable Date, we were in the process of acquiring the sponsor interest in Hubei College, an independent college of Yangtze University (長江大學) located in Hubei Province. Hubei College is a legal entity separate and independent from Yangtze University. It conducts its school operations, including education administration, student recruitment, degree granting and financial accounting independent from Yangtze University. In December 2014, we entered into a cooperation agreement (as supplemented) with Yangtze University with respect to the joint operation of Hubei College and paid part of the consideration in the amount of RMB100 million and are expected to pay the remaining consideration of RMB20 million upon the School Sponsor becoming a school sponsor of Hubei College. Since then, we have acquired the management rights and become the principal teaching body (辦學主體) of Hubei College. We have been participating in, and responsible for, the operations of Hubei College, including engaging in its academic operations (including, in particular, improving curriculum offerings and degree programmes, strengthening academic research capabilities and practical career training programmes, improving teaching staff quality and conducting training programmes, developing innovative teaching methods and delivery, designing and implementing peer-review system of teaching programmes and improving the efficiency of other day-to-day teaching activities), student recruitment, human resources and finance, with Yangtze University assuming a passive role with nominal participation in management. The current school sponsors of Hubei College, namely Yangtze University and Oilfield Education, have also agreed that Oilfield Education shall exit as a school sponsor and both Oilfield Education and Yangtze University shall not be entitled to the assets of Hubei College.

As of the Latest Practicable Date, the application for the School Sponsor to become a school sponsor of Hubei College is pending the final approval of the MOE and registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure – Acquisition of Hubei College"). Based on our understanding of the process involved and communication with the relevant authorities, we do not expect any material impediment to completing these administrative procedures. Upon completion of these procedures, we expect to acquire effective control of Hubei College through contractual arrangements and consolidate its results of operations into those of our Group.

The MOJ Draft for Comments may have certain implications on our acquisition of Hubei College. For a summary, see "— The 2016 Decision and the MOJ Draft for Comments — Our acquisition of Hubei College" for further details.

For the 2017/2018 school year, Hubei College had a student enrolment of 7,789. For the year ended 31 August 2017, Hubei College recorded revenue of RMB95.4 million and a profit of RMB27.5 million.

THE 2016 DECISION AND THE MOJ DRAFT FOR COMMENTS

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 schools at their own discretion. As advised by our PRC Legal Adviser, there remains substantial uncertainties in the interpretation and implementation of the 2016 Decision with respect to various aspects of the operations of a private school, in particular, (i) specific procedures required to be completed for a school to register a for-profit school or non-profit school; and (ii) respective preferential tax treatments that may be enjoyed by a for-profit school and a non-profit school. Furthermore, as advised by our PRC Legal Adviser, the detailed rules, regulations and policies regarding the conversion of an existing private school into a for-profit or non-profit private school have yet to be promulgated by the local government authorities in Henan Province and Hubei Province. Accordingly, as of the Latest Practicable Date, we were not in a position to accurately assess the potential impact of such election on our PRC Operating Schools and Hubei College, and in turn our Group as a whole and make any informed decision in relation to the 2016 Decision. Therefore, as of the Latest Practicable Date, we had not elected nor decided as to whether our PRC Operation Schools and Hubei College will be registered as for-profit private schools or non-profit private schools under the 2016 Decision. We will closely monitor the progress of the promulgation of the implementation regulations under the 2016 Decision and seek legal advice from our legal advisers from time to time with a view to ensuring any decisions in relation to 2016 Decision will be made on a fully informed basis 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.

On 10 August 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments to seek public comments. The principal implications of the current form of the MOJ Draft for Comments on the operations of our Group based on our current understanding and interpretation are summarised below:

- *Our PRC Operating Schools*. Each of our PRC Operating Schools is expected to be grandfathered with respect to its election to register as a for-profit private school or a non-profit private school. See "Business — Potential Implications of the 2016 Decision and the MOJ Draft for Comments — The MOJ Draft for Comments — Implications on our PRC Operating Schools".

- *Our expansion strategy*. The scope of our acquisition may be limited to for-profit private schools only. See "Business — Our Business Strategies — Expand our market coverage and market share".
- *Our acquisition of Hubei College*. The MOJ Draft for Comments may have certain implications on our acquisition of Hubei College and the registration of Hubei College as a for-profit private school or a non-profit private school. In the worst case scenario where our acquisition of Hubei College remains incomplete prior to the effective date of the MOJ Draft for Comments (the "**Effective Date**") and the due date for Hubei College to register as a non-profit private school or a for-profit private school (the "**Due Date**"), our acquisition will be subject to uncertainties and may involve complicated and time-consuming processes, including the following:
  - Hubei College will need to register as a for-profit private school and cease collaboration with Yangtze University subject to MOE approval, with Oilfield Education remaining as the only registered school sponsor; and
  - we will negotiate with Oilfield Education to change the school sponsor from Oilfield Education to the School Sponsor.

  See "Business – Potential Implications of the 2016 Decision and the MOJ Draft for Comments – The MOJ Draft for Comments – Implications on Hubei College" for further discussion and an analysis of different possible scenarios depending on the sequence of the completion of acquisition, the Effective Date and the Due Date.

The MOJ has not provided the timeframe for the promulgation of the implementation rules on the Law for Promoting Private Education of the PRC. As of the date of this document, no implementation rules on the Law for Promoting Private Education of the PRC have been promulgated.

OUR COMPETITIVE STRENGTHS

We believe the following are our principal strengths that contribute to our success and differentiate us from our competitors:

- we are a leading provider of private higher education in China with strong growth potential;
- our quality and reputation provide a solid foundation for our business growth;
- our practical curricula and training programmes help our students achieve high employment rates;
- our centralised and effective management allows us to replicate our success in new markets; and
- our experienced management team embodies our corporate culture and has a long and proven track record in the private education industry in China.

OUR STRATEGIES

We aim to consolidate our leading position in China's private higher education market and further enhance our national reputation. To achieve this goal, we plan to execute the following business strategies:

- grow our student enrolment by expanding and improving school infrastructure;
- further improve our education quality and strengthen our reputation;
- expand our market coverage and market share; and
- strengthen our teaching staff and optimise our employee structure.

The MOJ Draft for Comments may have certain implications on our expansion strategy through acquisition. For a summary, see "— The 2016 Decision and the MOJ Draft for Comments — Our expansion strategy".

RISK FACTORS

Our operations and the Global Offering involve certain risks and uncertainties, some of which are beyond our control and may affect your decision to invest in us and/or the value of your investment. See "Risk Factors" of this document for details of our risk factors. Some of the major risks we face include:

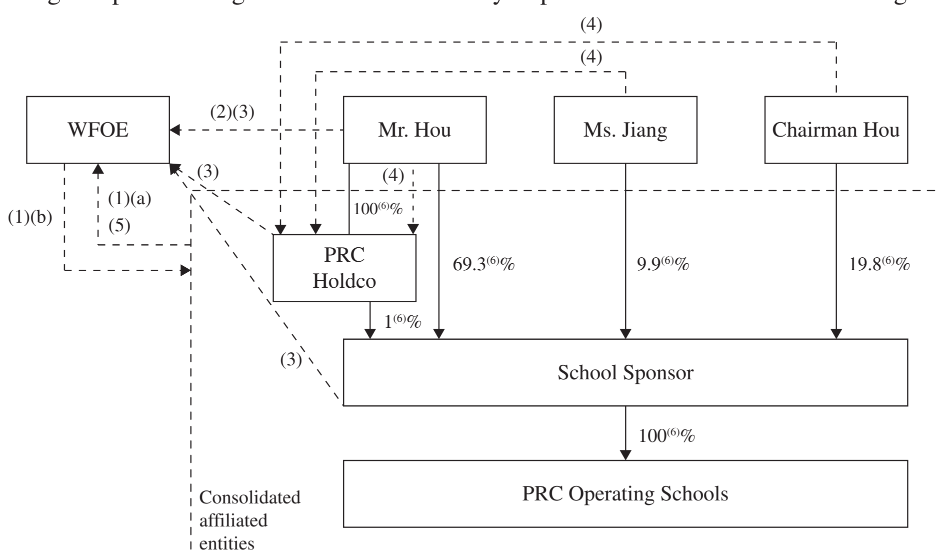
- We are subject to extensive laws, regulations, governmental approvals and compliance requirements for the operations, constructions and development of our colleges. Some of the relevant law and regulations have been promulgated or adopted recently, and we may not be in full compliance.
- Our business 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 the level of tuition fees and boarding fees.
- Our ability to expand our school network depends on our ability to successfully increase the student enrolment at our colleges, and we may not be able to successfully execute such expansion strategy.
- We face intense competition in the PRC higher education industry.
- We may not be able to effectively manage our growth or execute our growth strategies.
- We have made substantial investments in relation to our acquisition of Hubei College. If the final approval for the School Sponsor to become a school sponsor of Hubei College is not granted by the MOE for any reason, we may not be able to recover any of such investments.
- Our historical financial and results of operations may not be indicative of our future performance. In particular, we were not required to pay PRC income tax in respect of the tuition fees and boarding fees we received for providing formal academic education during the Track Record Period. However,

as a result of the Contractual Arrangements, our WFOE is currently subject to an enterprise income tax rate of 25% and value added tax of 6% in the PRC in respect of the service fees it receives from the consolidated affiliated entities. Such tax rates are subject to change and may have a significant impact on our profitability.

CONTRACTUAL ARRANGEMENTS

The operation of our schools are subject to various foreign ownership prohibitions or restrictions under PRC laws and regulations. Our Company is therefore unable to own or hold any direct sponsor interest or equity interest (as the case may be) in our consolidated affiliated entities. In order to enable us to maintain and exercise control over our consolidated affiliated entities, we have entered into the Contractual Arrangements. The Contractual Arrangements allow us to obtain substantially all of the economic benefits of our consolidated affiliated entities and consolidate their results of operations into those of our Group. Accordingly, the term "ownership" or the related concept, as applied to our Company in this document, as the case may be, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any sponsorship/equity interest in our consolidated affiliated entities. See the section headed "Contractual Arrangements" for further details.

The following simplified diagram illustrates the key aspects of the Contractual Arrangements:



Notes:

"→" denotes direct legal ownership in equity interest/sponsor interest

"- - - -" denotes the Contractual Arrangements (see the sub-section headed "Summary of the material terms of the Contractual Arrangements" in this section)

"[- - - -]" denotes our consolidated affiliated entities

(1) (a) Payment of services fees to WFOE and (b) provision of exclusive technical and management consultancy services to our consolidated affiliated entities
(2) Pledge of Mr. Hou's equity interest in the PRC Holdco in favour of WFOE
(3) Irrevocable power of attorney in favour of WFOE
(4) Irrevocable power of attorney in favour of the PRC Holdco
(5) Pledge of receivables of the PRC Operating Schools and any proceeds from the transfer of sponsor interests in favour of WFOE
(6) WFOE has exclusive option to acquire all or part of the equity interests or sponsor interests (as the case may be)

As advised by our PRC Legal Adviser, as each of our PRC Operating Schools and the School Sponsor is a private non-enterprise entity (民辦非企業單位), the sponsor interest of each of our PRC Operating Schools (which was held as to 100% by the School Sponsor as of the Latest Practicable Date) and the School Sponsor (which was held as to 69.3% by Mr. Hou, as to 19.8% by Chairman Hou (founder of our Group, father of Mr. Hou and spouse of Ms. Jiang) as to 9.9% by Ms. Jiang, and as to 1% by the PRC Holdco) is not capable of being pledged as security in favour of WFOE under PRC laws. To address this limitation, we have adopted alternative measures in our Contractual Arrangements and other internal control measures, including (i) powers of attorney in favour of our WFOE to exercise all rights in relation to the equity interests or sponsor interests (as the case may be) in the consolidated affiliated entities, giving WFOE effective control over such equity interests or sponsor interests (as the case may be); (ii) the pledge of receivables of our PRC Operating Schools in favour of our WFOE; (iii) the pledge of proceeds from the sale or transfer of the sponsor interests in our PRC Operating Schools; (iv) our WFOE's possession of the original registration documents and seals required by the relevant authorities to effect a legal transfer of sponsor interest; and (v) internal control measures that enable our independent non-executive Directors to maintain close oversight and intervene if necessary. See "Contractual Arrangements" for further details.

OUR CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme), our ultimate Controlling Shareholder, Mr. Hou, will, through his control over Chunlai Investment, be interested in an aggregate of 75% of the issued share capital of our Company. Mr. Hou, our ultimate Controlling Shareholder, is one of our executive Directors and our chief executive officer.

SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following tables set forth summary financial data from our consolidated financial information for the Track Record Period, extracted from the Accountants' Reports set out in Appendix IA. The summary financial data set forth below should be read together with our consolidated financial information and the related notes, as well as the section headed "Financial Information."

Summary of Our Historical Financial Information

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Revenue	336,252	100.0	378,632	100.0	460,889	100.0	230,445	100.0	243,797	100.0
Cost of revenue	(127,901)	(38.0)	(144,922)	(38.3)	(170,043)	(36.9)	(86,803)	(37.7)	(101,182)	(41.5)
Gross profit	208,351	62.0	233,710	61.7	290,846	63.1	143,642	62.3	142,615	58.5
Other income	3,340	1.0	7,825	2.1	7,150	1.6	2,163	0.9	3,908	1.6
Other gains/(losses)	(138,964)	(41.3)	16,263	4.3	(717)	(0.2)	(8)	(0.0)	(83)	(0.0)
Selling expenses	(2,857)	(0.8)	(3,327)	(0.9)	(4,234)	(0.9)	(1,493)	(0.6)	(1,009)	(0.4)
Administrative expenses	(48,271)	(14.4)	(55,499)	(14.7)	(60,784)	(13.2)	(29,559)	(12.8)	(32,385)	(13.3)
Listing expenses	—	—	—	—	(3,086)	(0.7)	—	—	(11,829)	(4.9)
Finance costs	(84,375)	(25.2)	(89,214)	(23.5)	(77,526)	(16.8)	(40,152)	(17.4)	(42,270)	(17.3)
(Loss)/profit before taxation	(62,776)	(18.7)	109,758	29.0	151,649	32.9	74,593	32.4	58,947	24.2
Taxation	—	—	—	—	—	—	—	—	(275)	(0.1)
(Loss)/profit for the year/period	(62,776)	(18.7)	109,758	29.0	151,649	32.9	74,593	32.4	58,672	24.1
Non-IFRS Measure: Adjusted net profit	76,141	22.6	88,184	23.3	154,735	33.6	74,593	32.4	70,501	28.9

We define adjusted net profit as profit for the year/period excluding (i) a one-off termination fee we paid to Anyang Normal University in connection with the termination of our collaboration with Anyang Normal University, (ii) a one-off gain in connection with the termination of our collaboration with Tianjin Medical University, and (iii) listing expenses. The calculation of adjusted net profit is not in accordance with IFRS, and its use has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that this non-IFRS measure provides additional information to investors and others in understanding and evaluating our consolidated 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. Please refer to the section headed "Financial Information — Non-IFRS Measure".

The following table reconciles our adjusted net profit for the years presented to our profit/(loss) for the year:

	For the year ended 31 August			For the six months ended 28 February	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Profit/(loss) for the year	(62,776)	109,758	151,649	74,593	58,672
Termination fee paid to Anyang Normal University	138,917	—	—	—	—
Gain from termination of cooperation with Tianjin Medical University	—	(21,574)	—	—	—
Listing expenses	—	—	3,086	—	11,829
Adjusted net profit	76,141	88,184	154,735	74,593	70,501

Our adjusted net profit for the six months ended 28 February 2018 decreased from the same period in 2017 primarily because of: (a) a substantial capital expenditure in relation to our expansion plans; and (b) an increase in teaching staff and administrative staff costs as we continue to improve teaching quality, the combined effect of which outweighed the increase in our revenue on account of the increase in student enrolment and business growth.

We were not required to pay PRC income tax in respect of the tuition fees and boarding fees we received for providing formal academic education during the Track Record Period. However, as a result of the Contractual Arrangements, our WFOE is currently subject to an enterprise income tax rate of 25% and value-added tax of 6% in the PRC in respect of the service fees it receives from the consolidated affiliated entities. Such tax rates are subject to change and may have a significant impact on our profitability. For illustration purposes only, assuming that during the Track Record Period the profit before tax of our schools was subject to PRC enterprise income tax of 25% and the revenue of our schools was subject to value-added tax of 6%, we estimate that the tax exposure of our schools would have amounted to approximately RMB19.0 million, RMB48.9 million, and RMB64.0 million for the years ended 31 August 2015, 2016 and 2017, respectively, and RMB28.3 million for the six months ended 28 February 2018. On this basis, our adjusted net profit would have been RMB57.1 million, RMB39.3 million, RMB90.7 million for the years ended 31 August 2015, 2016 and 2017, respectively, and RMB42.2 million for the six months ended 28 February 2018.

Net Current (Liabilities)/Assets

	As of 31 August			As of 28 February	As of 30 June
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
					(unaudited)
Current assets	290,325	485,831	582,339	573,147	348,133
Current liabilities	(416,091)	(460,012)	(780,021)	(698,180)	(521,100)
Net current (liabilities)/assets	(125,766)	25,819	(197,682)	(125,033)	(172,967)

We had net current liabilities as of 31 August 2015 primarily due to a reduction in our cash balance after the payment of a one-off termination fee of RMB138.9 million to Anyang Normal University. We had net current liabilities as of 31 August 2017 primarily because a significant amount of our long-term borrowings had become current as of 31 August 2017. We had net current liabilities as of 28 February 2018 primarily because we made significant investments in connection with the acquisition of office space for our corporate headquarters in Zhengzhou and the expansion of our colleges. Our net current liabilities as of 30 June 2018 increased from 28 February 2018 primarily because of our continued capital expenditure on property, plant and equipment in relation to our expansion plans.

Financial Ratios

	For the year ended/as of 31 August			For the six months ended/as of 28 February	
	2015	2016	2017	2017	2018
				(unaudited)	
Gross profit margin(1)	62.0%	61.7%	63.1%	62.3%	58.5%
Net profit margin(2)	(18.7%)	29.0%	32.9%	32.4%	24.1%
Adjusted net profit margin(3)	22.6%	23.3%	33.6%	32.4%	28.9%
Adjusted return on assets(4)	5.3%	5.5%	8.7%	4.9%	3.6%
Adjusted return on equity(5)	41.4%	30.0%	34.8%	20.3%	13.2%
Current ratio(6)	0.70	1.06	0.75	N/A	0.82
Gearing ratio(7)	462.3%	293.6%	222.9%	N/A	197.2%
Debt to equity ratio(8)	335.4%	167.0%	140.4%	N/A	93.9%

Notes:

(1) Gross profit margin equals gross profit divided by revenue for the year/period.

(2) Net profit margin equals profit/(loss) for the year/period divided by revenue for the year/period.

(3) Adjusted net profit margin equals adjusted net profit for the year/period divided by revenue for the year/period. For more information on our adjusted net profit, see the section headed "Financial Information — Non-IFRS Measure" above.

(4) Adjusted return on assets equals adjusted net profit for the year/period divided by total assets as of the end of the year/period.

(5) Adjusted return on equity equals adjusted net profit for the year/period divided by total equity as of the end of the year/period.

(6) Current ratio equals current assets divided by current liabilities as of the end of the year/period.

(7) Gearing ratio equals total borrowings divided by total equity as of the end of the year/period.

(8) Debt to equity ratio equals total borrowings net of bank balances and cash and time deposits, and divided by total equity as of the end of the year/period.

We had significant borrowings during the Track Record Period to fund the expansion of our education network and each of our colleges, which resulted in a high gearing ratio and finance costs. However, our borrowings did not increase as quickly as our revenue and total equity during the Track Record Period. Our adjusted net profit margin increased from 22.6% for the year ended 31 August 2015 to 33.6% for the year ended 31 August 2017 primarily due to a significant decrease in finance costs as a percentage of revenue. At the same time, our gearing ratio decreased from 462.3% as of 31 August 2015 to 197.2% as of 28 February 2018 primarily due the increase in our total equity resulting from increased retained earnings. We plan to use a portion of the proceeds from the Global Offering to repay our existing borrowings. As a result, we expect to further reduce our finance costs as a percentage of revenue and our gearing ratio.

Our gross profit margin decreased from 62.3% for the six months ended 28 February 2017 to 58.5% for the six months ended 28 February 2018, and our net profit margin decreased from 32.4% for the six months ended 28 February 2017 to 24.1% for the six months ended 28 February 2018. These decreases were primarily due to a significant increase in teaching staff costs, as we increased the number of teachers, particularly in Shangqiu University Kaifeng Campus and Shangqiu University, to continuously improve our education quality and accommodate the increase in our student enrolment. The decrease in net profit margin was also due to listing expenses incurred for the six months ended 28 February 2018 in connection with the Global Offering.

DIVIDEND

We do not currently have a formal dividend policy or a fixed dividend distribution ratio. For more details, please see the section headed "Financial Information – Dividend" in this document. None of our consolidated affiliated entities had declared or paid dividends to their respective shareholders or sponsor(s) during the Track Record Period and up to the Latest Practicable Date.

GLOBAL OFFERING

This document is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (subject to the Over-allotment Option): (i) the Hong Kong Public Offering of 30,000,000 Offer Shares (subject to reallocation), and (ii) the International Offering of 270,000,000 Offer Shares (subject to reallocation and the Over-allotment Option).

The Offer Shares will represent 25.0% of the issued share capital of our Company immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and any grants under the Share Award Scheme. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7%, without taking into account any Shares which may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and any grants under the Share Award Scheme.

NON-COMPLIANCE

We had certain non-compliance issues with applicable PRC laws and regulations during the Track Record Period, none of which we consider would have any material adverse effect on our business, financial condition or results of operations. In particular, (i) we had not made contributions to the social insurance plans and housing provident funds for all of our employees based on their actual salary level (see "Business — Employees"); (ii) certain of our land and buildings have title defects, and our schools, namely Shangqiu University (together with Shangqiu University Kaifeng Campus) and Anyang University, had not fully complied with the ratio of teaching and administrative building area to the number of students enrolled during the Track Record Period (see "Business — Properties"); (iii) we were engaged in an one-off financing arrangement devised by a lending bank involving the issuance of a bank note in the amount of RMB95 million that was not supported by any bona fide underlying transaction in February 2017 (see "Business — Financing Arrangement"); and (iv) each of our colleges, namely, Anyang University, Shangqiu University and Shangqiu University Kaifeng Campus, had not complied with the teacher-to-student ratio during the Track Record Period (see "Business – Our Teachers").

RECENT DEVELOPMENT

We expect that our adjusted net profit / adjusted net profit margin for the year ending 31 August 2018 will decrease compared to that for the year ended 31 August 2017 primarily because: (i) we have continued to commit substantial expenditure in relation to our expansion plans, which is expected to result in a considerable increase in depreciation and amortisation costs; (ii) we have continued to improve the overall quality of our schools by investing in human capital, including hiring additional teaching staff and administration staff, which is expected to result in a significant increase in cost of revenue and administrative expenses; and (iii) we have incurred additional borrowings for the purposes of our expansion plans, which is expected to result in an increase in finance costs. We expect that the foregoing effects would collectively outweigh the effect of the general increase in our revenue on account of an organic increase in student enrolment and business growth, resulting in a net effect of decrease in our adjusted net profit / adjusted net profit margin for the year ending 31 August 2018.

On 10 August 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments to seek public comments. For a summary of the principal implications of the MOJ Draft for Comments on the operations of our Group based on our current understanding and interpretation, see "— The 2016 Decision and the MOJ Draft for Comments".

Our Directors confirm that there has been no material adverse change in our business, financial, operating or trading condition since 31 August 2017, being the most recent date of our audited financial statements, and up to the date of this document.

LISTING EXPENSES

We expect to incur a total of approximately RMB66.0 million of listing expenses (assuming an Offer Price of HK$2.53, being the mid-point of the indicative Offer Price range between HK$2.08 and HK$2.98, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which approximately RMB14.9 million were charged to profit and loss during the Track Record Period and approximately RMB5.0 million was deferred and accounted for as deferred listing expenses as at 28 February 2018. For the remaining expenses, we expect to charge approximately RMB10.8 million to our profit or loss and to capitalise approximately RMB35.3 million. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions. 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. Our Directors consider that such listing expenses would, to certain extent, adversely affect our results of operations for the year ending 31 August 2018.

OFFERING STATISTICS

	Based on an Offer Price of HK$2.08 per Share	Based on an Offer Price of HK$2.98 per Share
Market capitalisation of our Shares	HK$2,496 million	HK$3,576 million
Unaudited pro forma adjusted net tangible asset value per Share	HK$0.99	HK$1.20

The above calculations assume the Over-allotment Option is not exercised at all and do not take into account any Shares that may be issued upon the exercise of any options under the Pre-IPO Share Option Scheme and any grants under the Share Award Scheme, and accordingly, there will be 1,200,000,000 Shares in issue following the completion of the Global Offering. For the calculation of the unaudited pro forma adjusted net tangible asset value per Share, see "Appendix II — Unaudited Pro Forma Financial Information".

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$683.1 million after deducting underwriting commissions, including any discretionary incentive fee, and other estimated expenses paid and payable by us in the Global Offering and, assuming an Offer Price of HK$2.53 per Share, being the mid-point of the indicative Offer Price range of HK$2.08 to HK$2.98 per Share. Assuming an Offer Price of HK$2.53 per Share, we intend to use the net proceeds we will receive from this offering for the following purposes:

Use of proceeds	Approximate percentage of net proceeds	Approximate amount
		(millions of HK$)
Acquiring land use rights and building educational and living facilities for our current colleges as well as Hubei College		
– Anyang University	20%	136.6
– Shangqiu University	10%	68.3
– Shangqiu University Kaifeng Campus	10%	68.3
– Hubei College	10%	68.3
Acquisition or cooperation with other universities in China	30%	205.0
Repaying certain portion of our loans	10%	68.3
Working capital and general corporate purposes	10%	68.3

See the section headed "Future Plans and Use of Proceeds" for further details.

In this document, unless the context otherwise requires, the following terms shall have the following meanings. Certain technical terms are explained in the section headed "Glossary of Technical terms" in this document.

"2016 Decision"	the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員關於修改<中華人民共和國民辦教育促進法>的決定》) promulgated by Order No. 55 of the President of the PRC on 7 November 2016, and became effective on 1 September 2017
"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Anyang University"	Anyang University (安陽學院), a Private HEI (formerly an independent college known as College of Humanities and Management of Anyang Normal University) (安陽師範學院人文管理學院) that obtained approval from MOE for its establishment on 25 April 2003 (excluding the Wenming Avenue (文明大道) campus of the College of Humanities and Management of Anyang Normal University, which was managed by Anyang Normal University) and one of our PRC Operating Schools
"Application Form(s)"	**WHITE** Application Form(s), **YELLOW** Application Form(s) or **GREEN** Application Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering
"Articles" or "Articles or Association"	the articles of association of our Company adopted on 24 August 2018 with effect from the Listing Date, as amended from time to time, a summary of which is set out in the section headed Summary of the Constitution of the Company and Cayman Companies Law in Appendix IV
"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of directors of our Company
"business day"	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
"BVI"	the British Virgin Islands
"Cayman Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
"Cayman Registrar"	the Registrar of Companies of the Cayman Islands

"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 a 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, a CCASS Custodian Participant or a CCASS Investor Participant
"Central China"	Henan Province, Hubei Province and Hunan Province of China
"Chairman Hou"	Mr. Hou Chunlai (侯春來), a PRC citizen, a non-executive Director and Chairman of the Board, and spouse of Ms. Jiang and father of Mr. Hou (see also "Directors and Senior Management" for his relationship with other Directors and senior management of the Company)
"China" or "PRC"	the People's Republic of China and for the purposes of this document only, except where the context requires otherwise, references to China or the PRC exclude Hong Kong, Macau and Taiwan
"Chunlai (BVI)"	China Chunlai Education (BVI) Limited (中國春來教育(英屬維爾京群島)有限公司), a company with limited liability incorporated in BVI on 28 November 2017, and a wholly-owned subsidiary of our Company
"Chunlai (Hong Kong)"	China Chunlai Education (Hong Kong) Limited (中國春來教育(香港)有限公司), a company with limited liability incorporated in Hong Kong on 19 December 2017 and a wholly-owned subsidiary of our Company
"Chunlai Investment"	Chunlai Investment Co., Ltd. (春來投資有限公司), a company with limited liability incorporated in BVI on 13 July 2017 and a Controlling Shareholder of our Company
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Companies (Winding Up and Miscellaneous Provisions) Ordinance"	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Company", "our Company", or "the Company"	China Chunlai Education Group Co., Ltd. (中國春來教育集團有限公司), an exempted company with limited liability incorporated in the Cayman Islands on 15 November 2017
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"connected transaction(s)"	has the meaning ascribed to it under the Listing Rules
"consolidated affiliated entities" or "consolidated affiliated entity"	the entities we control through the Contractual Arrangements, being the PRC Holdco, the School Sponsor and the PRC Operating Schools
"Contractual Arrangements"	the series of contractual arrangements entered into by, among others, WFOE, Mr. Hou, Chairman Hou, Ms. Jiang and our consolidated affiliated entities, details of which are described in the section headed "Contractual Arrangements"
"Controlling Shareholders"	has the meaning ascribed to it under the Listing Rules and unless the context otherwise requires, refers to Mr. Hou and Chunlai Investment. See the section headed "Relationship with Controlling Shareholders" in this document
"CSRC"	China Securities Regulatory Commission
"Deed of Indemnity"	the deed of indemnity dated 24 August 2018 entered into by our Controlling Shareholders in favour of our Company in respect of certain indemnities, further information of which is set out in "E. Other Information — 1. Deed of Indemnity" in Appendix V
"Director(s)"	the director(s) of our Company
"document"	this document being issued in connection with the Hong Kong Public Offering
"Frost & Sullivan"	Frost & Sullivan (Beijing) Inc., Shanghai Branch Co., an independent global market research and consulting company
"GDP"	gross domestic product
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by the **White Form eIPO** Service Provider designated by our Company, Computershare Hong Kong Investor Services Limited

"Group", "our Group", "the Group", "we", "us", or "our"	the Company, its subsidiaries and its consolidated affiliated entities from time to time or, where the context so requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries and consolidated affiliated entities, such subsidiaries and consolidated affiliated entities as if they were subsidiaries and consolidated affiliated entities of our Company at the relevant time
"HKSCC"	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars", "HK dollars" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Public Offer Shares"	the 30,000,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to reallocation as described in the section headed "Structure of the Global Offering")
"Hong Kong Public Offering"	the offer of the Hong Kong Public Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this document and the Application Forms, as further described in the section headed "Structure of the Global Offering — The Hong Kong Public Offering"
"Hong Kong Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Takeovers Code" or "Takeovers Code"	the Code on Takeovers and Mergers issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Hong Kong Underwriters"	the underwriters of the Hong Kong Public Offering as listed in the section headed "Underwriting — Hong Kong Underwriters"
"Hong Kong Underwriting Agreement"	the underwriting agreement, dated 30 August 2018, relating to the Hong Kong Public Offering, entered into among, *inter alia*, our Company, our Controlling Shareholders, the Sole Sponsor, Joint Global Coordinators and the Hong Kong Underwriters, as further described in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering"

"Hubei College"	College of Engineering and Technology of Yangtze University (長江大學工程技術學院), an independent college of Yangtze University (長江大學) located in Hubei Province, the PRC that obtained approval from MOE for its establishment on 18 March 2004
"IFRS"	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
"Independent Third Party(ies)"	any entity or person who is not a connected person of our Company within the meaning ascribed thereto under the Listing Rules
"International Offering"	the conditional placing of the International Offering Shares at the Offer Price outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act as further described in the section headed "Structure of the Global Offering"
"International Offering Shares"	the 270,000,000 Shares being initially offered for subscription and purchased at the Offer Price under the International Offering together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to reallocation as described under the section headed "Structure of the Global Offering"
"International Underwriters"	the underwriters of the International Offering
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering and expected to be entered into by, among others, our Company, the Joint Global Coordinators and the International Underwriters on or about the Price Determination Date, as further described in the section headed "Underwriting — International Offering"
"Joint Bookrunners"	CLSA Limited, AMTD Global Markets Limited, Yuanyin Securities Limited and First Capital Securities Limited
"Joint Global Coordinators"	CLSA Limited and AMTD Global Markets Limited, Yuanyin Securities Limited
"Joint Lead Managers"	CLSA Limited, AMTD Global Markets Limited, Yuanyin Securities Limited and First Capital Securities Limited
"Latest Practicable Date"	22 August 2018, being the latest practicable date for ascertaining certain information in this document before its publication
"Listing"	the listing of the 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 13 September 2018, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange that is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company adopted on 24 August 2018, with effect from the Listing Date, as amended from time to time
"MOE"	the Ministry of Education of the PRC (中華人民共和國教育部)
"MOE Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》) issued by the MOE on 20 April 2018 to seek public comments
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOHRSS"	the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
"MOJ"	the Ministry of Justice of the PRC (中華人民共和國司法部)
"MOJ Draft for Comments"	the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《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)》) issued by the MOJ on 10 August 2018 to seek public comments
"Mr. Hou"	Mr. Hou Junyu (侯俊宇), a PRC citizen, an executive Director, our chief executive officer and our Controlling Shareholder, and son of Chairman Hou and Ms. Jiang (see also "Directors and Senior Management" for his relationship with other Directors and senior management of the Company)
"Ms. Jiang"	Ms. Jiang Shuqin (蔣淑琴), a PRC citizen and an executive Director, and spouse of Chairman Hou and mother of Mr. Hou (see also "Directors and Senior Management" for her relationship with other Directors and senior management of the Company)

"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 price per Offer Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee), expressed in Hong Kong dollars, at which Hong Kong Public Offer Shares are to be subscribed for pursuant to the Hong Kong Public Offering and International Offering Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed "Structure of the Global Offering — Pricing of the Global Offering" in this document
"Offer Share(s)"	the Hong Kong Public Offer Shares and the International Offering Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option
"Oilfield Education"	Jianghan Oilfield Education Industrial Group (江漢油田教育實業集團), an Independent Third Party controlling the sponsor interest in Hubei College
"Over-allotment Option"	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 45,000,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to cover over-allocations in the International Offering, if any, details of which are described in the section headed "Structure of the Global Offering — Stabilisation" in this document
"PBOC"	the People's Bank of China
"PRC Holdco"	Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司), a limited liability company established in the PRC on 1 August 2017 and one of our consolidated affiliated entities
"PRC Legal Adviser"	Tian Yuan Law Firm, our legal adviser as to PRC laws and regulations
"PRC Operating Schools"	Shangqiu University (including Shangqiu University Kaifeng Campus) and Anyang University
"Pre-IPO Share Option Scheme"	the share option scheme conditionally approved and adopted by our Board, the principal terms of which are set out in the section headed "Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme — 1. Pre-IPO Share Option Scheme" in Appendix V

"Price Determination Agreement"	the agreement to be entered into among our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) at or about the Price Determination Date to record and fix the Offer Price
"Price Determination Date"	the date, expected to be on or about 6 September 2018 (Hong Kong time) and in any event no later than 12 September 2018, on which the Offer Price is to be fixed by an agreement between us and the Joint Global Coordinators (on behalf of the Underwriters)
"Principal Share Registrar and Transfer Office"	Walkers Corporate Limited, Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"SAFE"	the State Administration of Foreign Exchange of the PRC
"School Sponsor"	Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), a private non-enterprise entity (民辦非企業單位) established in the PRC on 18 October 2004, one of our consolidated affiliated entities and the sole school sponsor of each of our PRC Operating Schools
"SEC"	the Securities and Exchange Commission of the United States
"Securities and Futures Ordinance" or "SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"SFC"	The Securities and Futures Commission of Hong Kong
"Shangqiu University"	Shangqiu University (商丘學院), a Private HEI (formerly an independent college known as Huayu College of Henan Agricultural University (河南農業大學華豫學院) that obtained approval from MOE for its establishment on 14 July 2005) and one of our PRC Operating Schools; operating and financial data stated to be of Shangqiu University presented in this document do not include contributions by Shangqiu University Kaifeng Campus, unless otherwise specified
"Shangqiu University Kaifeng Campus"	Shangqiu University Applied Science and Technology College (商丘學院應用科技學院), a branch college (下屬學院) of Shangqiu University located in Kaifeng, Henan Province, the PRC that obtained approval from the Education Department of Henan Province (河南省教育廳) for its establishment on 16 May 2013

"Shareholder(s)"	holder(s) of our Share(s)
"Shares"	ordinary share(s) of our Company of par value of HK$0.00001
"Share Award Scheme"	the share award scheme approved and adopted by the sole Shareholder of our Company on 24 August 2018, the principal terms of which are set out in the section headed "Statutory and General Information – D. Pre-IPO Share Option Scheme and Share Award Scheme – 2. Share Award Scheme" in Appendix V to this document
"Sole Sponsor"	CLSA Capital Markets Limited
"Stabilisation Manager"	CLSA Limited
"Stock Borrowing Agreement"	the stock borrowing agreement expected to be entered between the Stabilisation Manager and Chunlai Investment with respect to the lending of up to 45,000,000 Shares in aggregate by Chunlai Investment to the Stabilisation Manager
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Track Record Period"	the period comprising the three financial years ended 31 August 2017 and the six months ended 28 February 2018
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"U.S. Securities Act"	United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"VIE" or "VIEs"	variable interest entity or variable interest entities

"WFOE"	Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), a company established in the PRC with limited liability on 19 January 2018 and a wholly-owned subsidiary of our Company
"White Form eIPO"	the application for Public Offer Shares to be issued in the applicant's own name, submitted online through the designated website of the **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"%"	per cent

Unless otherwise expressly stated or the context otherwise requires, all data in this document is as of the date of this document.

The English names of the PRC entities (including schools), PRC laws or regulations, and the PRC governmental authorities referred to in this document are translations from their Chinese names and are for identification purposes. If there is any inconsistency, the Chinese names shall prevail.

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

This glossary contains definitions of certain terms used in this document in connection with our Company and our business. Some of these may not correspond to standard industry definitions.

"bachelor's degree programme"	a four-year post-secondary formal programme that generally enrols high school graduates who have taken the National Higher Education Entrance Exam, and upon the completion of which a bachelor's degree will be granted
"CAGR"	compound annual growth rate
"college"	a higher educational institution offering bachelor's degree programmes and junior college diploma programmes, which may be a branch college (下屬學院) and may not be a separate legal entity
"combined vocation education and junior college diploma programme"	a five-year education programme that generally enrols middle school graduates and upon the completion of which a junior college diploma will be granted
"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》)
"formal education"	education system that provides students with the opportunity to earn official certificates from the PRC government
"GFA"	gross floor area
"high school"	a school 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 and institutes of technologies
"independent college"	a bachelor-degree level higher education institution established by a public university that provides formal education in bachelor-degree level or above in association with individuals or social organisations other than governmental institutions using non-state funds
"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 programmes, or accepted an offer to pursue overseas study or employment, before graduation. There may be variation to the meaning of this term depending on the relevant school and type of graduates considered

"junior college degree programme"	a three-year post-secondary formal education programme that generally enrols high school graduates who have taken the National Higher Education Entrance Exam, and upon completion of which a junior college degree will be granted
"junior college to bachelor's degree transfer programme"	a two-year post-secondary formal education programme that generally enrols graduates of junior college degree programmes who have taken the National Higher Education Entrance Exam, and upon completion of which a bachelor's degree will be granted
"National Higher Education Entrance Exam"	also known as "Gaokao" (高考), an academic examination held annually in the PRC, and a prerequisite for entrance into most higher education institutions at the undergraduate level in the PRC
"one-child policy"	China's population control policy implemented by the Population and Family Planning Law of the PRC, according to which a family can have only one child, with certain exceptions
"Private HEI", "private higher education institution" or "private university"	a PRC private higher education institution (民辦高等教育機構) not affiliated with any public universities that is operated by non-governmental entity(ies) or individual(s) where government funding is not a major source of capital and has open admission and enrolment to the public
"private school"	a school that is not run by local, provincial or national governments
"public school"	a school that is run by local, provincial or national governments
"school sponsor"	an individual or entity that funds or holds interests in an educational institution
"sq.m."	square metre
"vocational education programme"	a three-year vocational education programme that generally enrols middle school graduates or a one-year vocational education programme that generally enrols high school graduates, and upon the completion of which a vocational high school diploma will be granted

Certain statements in this document are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will”, “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “aim”, “aspire”, “objective”, “target”, “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including but not limited to the risk factors detailed in this document), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our operations and business prospects;
- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our operations and business;
- our ability to maintain or increase student enrolment in our colleges;
- our ability to maintain or increase tuition fees;
- our ability to maintain or increase utilisation of our facilities;
- our capital expenditure programmes and future capital requirements;
- our future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel (including teaching staff);
- our ability to control costs;
- our ability to remit dividends;
- changes to regulatory and operating conditions in the industry and geographical markets in which we operate; and
- all other risks and uncertainties described in the section headed “Risk Factors” in this document.

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 forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertake no obligation 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 unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this document. Any such intentions may change in light of future developments.

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

An investment in our Shares involves significant risks. You should carefully consider all of the information in this document, including the risks and uncertainties described below, before making an investment in our Shares. The following is a description of what we consider to be our material risks and uncertainties. Any of the following risks and uncertainties could have a material adverse effect on our business, financial condition and results of operations. In any such case, the market price of our Shares could decline, and you may lose all or part of your investment.

We believe there are certain risks and uncertainties involved in our operations, some of which are beyond our control. We have categorised 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 MOJ Draft for Comments.

The 2016 Decision

Our business is regulated by, among others, the Law for Promoting Private Education of the PRC. The 2016 Decision that became effective on 1 September 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 Schools will be registered as a non-profit or for-profit private school under the 2016 Decision. According to the Implementation Opinions of Henan Government on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見》), private higher institutions in Henan Province, including our PRC Operating Schools, are required to complete their registration before 2022. According to the Implementation Opinions of Hubei Government on Promoting the Healthy Development of Private Education (《湖北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》), private higher institutions in Hubei Province, including Hubei College, are required in principle to complete their registration before 1 September 2020. 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. 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 "Regulations — Regulations on Private Education in the PRC — The Amendment to 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 schools 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 recently promulgated and PRC government authorities may further formulate 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 colleges 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.

The MOJ Draft for Comments

On April 20, 2018, the MOE issued the MOE Draft for Comments to seek public comments, and on 10 August 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments, namely, the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《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)》), to seek public comments. The MOJ Draft for Comments 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 non-profit private school shall enjoy the same tax policies as that enjoyed by a public school and the relevant tax concession, and a for-profit school shall enjoy tax preferential treatments and other preferential policies applied to industries encouraged by the state for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; 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 give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments.

The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools, such as our PRC Operating Schools and Hubei College. 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) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. Any agreement involving material interests or any long-term and recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities in terms of necessity, legitimacy and compliance; and (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB0.2 billion. With respect to requirement (ii) 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 and audit 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 and audit 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.

The MOJ required comments from the public on the MOJ Draft for Comments, if any, to be submitted prior to 10 September 2018, but has not provided the timeframe for the promulgation of the implementation rules on the Law for Promoting Private Education of the PRC. As of the date of this document, no implementation rules on the Law for Promoting Private Education of the PRC have been promulgated. Uncertainties exist with respect to the interpretation of the MOJ Draft for Comments and we cannot assure you that the implementation of the MOJ Draft for Comments by the competent authorities will not deviate from our current understanding or interpretation of it.

Implementation Rules under the 2016 Decision

Other than the Implementation Opinions of Henan Government on Further Promoting the Healthy Development of Private Education (《河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見》) and the Implementation Opinions of Hubei Government on Promoting the Healthy

Development of Private Education (《湖北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》) (see also "Regulations"), the Henan and Hubei governments have not yet promulgated detailed implementation rules 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 Implementation Regulations for 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 30 December 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 schools, we will be required to (i) undertake financial liquidation, (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, we are not be able to predict or estimate the potential costs and expenses involved and the process necessary to adjust our structure to complete such re-registration, 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, (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(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 operations.

We may not be able to register Hubei College as a for-profit private school or complete relevant procedures or obtain the government registrations under the current form of the MOJ Draft for Comments.

Pursuant to the MOJ Draft for Comments, public schools shall not invest or participate in investing for-profit private schools while public schools are permitted to invest or participate in investing non-profit private schools. If the Revision of the Implementation Rules on 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 (修訂草案)》) (the "**Revision of the Implementation Rules**") is eventually adopted in the current form of the MOJ Draft for Comments and our acquisition of Hubei College is completed prior to the effective date of the MOJ Draft for Comments and the due date for Hubei College to elect to register as a non-profit private school or a for-profit private school as required by the Education Department of Hubei Province (i.e., 1 September 2020), and if we choose to register Hubei College as a for-profit private school after the relevant regulations and rules are promulgated, we may be required to terminate the cooperation with Yangtze University currently in effect subject to MOE approval and comply with the local implementation rules, and we may be required to increase the registered capital of Hubei College from RMB115,650,000 to RMB0.2 billion. However, there is a risk that Hubei College may not be able to choose to register as a for-profit private school as a result of the regulatory restrictions.

We cannot assure you that we will be able to register Hubei College as a for-profit private school or complete relevant procedures or obtain the government registrations on a timely basis, if at all, under the current form of the MOJ Draft for Comments. As a result, our business, financial condition, future prospects and results of operations may be adversely affected.

Hubei College is required to satisfy certain requirements under the current form of the MOJ Draft for Comments if it chooses to register as a non-profit private school, which may subject Hubei College to operational risks.

If the Revision of the Implementation Rules is eventually adopted in the current form of the MOJ Draft for Comments and our acquisition of Hubei College is completed prior to the effective date of the MOJ Draft for Comments and the due date for Hubei College to register as a non-profit private school or a for-profit private school as required by the Education Department of Hubei Province (i.e., 1 September 2020), and if we choose to register Hubei College as a non-profit private school with Yangtze University remaining as one of the school sponsors, we will be required to satisfy certain requirements in accordance with the MOJ Draft for Comments, including (i) not utilising any state financial funds; and (ii) not conducting any activities that may adversely impact the educational activities of public schools. Furthermore, Hubei College will be required to utilise campus and fundamental educational facilities and academic resources that are separate from those of Yangtze University, to implement independent finance and accounting system, to independently enrol students and award academic degrees and diplomas and to maintain a certain number of independent full-time teachers dedicated to teaching (專任教師). The above arrangements may significantly limit the resources and support that Hubei College may benefit from Yangtze University, including access to education resources, campus facilities and other assistance. In particular, Hubei College currently operates its campus facilities provided by Yangtze University (see "Business – Additional College to Be Acquired by Our Group"), and it may not be able to implement appropriate arrangements to operate independently from Yangtze University without significant disruptions to its operations and/or financial commitment. Hubei College may not be able to implement a smooth transition into a non-profit private school. As a result, the stability of staff and the learning experience of students of Hubei College may be adversely affected, which may in turn adversely affect Hubei College's ability to maintain its teaching quality and attractiveness to students. Any of the foregoing may result in a material adverse impact on the operations and/or financial condition of Hubei College.

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

One of the most significant factors affecting our profitability is the tuition and boarding fees we charge at our colleges. For the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018, we derived 89.7%, 90.0%, 90.2% and 89.1%, respectively, of our revenue from tuition and derived 10.3%, 10.0%, 9.8% and 10.9%, respectively, of our revenue from boarding fees. Our tuition rates are primarily determined based on the demand for our educational programmes, the cost of our operations, the geographic markets where we operate our colleges, the tuition charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our colleges are located. We generally require all of our students to reside in our dormitories and charge them boarding fees. Our boarding fees are affected by the cost of operating the dormitories, the general housing markets where we operate our colleges and the boarding fees charged by our competitors.

Our tuition rates are also generally subject to the approval from the relevant government pricing authorities in the areas where we operate. Under the Interim Measures for the Fees Collection Management of Private Education Fees (《民辦教育收費管理暫行辦法》) promulgated by the PRC government authorities on 2 March 2005, the types and amounts of fees charged by a private school providing educational qualifications must be approved by the relevant governmental pricing authority. In recent years, PRC pricing authorities have gradually loosened controls over tuition fees and boarding fees, but certain limits such as price ceilings still exist in certain provinces. According to the Notice on the Relevant Matters Concerning the Management of Tuition of Academic Education in Private Colleges and Universities in Henan Province (《關於河南省民辦高校學歷教育收費管理方式有關事項的通知》) issued on 6 January 2017, the tuition and boarding fee levels of non-profit private colleges and universities cannot exceed the maximum price level set by the relevant government authorities and shall be filed with the provincial and municipal pricing and education authorities. Pursuant to the 2016 Decision, the tuition fees of non-profit schools will be subject to certain restrictions set forth by the provincial governments, while the tuition fees of for-profit schools shall be subject to market adjustments.

There can be no assurance that we will be able to maintain or raise the tuition and boarding fee levels we charge at our colleges in the future due to various reasons, including the failure to obtain necessary approvals or filings. Even if we are able to raise the tuition level, we cannot assure you that we will be able to attract prospective students to apply for our colleges at such increased rates. Neither can there be assurance that we will be able to collect all the tuition and boarding fees on time from all of our students. Our business, financial position and results of operations may be materially and adversely affected if we fail to maintain or raise the tuition and boarding fee levels, attract sufficient students or collect the tuition and boarding fees on time.

We may not be able to successfully increase the student enrolment at our colleges, which may hinder our ability to raise the total tuition or expand our business.

One of the most significant factors affecting our profitability is the number of students enrolled at our colleges. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, the total number of students enrolled at our colleges was 29,673, 34,475, 42,194 and 45,210, respectively.

The number of students our colleges are able to admit each school year is set and approved by the relevant PRC education authorities. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, the total admission quota received by our colleges were 12,995, 14,267, 14,589 and 15,565, respectively. According to the Opinions of the Ministry of Education on Further Regulating Higher Education Enrolment Programme (《教育部關於進一步規範高等教育招生計劃管理工作的意見》), student enrolment for graduate and undergraduate programmes requires approval from the MOE, and student enrolment for junior college programmes is subject to the approval of the relevant local education authorities. In the spirit of further promoting equal access to education in urban and rural areas, the Notice of the Ministry of Education on Enrolment of Ordinary Colleges and Universities issued in 2017 (《教育部關於做好2017年普通高校招生工作的通知》) instructs universities and colleges to improve their enrolment plans by taking into account the number of students currently enrolled, the schools' operational conditions and employment statuses of their graduates, among other factors. This notice encourages schools to continue to expand the implementation of the "Support for the Midwest Admissions Programme" and to further increase the quota for students from the central and western regions of China where the average enrolment rate is relatively low compared with more developed regions. However, we cannot assure you that we will be able to successfully increase student enrolment capacity at our colleges, which is subject to the approvals of the relevant government authorities.

Moreover, our enrolment for boarding students is restricted by the number of beds available in our student dormitories. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, the overall utilisation rate for our colleges based on the approximate number of students that their dormitories were designed to accommodate was 82.1%, 84.3%, 90.0% and 90.0%, respectively. If we fail to admit all qualified students who are interested in enrolling in our colleges due to these capacity constraints, limitations on student enrolment quota or lack of regulatory approvals, we may not be able to successfully maintain our historic enrolment levels or to increase our student enrolment. Thus, we may not be as successful in raising the total tuition or carrying out our growth strategies and expansion plans as we would have anticipated, which in turn may have a material and adverse effect on our business, financial condition and results of operations.

We face intense competition in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures.

The higher education sector in China is rapidly evolving, highly fragmented and competitive, and we expect competition in this sector to persist and intensify. We compete with public and private universities and colleges that offer higher education programmes. We compete with these schools in many ways, including reputation, the quality of the programmes and curriculum offerings, tuition and boarding fee levels, as well as school locations and facilities. Our competitors may adopt similar or superior curricula, school support systems and marketing approaches, with different pricing and service packages that may have greater appeal 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 in the development and promotion of their schools and to respond more quickly than we can to the changes in student demand, testing materials, admissions criteria, market needs or new technologies. In particular, the PRC public education system continues to improve in terms of resources, admission policies and teaching quality and approaches, which may lead to increased competition for us. If admission requirements are relaxed at public schools, more diversified curricula are offered or the exam-oriented education approach is reformed, public schools may become more attractive to students, and student enrolment in our colleges may decrease. As a result, we may be required to reduce tuition or boarding fees or increase capital expenditure 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 or boarding fees, attract and retain competent teachers or other key personnel or enhance the quality of our educational services, our business and results of operations may be materially and adversely affected.

If our students and their parents become less interested in our education programmes, student enrolment in our colleges may substantially decrease and we may need to lower our tuition and boarding fees to attract more students. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We may not be able to execute our growth strategies successfully or effectively, which may hinder our ability to capitalise on new business opportunities.

We plan to strengthen our competitiveness in Henan Province and further expand our school network in other attractive markets. In addition, we plan to further increase the capacity and improve the utilisation rate of existing schools. See the section headed "Business — Our Business Strategies" in this document for more information. We may not succeed in executing our growth strategies due to a number of factors, including our failure to do the following:

- increase student enrolment in our existing colleges;
- admit all qualified students who would like to enrol in our colleges due to the capacity constraints of our school facilities;
- identify suitable acquisition targets;
- identify cities with sufficient growth potential in which we can establish new schools;
- cooperate and establish partnership with potential third party partners;
- effectively execute our expansion plans;
- acquire suitable land sites or construct school campuses in the cities to which we plan to expand our operations;
- win government support or to partner with local governments in cities where we already have schools or in cities or areas to which we plan to expand our operation;
- effectively market our colleges or brand in new markets or promote ourselves in existing markets;
- replicate our successful growth model in new markets or new geographical locations outside Henan Province;
- effectively integrate any future acquisitions into our Group;
- obtain the requisite licences and permits from the authorities necessary to open new schools at our desired locations;
- continue to enhance our course materials or adapt our course materials to student needs and teaching methods;

- follow the expected timetable with respect to the development of new schools; and
- achieve the benefits we expect from our expansion.

According to our current understanding and interpretation of the MOJ Draft for Comments, if the MOJ Draft for Comments is adopted in its current form, we may not be able to acquire any new schools that have been registered as a non-profit private school under the 2016 Decision and the local implementation rules. This may significantly limit the number of target schools in the market that we may acquire in the future, rendering us unable to identify suitable acquisition targets. Further amendments or revisions to the MOJ Draft for Comments and introduction of relevant laws and regulations in the future may also present additional limitations and restrictions on our acquisition and operation of target schools, which may in turn adversely affect our ability to execute our expansion strategy effectively. Furthermore, uncertainties exist with respect to the interpretation of the MOJ Draft for Comments, and we cannot assure you that the implementation of the MOJ Draft for Comments by the competent authorities will not deviate from our current understanding or interpretation of it. The actual implications may differ from the ones set out above and may be more restrictive and limiting to our ability to execute our expansion strategy through acquisition.

If we fail to successfully execute our growth strategies, we may not be able to maintain our growth rate and, as a result, our business, financial condition and results of operations may be materially and adversely affected.

Our acquisition of Hubei College involves uncertainties and risks.

Hubei College is an independent college affiliated with Yangtze University. On 5 December 2014, the School Sponsor entered into a cooperation agreement. Pursuant to this agreement (as supplemented), Yangtze University and the School Sponsor shall jointly operate Hubei College, Yangtze University shall transfer to the School Sponsor the management rights of Hubei College for a consideration of RMB120 million, and the School Sponsor would become a school sponsor of Hubei College. As of the Latest Practicable Date, the application for the School Sponsor to become a school sponsor of Hubei College is pending the final approval of the MOE and the registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure – Acquisition of Hubei College"). Upon completion of these procedures and the execution of the relevant contractual arrangements to obtain effective control over Hubei College, we expect that Hubei College's results of operations will be consolidated into our results of operations.

If for any reason the MOE does not approve the aforementioned application or we are not able to execute the relevant contractual arrangements to obtain effective control of Hubei College, we will not be able to operate this college as planned, or at all. In this case, we may not be able to implement our expansion plan or growth strategies. In addition, we had paid RMB100 million towards the total consideration for the investment in Hubei College and have made substantial investments into the operations of Hubei College. If we are unable to obtain relevant MOE approval and register with the provincial civil affairs authorities, we may not be able to recover all or any part of the investments we have already made in relation to Hubei College, and our business, financial condition and results of operations would be materially and adversely affected.

We cannot assure you that Yangtze University will be receptive in negotiating any settlement arrangements with us, or that we will be able to negotiate terms that will adequately compensate for our resources, financial or otherwise, committed to the cooperation. Our general remedies under PRC laws to cancel the contract and request the parties to reinstate their respective pre-contract position may not be supported, and may involve protracted litigation proceedings that are subject to uncertain outcome and inordinate legal costs.

As of the Latest Practicable Date, we were not able to determine whether the sponsor capital (開辦資金) of Hubei College in the amount of RMB115,650,000 was fully paid up as Yangtze University (長江大學) had yet to furnish us with the relevant supporting evidence. We also cannot assure you that Yangtze University will honour its commitment to assume all obligations and liabilities of the existing school sponsors towards Hubei College prior to the entering into of the cooperation agreement with us. In the event that such sponsor capital has not been fully paid up when we become a school sponsor of Hubei College in the future, our PRC Legal Adviser advises that there is a risk that we will be jointly liable with the original school sponsor of Hubei College to pay up the unpaid sponsor capital and/or assume the portion of the liabilities that Hubei College is unable to discharge, which could adversely affect our business,financial condition and results of operations.

The MOJ Draft for Comments may have certain implications on our acquisition of Hubei College and the registration of Hubei College as a for-profit private school or a non-profit private school. For more information, including the possible scenarios in relation to our acquisition of Hubei College, see "Business — Potential Implications of the 2016 Decision and the MOJ Draft for Comments — The MOJ Draft for Comments — Implications on Hubei College". See also "— Hubei College is required to satisfy certain requirements under the current form of the MOJ Draft for Comments if it chooses to register as a non-profit private school, which may subject Hubei College to operational risks" and "— We may not be able to register Hubei College as a for-profit private school or complete relevant procedures or obtain the government registrations under the current form of the MOJ Draft for Comments".

Our operations of Hubei College may face risks arising from its name or change of name.

Hubei College is a legal entity separate and independent from Yangtze University. The name of Hubei College contains the name of Yangtze University. As such, our operations of Hubei College may face risks arising from name confusion. We cannot assure you that students and parents do not consider Hubei College being operated by Yangtze University. Any negative publicity concerning Yangtze University or its affiliates may be wrongly associated with Hubei College, which could adversely affect its reputation, business, growth prospect and its ability to recruit qualified teachers and staff.

If for any reason we are required to, or decide to, change the name of Hubei College in the future for any reason (such as due to termination of cooperation with Yangtze University and/or conversion of Hubei College into a Private HEI), the operations of Hubei College under a new name may result in a diminished interest from potential students and their parents. We cannot assure you that Hubei College will be able to achieve the same level of growth, if at all, in student enrolment in the future under the new name. In addition, the enrolled students of Hubei College may lose confidence in education quality and brand awareness and choose to transfer to other public or private schools. If we are not able to effectively promote Hubei College under the new name and increase the brand awareness, we may not be able to maintain or increase its student enrolment, which may have an adverse effect on its business, financial condition and results of operations.

We may not be able to successfully expand our business through acquisitions.

One of our growth strategies is to grow our business by acquiring additional schools. We have limited prior experience in acquiring other schools. We cannot assure you that we will be able to identify suitable acquisition targets and that our due diligence efforts will reveal all material deficiencies in the target schools. We also cannot assure you that we will be able to obtain required governmental approvals for the acquisition of other school in a timely manner, or at all.

Furthermore, we may face challenges in integrating business operations and management philosophies of acquired schools. The benefits of our future acquisitions depend in significant part on our ability to effectively and timely integrate management, operations, technology and personnel. The acquisition and integration of acquired schools is a complex, time-consuming and expensive process that, without proper planning and implementation, could significantly disrupt our business operations and reputation. The main challenges involved in acquiring and integrating acquired entities include the following:

- finding suitable targets;
- retaining qualified teaching staff of any acquired school;
- consolidating educational services offered by the acquired school;
- integrating information technology platforms and administrative infrastructure;
- minimising the diversion of our management's attention from on-going business concerns; and
- ensuring and demonstrating to our students and their parents that the new acquisitions will not result in any adverse changes to our established brand image, reputation, teaching quality or standards.

We may not successfully integrate our operations and the operations of the schools we acquire in a timely manner, or at all, and we may not realise the anticipated benefits or synergies of the acquisitions to the extent, or in the timeframe we anticipated, which may have a material adverse effect on our business, financial condition and results of operations.

There could also be unforeseen liabilities or asset impairments, including goodwill impairments, which arise in connection with our potential acquisitions in the future. There may be liabilities or asset impairments that we fail, or are unable, to discover in the course of our due diligence. Even for obligations and liabilities that we are able to discover during our due diligence, we cannot assure you that any valuation adjustment or contractual protections, such as indemnification provisions, we negotiate may be sufficient to fully protect us from losses. Our rights under the indemnification may be subject to limitation periods for bringing claims and limitations on the nature and amount of losses we may recover, and we cannot be certain that indemnification will be, among other things, collectible or sufficient in amount, scope or duration to fully offset any loss we may suffer. The use of our own capital as consideration in any acquisition may significantly consume our capital resources, which could affect our capital plan and render those funds unavailable for other corporate purposes. We may also not be able to raise sufficient funds to consummate an acquisition without incurring significant financing costs, which may in turn have a material adverse effect on our financial position. Furthermore, we cannot assure you we will be able to achieve the desired operating levels of our future acquired schools and thus we may not be able to achieve our target return on investment on, or intended benefits or operating synergies from, these acquired schools.

Furthermore, acquisitions of independent colleges through cooperation with public education institutions as part of our expansion strategies may involve substantial uncertainties and take considerable time to complete. We cannot assure you that the completion of such acquisition through cooperation will always materialise. In 2013, we entered into a cooperation with each of Tianjin Medical University (天津醫科大學) and Tianjin Normal University (天津師範大學). However, our intended acquisition of the relevant independent colleges did not materialise through such cooperation, both of which were terminated in 2016 and 2017, respectively. See "History, Reorganisation and Corporate Structure – Prior Cooperation" for further details. We cannot assure you that similar termination will not occur in the future, which may adversely affect our reputation in the industry and our ability to execute our growth strategy and may result in significant loss of capital committed to such cooperation.

Furthermore, our acquisition of Hubei College will involve the conversion of Hubei College from an independent college of Yangtze University (長江大學) into a Private HEI. In this connection, we may need to pay Yangtze University (長江大學) certain termination fee, the amount of which has not been agreed and is subject to further negotiations among the parties. We do not currently have any definitive indication on how much the termination fee will be. We cannot assure you that we will be able to agree on a reasonable termination fee. If we cannot agree on the termination fee at the relevant time, we may not be able to proceed with the acquisition of Hubei College. If the termination fee is exorbitant, our profitability, financial position and trading prospect may be adversely affected.

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

We rely on our teachers for the provision of educational services to our students. Our teachers are therefore critical to maintaining the quality of our programmes and curricula and to upholding our reputation. As of 28 February 2018, we had a team of 1,718 full-time and part-time teachers. As of the Latest Practicable Date, we had 1,944 full-time and part-time teachers.

We plan to continue to attract qualified teachers who have a strong command of their respective subject areas and are capable of using innovative approaches in teaching classes. There is a limited number of teachers with the necessary experience to teach our courses. Similarly, the pool of qualified school personnel, such as principals, vice principals and other school administrators, all of whom are crucial to the efficient and smooth operation of the colleges we operate, is relatively limited in China and in particular, in Henan Province where our colleges are located. There is no guarantee that we can recruit and retain such personnel in the future. As a result, we must provide competitive compensation and benefits packages to attract and retain qualified teachers and other school personnel. In addition, criteria such as commitment and dedication are difficult to evaluate during the recruitment process, particularly as we continue to expand and recruit additional teachers and other school personnel quickly in order to meet rising student enrolment. We must also provide on-going training to our teachers so that they can stay abreast of changes in student demands, admissions and assessment test requirements, admissions criteria and other key trends necessary to effectively teach their courses. In addition, a small number of foreign teachers taught at Shangqiu University and Anyang University during the Track Record Period, and we may engage additional foreign teachers as we continue to expand our curricula and majors. We may experience difficulties in assisting our foreign teachers in obtaining employment visas or other approvals required to enter and work in China, which may adversely impact the quality of the education we provide.

We may not be able to hire and retain a sufficient number of qualified teachers and school personnel to keep pace with our anticipated growth while maintaining consistently high quality of our education programmes across different schools. If we are unable to recruit and retain an appropriate number of qualified teachers and school personnel, the quality of the services or overall education programmes may decrease or be perceived to decrease in one or more of our colleges, which may have a material and adverse effect on our reputation, business and results of operations.

Our graduates' employment rate may decrease and satisfaction with our colleges may otherwise decline.

Our colleges are positioned as private higher education institutions that equip our graduates with the practical skills desired by employers in industries with significant recruiting demands. The graduates of our colleges have achieved higher employment rates compared with the averages for private universities in Henan Province. However, we cannot guarantee that our colleges will be able to continue to design or modify our curricula to meet the expectations of our students and prospective employers or to satisfy trends in the job market. We might not be able to devote the same amount of resources in training our students, enhancing their practical skills and helping them secure jobs as we did during the Track Record Period, or our efforts may not be so effective as they used to be. As the job market in China is constantly evolving, our curricula may focus on skills that are not or no longer valued by prospective employers. The graduates of our colleges may therefore be unable to obtain satisfactory jobs and the employment rates and average starting salaries of our graduates may decrease. Any negative development of our graduates' employment rate and average starting salaries may harm the reputation of our colleges and affect the student enrolment in our colleges, which may have a material and adverse impact on our results of operations and financial conditions.

We may not be able to obtain all necessary approvals, licences and permits and to make all necessary registrations and filings for our education services in the PRC.

We are required to obtain and maintain various approvals, licences and permits and fulfil registration and filing requirements in order to conduct and operate our education and related services. For instance, to establish and operate a school, we are required to obtain, among others, a private school operation permit from the MOE or its local branches and 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 MOE or its local branches and the local civil affairs bureau. We also need to obtain approval from the MOE or its local branches as to the scale and scope of our student recruitment activities. While we intend to obtain, using our best efforts, all requisite permits and complete the necessary filings, renewals and registrations on a timely basis for our colleges, there is no assurance that we will be able to obtain all required permits, approvals, licences or filings given the significant amount of discretion the local PRC authorities may have in interpreting, implementing and enforcing relevant rules and regulations, as well as other factors beyond our control and anticipation. If we fail to receive required permits in a timely manner or obtain or renew any permits and certificates, we may be subject to fines, confiscation of any gains derived from our non-compliant operations, the suspension of our non-compliant operations or the 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. For further details of material approvals, licences and permits required for our operations, see the section headed "Business — Licences and Permits" in this document.

Our business is dependent on the market recognition of reputation, and any damage to our reputation would materially and adversely affect our business.

Our ability to maintain our reputation depends on a number of factors, some of which are beyond our control. As we continue to grow in size and expand our programmes and curriculum offerings, it may become difficult to maintain the quality and consistency of the services we offer, which may lead to diminishing confidence in our brand name.

Numerous factors can potentially impact our reputation, including, but not limited to, levels of student and parent satisfaction with our curricula, teachers and teaching quality, the employment rate of our students, the number of our graduates being accepted into domestic and overseas graduate programmes, accidents on campus, negative press, disruptions to our educational services, failure to pass an inspection by a government education authority and loss of certifications and approvals that enable us to award diplomas in our colleges. For example, in 2014, certain teachers and other employees of Hubei College publicly expressed their dissatisfaction by submitting complaints due to their misunderstanding of the cooperation between Yangtze University and our Group. In 2016, certain newly admitted students of Hubei College expressed their dissatisfaction to the press for being requested to enrol in the Jingzhou main campus instead of the Wuhan satellite campus.

We may also be subject to negative publicity in the future. Such publicity, even if untrue, may damage our brand image and reputation and take up excessive time of our management and other resources. Two brothers of Chairman Hou together control and operate certain schools in Henan Province offering primary school and high school education. The names of these schools contain the Chinese words of "Chunlai (春來)". We do not have any interests in, or any involvement in the management and operations of, such schools. However, if any of these schools or any other schools adopting the name of "Chunlai (春來)" or other similar names is subject to negative publicity for any reason, our brand image and reputation may also be adversely affected. If our reputation is damaged, students and parents may become less interested in our colleges. As a result, our business, financial condition and results of operations may be materially and adversely affected.

We generated all of our revenue from Henan Province and from a limited number of colleges during the Track Record Period.

Currently we operate three colleges in Henan Province in China, from which we generate all of our revenue during the Track Record Period. We expect that our colleges in Henan Province will continue to generate the majority of our revenue for the foreseeable future. Consequently, we are highly susceptible to factors adversely affecting the PRC private education industry, or us, in Henan Province. If Henan Province or any of the cities in which we operate, experiences an event that materially and negatively affects its education industry or us, such as an economic downturn, a natural disaster or an outbreak of a contagious disease, or if any governmental authorities governing Henan province or any of the cities in which we operate, adopt regulations that place additional restrictions or burdens on us or on the education industry in general, our business, financial condition and results of operations may be materially and adversely affected.

We plan to expand our school network and campuses by constructing new buildings, and such expansion may result in increase in depreciation costs and may adversely affect our business, results of operations and financial position.

Historically and during the Track Record Period, we primarily expanded our school network and campuses by building our own colleges and constructing campus buildings. The depreciation and amortisation expenses related to our school buildings and facilities recorded under cost of revenue amounted to RMB45.8 million, RMB48.4 million and RMB53.7 million for the years ended 31 August 2015, 2016 and 2017, respectively, and RMB27.4 million and RMB29.3 million for the six months ended 28 February 2017 and 2018, respectively.

As part of our business strategies to further expand our school network and campuses, we intend to add new buildings and apply approximately 50% of the net proceeds from the Global Offering to construct student dormitories and ancillary teaching facilities. For details of the plan, please refer to the section headed "Business — Our Business Strategies — Grow our student enrolment by expanding and improving school infrastructure" in this document. With the intended constructions, it is expected that we would incur higher capital expenditures over the construction period, and as a result, additional depreciation costs will be reflected in our profit and loss, which may adversely affect our financial performance and results of operations. Assuming that we have acquired and consolidated Hubei College, we currently estimate that we will record depreciation and amortisation costs in the range of approximately RMB72.5 million to RMB138.3 million for each of the five years ending 31 August 2022. Such depreciation costs were estimated primarily based on our expected capital expenditure in connection with our business expansion plans, the relevant depreciation costs for the year ended 31 August 2017 and the expected growth rate of our revenue, which should be in line with the growth rate of our depreciation costs.

Our historical financial and results of operations may not be indicative of our future performance and our financial and results of operations may be difficult to forecast.

We experienced significant growth in revenue during the Track Record Period. Our historical growth was driven by the increases in the number of students enrolled at our colleges and the level of tuition fees we charged. Our financial condition and results of operations may fluctuate due to a number of other factors, many of which are beyond our control, including: (i) our ability to maintain and increase student enrolment at our colleges and maintain and raise tuition; (ii) general economic and social conditions and government regulations or actions pertaining to the provision of private education in China; (iii) increased competition and market perception and acceptance of any newly introduced educational programmes in any given year; (iv) expansion and related costs in a given period; (v) shifts in attitude towards private education in China from students and their parents; and (vi) our ability to control our cost of revenue and other operating costs, and enhance our operational efficiency. In addition, we may not be successful in continuing to increase the number of students admitted to the colleges we operate due to, among other things, student enrolment quota assigned by the relevant local PRC education authorities and our limited capacity for accepting boarding students, and we may not be as successful in carrying out our growth strategies and expansion plans.

Furthermore, we were not required to pay any PRC income tax in respect of the tuition fees and boarding fees we received for providing formal academic education during the Track Record Period. However, our WFOE is currently subject to an enterprise income tax rate of 25% and value added tax of 6% in the PRC in respect of the service fees it receives from the consolidated affiliated entities under the Contractual Arrangements. Such tax rates are subject to change and may have a significant impact on our profitability.

Moreover, we may not sustain our past growth rates in the future, and we may not sustain our profitability on a quarterly, interim or annual basis in the future. We generally require students to pay tuition fees and boarding fees from the entire school year upfront prior to the commencement of the school year, and recognise revenue for the tuition fees and boarding fees on a straight-line basis over a twelve-month period. However, our costs and expenses are not necessarily recognised at the same time with our revenue. Our interim results, growth rates and profitability may not be indicative of our annual results or our future results, and our historical interim and annual results, growth rates and profitability may not be indicative of our future performance for the corresponding periods. See "Financial Information" for further details. The market price and trading volume of our Shares could be subject to significant volatility, should our earnings fail to meet the expectations of the investment community. Any of these events could cause the price of our Shares to materially decrease.

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

According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. The sponsors of all of our schools have elected not to require reasonable returns. As a result, our schools are eligible to enjoy income tax exemption treatment. We have filed tax registrations, and conducted interviews, with the local tax bureaus in the areas where we operate our schools, which confirmed, among other things, that our schools were exempt from PRC enterprise income tax during the Track Record Period. However, there is a possibility that the PRC government may promulgate relevant tax regulations that will eliminate such preferential tax treatment, or the local tax bureaus may change their policy, in each such case, we will be subject to PRC enterprise income tax going forward. Moreover, pursuant to Notice of the Ministry of Finance and the State Administration of Taxation on Full Launch of the Pilot Programme of Replacing Business Tax with Value-Added Tax (《財政部、國家税務總局關於全面推開營業税改徵增值税試點的通知》) which came into effect on 1 May 2016, formal educational services are exempt from the value-added tax. As a result, formal educational services provided by our schools are exempt from the value-added tax. Pursuant to the 2016 Decision that came into effect on 1 September 2017, private schools are entitled to preferential tax treatments and, in particular, non-profit private schools are entitled to the same preferential tax treatment as public schools. The specific taxation policies applicable to for-profit private schools under the 2016 Decision are yet to be introduced. Therefore, the preferential tax treatment available to our schools will be subject to (i) the decision we make to operate our schools as for-profit or non-profit schools, and (ii) the tax treatment of the for-profit schools which is expected to be stipulated in the implementation regulations related to the 2016 Decision that are to be introduced. There is no guarantee that the preferential tax treatment that currently applies to our schools will not change in the future. For illustration purposes only, assuming that during the Track Record Period the profit before tax of our schools was subject to PRC enterprise income tax of 25% and the revenue of our schools was subject to value-added tax of 6%, we estimate that the tax exposure of our schools would have amounted to approximately RMB19.0 million, RMB48.9 million, and RMB64.0 million for the years ended 31 August 2015, 2016 and 2017, respectively, and RMB28.3 million for the six months ended 28 February 2018. On this basis, our adjusted net profit (see also "Financial Information – Non-IFRS Measure") would have been RMB57.1 million, RMB39.3 million, RMB90.7 million, for the years ended 31 August 2015, 2016 and 2017, respectively, and RMB42.2 million for the six months ended 28 February 2018.

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. In addition, following the execution of the Contractual Arrangements, the service fees received by WFOE from the consolidated affiliated entities will be subject to enterprise income tax and value-added tax in the PRC.

We had net current liabilities as of 31 August 2015 and 2017, 28 February 2018 and 30 June 2018.

As of 31 August 2015 and 2017, 28 February 2018 and 30 June 2018, we had net current liabilities of RMB125.8 million, RMB197.7 million, RMB125.0 million and RMB173.0 million (unaudited), respectively. We had net current liabilities as of each of these dates due to several reasons, including the payment of a one-off termination fee of RMB138.9 million during the year ended 31 August 2015, a significant amount of our long-term borrowings having become current as of 31 August 2017 and continued investments in property, plant and equipment. We expect to incur significant capital expenditures for constructing new facilities, upgrading existing facilities and potential acquisitions. For additional information on our liquidity position, see the section headed "Financial Information — Net Current (Liabilities)/Assets" in this document. We may have net current liabilities in the future as our business expands, in which case we may face a shortfall of working capital and may not be able to fully service our short term bank borrowings. Furthermore, we cannot assure you that in the future we will be able to secure sufficient capital on commercially acceptable terms to fund our working capital requirements and planned capital expenditures. Any of these events could have a material adverse impact on our financial conditions and results of operations.

We recorded a net loss for the year ended 31 August 2015.

We recorded a net loss of RMB62.8 million for the year ended 31 August 2015, primarily due to a one-off termination fee of RMB138.9 million we paid to Anyang Normal University. For the years ended 31 August 2016 and 2017 and the six months ended 28 February 2018, we had a net profit of RMB109.8 million, RMB151.6 million and RMB58.7 million, respectively. However, we cannot guarantee that we will not incur net losses again in the future. Our future revenue growth and profitability will depend on a variety of factors, including the other risks described in this document, many of which are beyond our control. Our ability to maintain profitability will depend in large part on our ability to control our costs and expenses which we expect to increase as we further develop and expand our school network. We may also further encounter unforeseen expenses, difficulties, complications, delays and other unknown events. If we fail to increase revenue at the rate we anticipate or if our expenses increase at a faster rate than the increase in our revenue, we may not be able to remain profitable or increase profitability.

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

Our future success heavily depends on the continuing services of our Directors and senior management team, including Chairman Hou, our founder and chairman of our Board, Mr. Hou, our executive director and chief executive officer, other senior management team members and the principals of our colleges.

If one or more of our 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, and our business may be disrupted and our results of operations and financial condition may be materially and adversely affected. Competition for experienced management personnel in the private education industry in the PRC and in particular, in Central China, is intense, and the pool of qualified candidates is very limited. We may not be able to retain experienced senior management members or other qualified personnel in the future. In the event we lose their services, or if any member of our Directors or senior management team or other key personnel joins our competitor(s) or forms a competing company, we may not be able to attract and 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.

Accidents or injuries suffered by our students or our employees on or outside our school campuses or by other personnel on our school campuses may adversely affect our reputation and subject us to liabilities.

We could be held liable for the accidents or injuries or other harm to students or other people at our colleges, including those caused by or otherwise arising in connection with our school facilities or employees. We could also face claims alleging that we were negligent or we provided inadequate maintenance to our school facilities or supervision of our employees and therefore may be held liable for accidents or injuries suffered by our students or other people at our colleges. In addition, if any of our students or teachers are involved in any act of violence, we could face allegations that we failed to provide adequate security or were otherwise responsible for his or her actions. We may also face reputational risk if our students or employees suffer injuries outside our school campuses. Furthermore, we do not maintain liability insurance that covers the foregoing liabilities relating to on-campus or off-campus accidents or injuries. Even if we seek to obtain relevant insurance coverage in the future, we may not be able to obtain such insurance coverage on commercially reasonable terms, or at all, or the insurance coverage may not be adequate to fully protect us from these kinds of claims and liabilities. In the past, two of our students committed suicide. In 2014, in an on-campus accident, a student was allegedly electrocuted in dormitories, which received press coverage. Similar liability claim or negative press coverage against us or any of our employees, regardless of its validity, could adversely affect our reputation as well as student enrolment and retention. Even if unsuccessful, such a claim could create unfavourable publicity and cause us to incur substantial expenses and divert the time and attention of our management, all of which may have a material adverse effect on our business, prospects, financial condition and results of operations.

Our business and reputation could be materially and adversely affected in the event of incidents resulting from quality issues of our catering or medical services.

Our students purchase food from canteens that we have outsourced to Independent Third Parties. We also provide medical services to students in on-campus medical clinics operated by our colleges. We cannot assure you that no incidents resulted from food quality or our medical services will occur in the future. In the event of incidents arising from poor quality of our food or medical services that result in any serious health violations or medical emergencies, such as mass food poisonings, our business and reputation could be materially and adversely affected.

Student enrolment in certain of our colleges may decrease as a result of becoming independent from public universities.

Shangqiu University, Anyang University and Hubei College were initially established as independent colleges under public universities, namely, Henan Agricultural University, Anyang Normal University and Yangtze University, respectively. Shangqiu University was converted into a private university in 2011 and Anyang University was recently converted into a private university in 2016. After our acquisition of Hubei College, we may consider converting it to a private university after a period of time. As we believe that

Henan Agricultural University, Anyang Normal University and Yangtze University are well known in their respective cities or provinces, termination of affiliative relationships with these public universities may result in a diminished interest in attending our colleges from potential students and their parents. We cannot guarantee that we will be able to achieve the same degree of growth, if at all, in student enrolment in the future. In addition, the enrolled students of our colleges may choose to transfer to other universities due to a perceived decrease in our education quality and brand awareness and choose to transfer to other universities. If we are not able to effectively market our colleges and increase their brand recognition, we may not be able to maintain or increase our student enrolment, which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to extensive governmental approvals and compliance requirements in relation to the lands, buildings or groups of buildings that we own.

For campuses and school facilities constructed and developed for our colleges, we must obtain various permits, certificates and other approvals from the relevant authorities at various stages of property development, including the land use right certificates, planning permits, construction permits, certificates for passing environmental assessments, certificates for passing fire control assessments, certificates for passing construction completion inspections and building ownership certificates.

A substantial portion of our buildings is not in full compliance with property related rules and regulations in the PRC. See the section headed "Business — Properties" in this document for further details. As a result, our rights to these buildings may be limited or challenged by the relevant government authorities or other third parties. We may also be subject to administrative fines or other penalties due to the lack of the requisite permits, certificates and approvals, which may materially and adversely affect our business operations, divert management attention and other resources and incur significant costs. In particular:

- for the properties that we have put into use without obtaining the land use right certificates, our rights to the land may be challenged by third parties and the relevant government may confiscate, or require us to relocate or demolish, such properties;
- for the properties that we have put into use without obtaining the certificates for passing environmental assessments, we may be subject to a fine no more than RMB2,000,000 and/or permanently discontinue the usage of the relevant properties;
- for the properties that we have put into use without obtaining the certificates for passing fire control assessments, we may be subject to a fine ranging between RMB30,000 to RMB300,000 and/or temporary suspension of the usage of the relevant properties before the incident is rectified;
- for the properties that we have put into use without obtaining the certificates for passing construction completion inspections, we may be subject to a fine ranging between 2% to 4% of the total price of the construction contract of the affected premises and/or temporary suspension of the usage of the affected premises before the incident is rectified;
- for the properties that we have put into use or construction activities without obtaining the construction planning certificates, we may be required to demolish the relevant buildings or groups of buildings and be subject to fines of up to 10% of the construction costs of the buildings or groups of buildings, respectively; and
- for the properties that we have started construction activities without obtaining the construction permits, we may be required to take remedial actions within a time limit and be subject to fines between 1% to 2% of the overall construction contract cost.

If we lose the rights to any of our properties due to our failure to comply with relevant regulations, our use of such properties may be limited, or we may be forced to relocate our colleges and incur additional costs, which may result in disruptions to our school operations and materially and adversely affect our business, financial condition and results of operations. In addition, we may in the future encounter difficulties in obtaining the relevant permits, certificates and approvals for the construction and development of our new schools, which may negatively affect our growth strategies. As a result, our business, financial condition and results of operations may be materially and adversely affected.

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

The Property Valuation Report set out in Appendix III to this document with respect to the appraised values of our properties is based on various assumptions, which are subjective and uncertain in nature. The assumptions that Jones Lang LaSalle Corporate Appraisal and Advisory Limited (the "**Property Valuer**") used in the property valuation report include, among others: (i) buildings under the construction as of the valuation date will be developed and completed in accordance with the latest development proposal; and (ii) 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 that could affect the value of the property interest.

Certain of the assumptions used by the Property Valuer in reaching the appraised values of our properties may be inaccurate. Hence, the appraised values of our properties should not be taken as their actual realisable values or a forecast of their realisable values. Unexpected changes to our properties and to the national and local economic conditions may affect the values of these properties. You should not place undue reliance on such values attributable to these properties as appraised by the Property Valuer.

Failure to make adequate contributions to various employee social security insurance plans for our employees as required by PRC regulations may subject us to penalties.

As required by the PRC laws and regulations, we participate in various employee social security insurance plans for our employees that are administered by local governments, including, among others, housing provident funds, pension, medical insurance, maternity insurance employment injury insurance and unemployment insurance. According to the relevant laws and regulations in the PRC, the amount we are required to contribute for each of our employees under such plans should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period, we had not made contributions to the social insurance plans and housing provident funds based on the actual salary level of its employees. For more details, see "Business — Employees". We cannot assure you that the relevant local government authorities will not require us to pay the outstanding amount within a prescribed time and impose late fees or fines on us, which may materially and adversely affect our business, financial condition and results of operations.

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.

Unauthorised use of any of our intellectual property may adversely affect our business and reputation. We rely on a combination of copyrights, trademarks and trade secrets laws to protect our intellectual property rights. Nevertheless, third parties may obtain and use our intellectual property without due authorisation.

The practice of intellectual property rights enforcement action by Chinese regulatory authorities is in its early stage of development 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 unauthorised 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.

In particular, we may not be able to limit the use of the "Chunlai" (春來) name by, or fully protect our name from reputational damage from, third parties. We cannot guarantee you that we will be able to defend any intellectual property claims or settle disputes successfully without incurring substantial costs, or at all. Furthermore, two brothers of Chairman Hou control and operate certain schools in Henan Province offering primary school and high school education and bearing the name "Chunlai" (春來). We cannot guarantee you that disputes over the use of such name with these schools or any other schools adopting such name or similar names will not materialse in the future. We cannot guarantee you that we will be able to resolve such disputes in our favour, failing which our brand name and reputation and our business, financial condition and results of operations could be materially and adversely affected.

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

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

The assets held by our colleges may not be pledged as collateral in connection with securing bank loans and other borrowings, which reduces the schools' ability to obtain financing to fund their operations.

According to the PRC Security Law (《中華人民共和國擔保法》) and the PRC Property Law (《中華人民共和國物權法》), mortgages, pledges or other encumbrances should not be created on properties which are used for public welfare facilities. The buildings that our colleges own and occupy may be considered "public welfare facilities" according to the Law for Promoting Private Education (2016), which provides that private education is considered in the nature of "public welfare" in the PRC. Accordingly, education facilities of schools which are set up for public welfare purposes may not be mortgaged. In such case, those schools' ability to obtain financing to fund their operations will be limited. Even if security interests are intended to be created based on such properties under any loan agreement to be entered into between any of our colleges and potential lenders, such security interests may not be valid or enforceable under the laws and regulations of the PRC, and we cannot preclude the possibility that a government authority, including any PRC court or administrative authority, may consider the security interests created from such facilities to be in violation of PRC laws if we and the lenders have any dispute with regards to the relevant loans under the applicable loan agreements or if the validity of the pledges are otherwise challenged. In such case, it is likely that such security interests will not be enforceable and we may be requested by our lenders to provide other forms of guarantees or prepay the outstanding balance of the loans immediately, and the business operations of the relevant colleges and our financial condition will be materially and adversely affected.

We previously engaged in a one-off financing transaction devised by a lending bank involving the issuance of a bank acceptance note that was not in strict compliance with PRC laws.

In February 2017, as part of a one-off financing arrangement devised by a lending bank, we issued a bank acceptance note in the amount of RMB95 million that was not supported by any bona fide underlying transaction as required by the relevant PRC laws and regulations. See "Business – Financing Arrangement". We settled the RMB95 million due to the lending bank in connection with the issuance of the bank acceptance note on 9 February 2018 have obtained verbal confirmations from competent authorities that we would not be penalised for the issuance of the bank acceptance note. We cannot, however, assure you that the relevant regulatory authorities will not later adopt a different interpretation of the relevant laws and regulations and/or take a different enforcement approach for any reason and decide to impose penalties and/or fines on us retrospectively. Any such penalties and/or fines could adversely affect our business, financial condition and results of operations.

Unauthorised disclosures or manipulation of 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 critical importance because proprietary and confidential student and teacher information, such as names, addresses, and other personal information, is primarily stored in our computer databases located at each of our colleges. 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 records, which could subject us to liabilities, interrupt our business and adversely impact our reputation. Additionally, we run the risk that our employees or third parties could 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.

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

Our business could be materially and adversely affected by natural disasters, such as earthquakes, floods, landslides, outbreaks of health epidemics such as avian influenza and severe acute respiratory syndrome, or SARS, and Influenza A virus, such as H5N1 subtype and H5N2 subtype flu viruses, the Ebola virus, the Zika virus, 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 China. In particular, as many of our campuses provide on-campus accommodation to our students, teachers and staff, the boarding environment exposes our students, teachers and staff to risks of epidemics or pandemics and makes it more difficult for us to take preventive measures if an epidemic or pandemic were to occur. Any of the above may cause material disruptions to our operations, such as temporary closure of our colleges, which in turn may materially and adversely affect our financial condition and results of operations. If any of these occur, our colleges 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 in turn cause significant declines in the number of our students applying to or enrolled in our colleges. If any of these events materialise, our business, financial condition and results of operations could be materially and adversely affected.

We maintain limited insurance coverage.

Our insurance coverage is limited in terms of amount, scope and benefit. As advised by our PRC Legal Adviser, our colleges are not required by PRC laws and regulations to purchase school liability insurance, and none of them purchased any such insurance during the Track Record Period. Consequently, we are exposed to various risks associated with our business and operations. We are exposed to risks including, but not limited to, accidents or injuries in our colleges, 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. The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business-related insurance products. 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.

The private higher education business is relatively new and may not gain wide acceptance in China.

Our future success is highly dependent on the acceptance, development and expansion of the market for private for-profit education services in China. The private educational services market began to develop in the early 1990s and has grown significantly due to favourable policies enacted by the PRC government. In 1997, the State Council of the PRC promulgated the first regulation to promote the private education industry in China. However, private education services requiring reasonable return were not permitted in China until 2003 when the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) became effective.

Management and operation of private schools and universities have been subject to extensive press coverage and significant public debate. Despite the general public interest in pursuing higher degree levels, there remains significant uncertainty as to public acceptance of the business model of private higher education. In addition, there is substantial uncertainty relating to the application and interpretation of PRC law as it relates to the promotion of the private education industry. Please refer to the section headed "Regulations — Regulations on Private Education in the PRC" in this document for further details. If the private education business model fails to gain traction or wide acceptance among the general public in China, especially among students and their parents, or if the favourable 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.

RISKS RELATING TO OUR CONTRACTUAL ARRANGEMENTS

The PRC government may find that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, which may subject us to severe penalties and our business may be materially and adversely affected.

Foreign investment in the education industry in China is extensively regulated and subject to numerous restrictions. Under the Foreign Investment catalogue (《外商投資產業指導目錄》), higher education is a restricted industry for foreign investors. 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 issued by the MOE on 18 June 2012 (《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 educational institution is limited to 50%. According to the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》), which was promulgated by the State Council on 18 July 2003 and became effective on 1 September 2003, foreign investors invested in higher education must be foreign education institutions with relevant qualifications and experience. For more details, see "Regulations — PRC Laws and Regulations Relating to Foreign Investment in Education".

Although foreign investment in high education is not prohibited, our subsidiaries in China are still ineligible to independently operate our colleges. Accordingly, we have been and are expected to continue to be dependent on our Contractual Arrangements to operate our education business. If the Contractual Arrangements that establish the structure for operating our China business are found to be in violation of any existing or future PRC laws, rules or regulations or fail to obtain or maintain any of the required permits or approvals, we may not be able to consolidate the results of operations of our consolidated affiliated entities. The relevant PRC regulatory authorities, including the MOE, would have broad discretion in dealing with such violations, including:

- revoking the business and operating licences of our PRC subsidiaries or consolidated affiliated entities;
- discontinuing or restricting the operations of any related-party transactions among our PRC subsidiaries or consolidated affiliated entities;

- imposing additional conditions or requirements with which we, our PRC subsidiaries or consolidated affiliated entities may not be able to comply;
- requiring us to undergo a costly and disruptive restructuring such as forcing us to establish new entities, re-apply for the necessary licences or relocate our businesses, staff and assets;
- restricting or prohibiting our use of proceeds from public offering or other financing activities to finance our business and operations in China; or
- taking other regulatory or enforcement actions, including imposing fines, which could be harmful to our business.

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 consolidated affiliated entities. In addition, if the imposition of any of these penalties causes us to lose the rights to direct the activities of the consolidated affiliated entities or our right to receive economic benefits from them, we would no longer be able to consolidate such entities, which contributed all of our consolidated net revenue during the Track Record Period.

The Draft Foreign Investment Law proposes significant changes to the PRC foreign investment legal regime, which will likely to have a significant impact on businesses in China controlled by foreign invested enterprises through contractual arrangements, such as our business.

On 19 January 2015, the MOFCOM published the Foreign Investment Law of the PRC (Draft for Comment) (《中華人民共和國外國投資法(草案徵求意見稿)》) (the "**Draft Foreign Investment Law**"). The Draft Foreign Investment Law is intended to replace the current laws and implementation rules governing the foreign investments in China. The Draft Foreign Investment Law proposes significant changes to the existing PRC foreign investment legal regime and introduced the concept of "actual control" determined by the identity of the ultimate natural person or enterprise that controls the domestic enterprise. If an enterprise is actually controlled by a foreign investor through contractual arrangements, it may be regarded as a FIE and be restricted or prohibited from investment in certain industries listed on the negative list as published by the PRC government unless permission from the competent authority is obtained. Nevertheless, as the negative list has yet to be published, it is unclear whether it will differ from the current list of industries subject to restrictions or prohibitions on foreign investment (including the higher education industry). In addition, the Draft Foreign Investment Law also provides that the FIEs operating in the industries on the negative list are required to complete the entry clearance procedure and obtain other approvals that are not required for PRC domestic entities. As a result, certain FIEs in the industries on the negative list may not be able to continue to conduct their business through contractual arrangements.

Although the Draft Foreign Investment Law has been released for consultation purposes, there remain substantial uncertainties regarding its final content, adoption timeline or effective date. Furthermore, several issues are yet to be clarified at current stage, including, among others, (i) the level of "actual control" for being qualified as a domestic enterprise, (ii) how existing domestic enterprises that are operated by foreign investors through contractual arrangements are to be handled, and (iii) what business will be classified as a "restricted business" or a "prohibited business" in the negative list. Due to these uncertainties, we cannot determine whether the new foreign investment law, when it is adopted and becomes effective, will have a material impact on our corporate structure and business. In the event that the Contractual Arrangements through which we operate our education business are not treated as a domestic investment and/or that our education business is classified as a "prohibited business" in the negative list under the new foreign investment law as finally enacted, such Contractual Arrangements may be deemed invalid and illegal and we may be required to unwind the Contractual Arrangements and/or dispose of such education business. As we primarily conduct our education business and operate in the PRC, any such event could have a material and adverse effect on our business, financial condition and results of operations. We may no longer be able to consolidate the financial results of our consolidated affiliated entities and we would have to derecognise their assets and liabilities according to the relevant accounting standards and, as a result, recognise an investment loss.

The Contractual Arrangements may not be as effective in providing control over our consolidated affiliated entities as direct ownership.

We have relied and expect to continue to rely on the Contractual Arrangements to operate our education business in China. For a description of these Contractual Arrangements, see the section headed "Contractual Arrangements" in this document. These Contractual Arrangements may not be as effective in providing us with control over our consolidated affiliated entities as equity ownership. If we had equity ownership of our consolidated affiliated entities, we would be able to exercise our rights as a direct or indirect shareholder of our consolidated affiliated entities to effect changes in the board of directors of our consolidated affiliated 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 consolidated affiliated entities or their shareholders fail to perform their respective obligations under these Contractual Arrangements, we cannot exercise shareholder's rights to direct such corporate action as the direct ownership would otherwise entail. 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 consolidated affiliated entities. If we were to lose effective control over our consolidated affiliated entities, certain negative consequences would result, including our being unable to consolidate the financial results of our consolidated affiliated entities with our financial results. Given that the revenue from our consolidated affiliated entities accounted for all of our total revenue during the Track Record Period, our financial position would be materially and adversely impacted if we were to lose effective control over our consolidated affiliated entities. In addition, losing effective control over our consolidated affiliated entities may negatively impact our operational efficiency and brand image. Further, losing effective control over our consolidated affiliated entities may impair our access to their cash flow from operations, which may reduce our liquidity.

The beneficial owners of our consolidated affiliated entities may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

Mr. Hou (our executive Director, chief executive officer and one of our Controlling Shareholders), Ms. Jiang (our executive Director), and Chairman Hou (our founder, non-executive Director and Chairman) are the beneficial owners of our consolidated affiliated entities. Therefore, the interests of Mr. Hou, Ms. Jiang and Chairman Hou as the beneficial owners of our consolidated affiliated entities may differ from the interests of our Company as a whole. In particular, Chairman Hou and Ms. Jiang do not hold any Shares and, therefore, their interests may not align with those of our Shareholders. We cannot assure you that when conflicts of interest arise, Mr. Hou, Ms. Jiang and/or Chairman Hou will act in the best interests of our Company or that such conflicts will be resolved in our favour. In the event of any such conflicts of interest, Mr. Hou, Ms. Jiang or Chairman Hou may potentially breach, or cause our consolidated affiliated entities to breach, or refuse to renew, the existing Contractual Arrangements we have with them. If we cannot resolve any conflict of interest or dispute between us and Mr. Hou, Ms. Jiang and/or Chairman Hou, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

In addition, although the equity pledge agreement entered into by and between the WFOE, Mr. Hou and the PRC Holdco provide that the pledged equity interest shall constitute continuing security for any and all of the indebtedness, obligations and liabilities under all of the principal service agreements, it is possible that a PRC court could take the position that the amounts listed on the equity pledge registration forms or estimated in the equity pledge agreements represent the full amounts of the collateral that have been registered and perfected. If this were to happen, the obligations that are supposed to be secured in the equity pledge agreements in excess of the amounts listed on the equity pledge registration forms or estimated in the equity pledge agreements could be deemed unsecured debts by the PRC court, which take the last priority among creditors.

Our exercise of the option to acquire the equity interests or sponsor interests (as the case may be) of our consolidated affiliated entities may be subject to certain limitations and we may incur substantial costs.

We may incur substantial cost in the exercise of the option to acquire the equity interests or sponsor interests (as the case may be) in our consolidated affiliated entities. Pursuant to the Contractual Arrangements, the WFOE has the exclusive right to require the shareholders or the sponsors (as the case may be) of our consolidated affiliated entities to transfer their equity interests or sponsor interests (as the case may be) in our consolidated affiliated entities, in whole or in part, to the WFOE or a third party designated by the WFOE at any time and from time to time, at the lowest price allowed under PRC laws and regulations at the time of transfer. If the relevant PRC authorities determine that the purchase prices for acquiring our consolidated affiliated entities are below the market value, they may require the WFOE to pay enterprise income tax for ownership transfer income with reference to the market value. The amount of the tax may be substantial, which could materially and adversely affect our business, financial condition and results of operations.

Any failure by our consolidated affiliated entities or their respective shareholders or sponsors to perform their obligations under our Contractual Arrangements would potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to enforce such arrangements, temporary or permanent loss of control over our primary operations or loss of access to our primary sources of revenue.

Under the current Contractual Arrangements, if any of our consolidated affiliated entities or their respective shareholders or sponsors fail to perform its or his/her respective obligations under these Contractual Arrangements, we may incur substantial costs and resources to enforce such arrangements and rely on legal remedies under PRC laws, including seeking specific performance or injunctive relief and claiming damages.

The Contractual Arrangements are governed by PRC laws and provide for the resolution of disputes through arbitration in China. Accordingly, these contracts will be interpreted in accordance with PRC laws and any disputes will be resolved in accordance with PRC legal procedures. Under PRC laws, rulings by arbitrators are final and the parties to a dispute cannot appeal the arbitration results in any court based on the substance of the case. The prevailing party may enforce the arbitration award by instituting arbitration award recognition proceedings with a competent PRC court. The legal environment in the PRC is not as developed as in other jurisdictions, such as Hong Kong and the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce these Contractual Arrangements. In the event that we are unable to enforce these Contractual Arrangements, we may not be able to exert effective control over our consolidated affiliated entities for an extended period of time or we may be permanently unable to exert control over our consolidated affiliated entities. If this were to occur, we would be unable to consolidate the financial results of our consolidated affiliated entities with our financial results, which may materially and adversely affect our business, financial condition and results of operations and may decrease the value of our Shareholders' investments in our Company.

In addition to the enforcement costs outlined above, during the course of disputes regarding such enforcement action, we may temporarily lose effective control over our colleges in China, which may lead to loss of revenue or potentially lead to the incurrence of additional costs and the expending of substantial resources on our part to operate our business in the absence of effective enforcement of these Contractual Arrangements. If this were to occur, our business, financial condition and results of operations may be materially and adversely affected and the value of our Shareholders' investments in our Company may decrease.

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

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the exclusive management consultancy and business cooperation agreements we have with our consolidated affiliated entities do not represent an arm's-length transaction and adjust any of those entities' income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, PRC tax authorities may form the view that our subsidiaries or consolidated affiliated entities have improperly minimised their tax obligations, and we may not be able to rectify any such incident within the limited timeline required by 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 China International Economic and Trade Arbitration Commission in Beijing, the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the equity interests or sponsor interests and/or assets of our consolidated affiliated entities, injunctive relief and/or winding up of our consolidated affiliated entities. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands 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 Adviser 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 or sponsor interest in our consolidated 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 or sponsor interests in our consolidated affiliated entities in favour 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 do not grant injunctive relief or the winding-up order against our consolidated affiliated entities as interim remedies to preserve the assets or equity interests or sponsor interests in favour of any aggrieved party. Our PRC Legal Adviser is also of the view that, even though the Contractual Arrangements provide that 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 favour of an aggrieved party) may not be recognised or enforced by PRC courts. As a result, in the event that any of our consolidated affiliated entities or their shareholders breach 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 consolidated affiliated entities and conduct our education business could be materially and adversely affected. See the section headed "Contractual Arrangements — Operation of the Contractual Arrangements — Disputes Resolution" in this document for details regarding the enforceability of the dispute resolution provisions in the Contractual Arrangements as opined by our PRC Legal Adviser.

The School Sponsor is a private non-enterprise entity (民辦非企業單位), the sponsor interest of which is not capable of being pledged in favour of WFOE under PRC laws. Our Contractual Arrangements implement alternative arrangements that may not achieve the level of protection equivalent to typical contractual arrangements where the school sponsor is an enterprise, the equity interest of which is subject to equity pledge arrangements.

A set of contractual arrangements adopted for the purpose of controlling an entity typically includes equity pledge arrangements in favour of the controlling entity to prevent the registered legal owners of the controlled entity from transferring their legal interests without authorisation by the controlling entity. Such equity pledge arrangements also serve as collateral to secure the controlled entity's obligations under the relevant contractual arrangements. The sponsor interest of each of our PRC Operating Schools (which was held as to 100% by the School Sponsor as of the Latest Practicable Date) and the School Sponsor (which was held as to 69.3% by Mr. Hou, as to 19.8% by Chairman Hou (founder of our Group, father of Mr. Hou and spouse of Ms. Jiang) as to 9.9% by Ms. Jiang, and as to 1% by the PRC Holdco) is not capable of being pledged in favour of WFOE under PRC laws.

To address this limitation, we have adopted alternative measures in our Contractual Arrangements and other internal control measures, including (i) powers of attorney in favour of our WFOE to exercise all rights in relation to the equity interests or sponsor interests (as the case may be) in the consolidated affiliated entities; (ii) the pledge of receivables of our PRC Operating Schools in favour of our WFOE; (iii) the pledge of proceeds from the sale or transfer of the sponsor interests in our PRC Operating Schools; (iv) our WFOE's possession of the original registration documents and seals required by the relevant authorities to effect a legal transfer of sponsor interest; and (v) internal control measures that enable our independent non-executive Directors to maintain close oversight and intervene if necessary. See "Contractual Arrangements" for further details.

These measures, however, have certain inherent risks when compared to typical contractual arrangements with equity pledge arrangements. In particular, the value of the receivables of the PRC Operating Schools pledged in favour of our WFOE may be less than the value of the sponsor interests, hence, the maximum amount recoverable by our WFOE under the pledge of receivables may be less than the value of the sponsor interests. Any claim in excess of the value of the receivables pledged could be deemed to be unsecured debts by the PRC courts and may significantly undermine our recovery prospects. Moreover, due to the nature of the operation of the schools, student tuition fees and boarding fees are generally received on a periodical basis as opposed to a recurrent basis throughout the year, thus, there may be uncertainties as to when and whether WFOE will be able to recover tangible proceeds from the schools in the event that such security interest is enforced. In terms of our internal control measures adopted, we cannot assure you that they will always be effective in preventing unauthorised transfer of the sponsor interests by the School Sponsor, Mr. Hou (our Controlling Shareholder, executive Director and chief executive officer), Chairman Hou (our founder, non-executive Director and chairman) or Ms. Jiang (our executive Director), who may be able to exert significant influence on our Group, including our WFOE that is in possession of the relevant registration documents and seals to effect a legal transfer of the relevant sponsor interests. Our internal control measures are intended to provide our independent non-executive Directors with authority to intervene in any attempted unauthorised transfer of the sponsor interests, however, we cannot assure you that they will always be able to maintain a close oversight over the affairs of the PRC Operating Schools, particularly on an operational level, and detect improprieties and take actions promptly.

We rely on dividend and other payments from the WFOE to pay dividends and other cash distributions to our Shareholders and any limitation on the ability of the WFOE to pay dividends to us would materially and adversely limit our ability to pay dividends to our Shareholders.

Our Company is a holding company and our ability to pay dividends and other cash distributions to our Shareholders, service any debt we may incur and meet our other cash requirements depends significantly on our ability to receive dividends and other distributions from the WFOE. The amount of dividends paid to our Company by the WFOE depends solely on the service fees paid to the WFOE from our consolidated affiliated entities. However, there are restrictions under PRC laws for the payment of dividends to us by the WFOE. For example, relevant PRC laws and regulations permit payments of dividends by the WFOE only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. Under PRC laws and regulations, the 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. Consequently, the WFOE is restricted in its ability to transfer a portion of its net assets to us or any of our other subsidiaries in the form of dividends, loans or advances. The foregoing restrictions on the ability of the WFOE to pay dividends to us and the limitations on the ability of consolidated affiliated entities to pay service fees to the WFOE could materially and adversely limit our ability to borrow money outside of China or pay dividends to holders of our Shares.

The Law for Promoting Private Education has been amended by the 2016 Decision, namely the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《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》) on 7 November 2016, which came into effect on 1 September 2017. Pursuant to the 2016 Decision, sponsors of private school may choose to establish non-profit or for-profit private schools and will no longer be required to indicate whether they require reasonable returns or not requiring reasonable returns. Sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law (as defined below) and other relevant laws and regulations. Sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they operate and all operation surpluses of the schools shall be used for the operation of the schools. However, the 2016 Decision remains silent on the requirement of the development fund of the non-profit schools or for-profit schools. For further details of the 2016 Decision, see the section headed "Regulations — Regulations on Private Education in the PRC — The Amendment to the Law for Promoting Private Education" in this document.

As a holding company, our ability to pay dividends and other cash distributions to our Shareholders depends solely on our ability to receive dividends and other distributions from the WFOE, which in turn depends on the service fees paid to the WFOE from our consolidated affiliated entities. Our PRC Legal Adviser advises us that the WFOE's right to receive the service fees from our consolidated affiliated entities does not contravene any PRC laws and regulations and that payment of service fees under the Contractual Arrangements should not be regarded as part of the distribution of returns or profits to the sponsors of our schools. For further details regarding our PRC Legal Adviser's view on the legality of the payment of service fees under the Contractual Arrangements, see the section headed "Contractual Arrangements — Legality of the Contractual Arrangements" in this document.

However, if the relevant PRC government authorities take a different view, they may seek to confiscate any or all of the service fees that have been paid by our colleges to the WFOE, including retrospectively, to the extent that such service fees are tantamount to "reasonable returns" (for the period prior to the 2016 Decision becoming effective) or deemed profit distribution (after the 2016 Decision becoming effective and if our schools elect to re-register as non-profit schools) taken by the sponsors of these schools in violation of PRC laws and regulations. The relevant PRC government authorities may also seek to stop student enrolments at our colleges or, in a more extreme situation, revoke the operation permits of these colleges, in which case we may, as a preventative measure to avoid such ramifications, change the election made with respect to such colleges of which the sponsors require a "reasonable return", which would in turn result in our colleges ceasing to enjoy certain preferential treatment.

If any of our consolidated 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 the Contractual Arrangements. As part of these arrangements, our consolidated affiliated entities hold a majority of the assets that are important to the operation of our business, including operating permits and licences, real estate leases, buildings, groups of buildings and other educational facilities related to the colleges. Under irrevocable powers of attorney, Mr. Hou, Chairman Hou and Ms. Jiang may not unilaterally, without our consent, decide to voluntarily liquidate our consolidated affiliated entities.

If any of these entities goes bankrupt and all or part of their assets become subject to liens or rights of third-party creditors, 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 consolidated affiliated entities undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, our ability to generate revenue and the market price of our Shares.

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 and has implemented economic reform and measures using market forces in the development of the PRC economy. Economic reform measures, however, may be changed, 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, 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 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 our services and our business, financial condition and results of operations may be materially and adversely affected by the following factors:

- 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.

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

In utilising the proceeds of the Global Offering in the manner described in the section headed "Future Plans and Use of Proceeds" in this document as an offshore holding company of our PRC subsidiary, we may (i) make loans to our consolidated 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 China in an offshore transaction. However, most of these uses are subject to PRC regulations and approvals. For example:

- loans by us to the WFOE cannot exceed statutory limits and must be registered with SAFE, or its local counterparts;
- loans by us to our consolidated 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 contribution to our consolidated affiliated entities must be approved by the MOE and the Ministry of Civil Affairs or their respective local counterparts.

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 China. If we fail to receive such registrations or approvals, our ability to use the net proceeds from the Global Offering and to capitalise our PRC operations may be negatively affected, which could adversely affect our liquidity and our ability to fund and expand our business.

Failure to comply with PRC regulations regarding the registration requirements for employee share ownership plans or share option plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock 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 "**Stock Option Rules**"). Under the Stock Option Rules and other relevant rules and regulations, PRC residents who participate in stock incentive plan in an overseas publicly-listed company are required to register with SAFE or its local branches and complete certain other procedures. Participants of a stock incentive plan who are PRC residents must retain a qualified PRC agent, which could be a PRC subsidiary of the overseas publicly-listed company or another qualified institution selected by the PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plan on behalf of its participants. The participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes. We and our PRC employees who have been granted share options will be subject to these regulations upon the completion of the Global Offering.

Failure of our PRC share option holders to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries' ability to distribute dividends to us, or otherwise materially and adversely affect our business, financial condition and results of operations.

Restrictions on currency exchange under PRC laws may limit our ability to convert cash derived from our operating activities into foreign currencies and may materially and adversely affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenue in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from the WFOE. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries and our affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under the existing PRC foreign exchange regulations, conversion of Renminbi is permitted, without prior approval from SAFE, for current account transactions, including profit distributions, interest payments and expenditures from trade-related transactions, as long as certain procedural requirements are complied with. However, approval from and registration with SAFE and other PRC regulatory authorities are required where Renminbi is to be converted into foreign currency and remitted out of China for capital account transactions, which includes foreign direct investment and repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. Any existing and future restrictions on currency exchange in China may limit our ability to convert cash derived from our operating activities into foreign currencies to fund expenditures denominated in foreign currencies. If the foreign exchange restrictions in China prevent us from obtaining Hong Kong dollars or other foreign currencies as required, we may not be able to pay dividends in Hong Kong dollars or other foreign currencies to our Shareholders, or pay the salaries of our non-PRC teachers in currencies other than Renminbi. Furthermore, foreign exchange control in respect of the capital account transactions could affect our PRC subsidiaries' ability to obtain foreign exchange or conversion into Renminbi through debt or equity financing, including by means of loans or capital contributions from us.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The change in the value of Renminbi against the U.S. dollar, Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. In July 2005, the PRC government changed its decade-old policy of pegging the value of Renminbi to the U.S. dollar, and Renminbi appreciated more than 15% against the U.S. dollar over the following three years. On 19 June 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. In the five years following this announcement, the Renminbi gradually appreciated against the U.S. dollar. On 11 August 2015, the PBOC further enlarged the floating band for trading prices in the inter-bank spot exchange market of Renminbi against the U.S. dollar to 2.0% around the closing price in the previous trading session, and Renminbi depreciated against the U.S. dollar by approximately 1.9% as compared to 10 August 2015, and further depreciated nearly 1.6% on the next day. On 30 November 2015, the Executive Board of the International Monetary Fund (IMF) completed the regular five-year review of the basket of currencies that make up the Special Drawing Right ("**SDR**") and decided that with effect from 1 October 2016, the Renminbi is determined to be a freely usable currency and will be included in the SDR basket as a fifth currency, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. With the development of the foreign exchange market and progress towards interest rate liberalisation and Renminbi internationalisation, the PRC government may in the future announce further changes to the exchange rate system and we cannot assure you that the Renminbi will not appreciate or depreciate significantly in value against the Hong Kong dollar or the U.S. dollar in the future.

Substantially all of our revenue, costs and financial assets were denominated in Renminbi during the Track Record Period. We rely entirely on dividends and other fees paid to us by our PRC subsidiaries and our consolidated affiliated entities. Our proceeds from the Global Offering will be denominated in Hong Kong dollars. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect the value of and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, as Renminbi is the functional currency of our PRC subsidiary and consolidated affiliated entities. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

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

The economy of China has been experiencing significant growth, leading to inflation and increased labour costs. According to the National Bureau of Statistics of China, the year-over-year percent change in the consumer price index in China was 2.1% in 2016. China's overall economy and the average wage in the PRC are expected to continue to grow. Future increases in China's inflation and material increases in the cost of labour 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.

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 organisation 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 a Shareholder, you will hold an indirect interest in our operations in China. 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 between 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 executive officers that reside in the PRC or to enforce against them or us in the PRC any judgements obtained from non-PRC courts.

The legal framework to which our Group 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 14 July 2006, the Supreme People's Court of the PRC and the Government of Hong Kong signed the Arrangement on Reciprocal Recognition and Enforcement of Judgements 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》). Under such an arrangement, where any designated people's court in the PRC or any designated Hong Kong court has made an enforceable final judgement 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 judgement. Although this arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the arrangement may still be uncertain.

Most of our 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 judgements obtained from non-PRC courts. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the Cayman Islands, the United States, the United Kingdom, Japan and many other developed countries. Therefore, recognition and enforcement in China of judgements 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", 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 Enterprise Income Tax Law (《中華人民共和國企業所得稅法》) and its implementing regulations, an enterprise established outside China with its "de facto management body" within China is considered a "resident enterprise" in China and will be subject to the PRC enterprise income tax at the rate of 25% on its worldwide income. The tax authority will normally review factors such as the routine operation of the organisational body that effectively manages the enterprise's production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. The Enterprise Income Tax Law's implementation regulations define the term "de facto management bodies" as "establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise". The State Administration of Taxation 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 (the "**SAT Circular 82**", 《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》) on 22 April 2009. 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 inside 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 3 August 2011, effective 1 September 2011, providing more guidance on the implementation of SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both 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.

As all of our senior management members are based in China, it remains unclear as to how the tax residency rule will apply to our case. We do not believe that our Company or any of our Hong Kong or BVI subsidiaries, should be qualified as a "resident enterprise" as each of our offshore holding entities is a company incorporated outside the PRC. As holding companies, each of these entities' corporate documents, minutes and files of the board and shareholders' meetings are located and kept outside of the PRC. Therefore, we believe that none of our offshore holding entities should be treated as a "resident enterprise" with its "de facto management bodies" located within China as defined by the relevant regulations for PRC enterprise income tax purposes. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue.

Under the Enterprise Income Tax Law, shareholders of a PRC resident enterprise will be subject to a 10% withholding tax upon dividends received from the PRC resident enterprise and on gain recognised 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% withholding tax upon dividends received from us and on gain recognised 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.

RISKS RELATING TO THE GLOBAL OFFERING

The interests of our Controlling Shareholders may differ from your interests and they may exercise their vote to the disadvantage of our minority Shareholders.

Immediately following the completion of the Global Offering, the Controlling Shareholders will, control 75% of our total issued share capital (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme). Accordingly, the Controlling Shareholders will, for the foreseeable future, through their voting control, be able to exercise substantial influence over our operations and business strategy, such as matters related to the composition of our Board of Directors, selection of our senior management, amount and timing of dividends and other distributions, our overall strategic and investment decisions, issuance of securities and adjustment to our capital structure, amendment to our Memorandum and Articles of Association, and other corporate actions requiring approval of our Shareholders, including merger, consolidation or sale of our assets, or any other change of control event that may affect our other Shareholders generally. Such voting control may discourage certain types of transactions, including those involving an actual or potential change of control of our Company. In the event that there is a divergence of our strategic and other interests from those of the Controlling Shareholders in the future, the Controlling Shareholders may exercise control over our Company in ways that conflict with the interests of our other Shareholders, and minority Shareholders could be disadvantaged.

No public market currently exists for our Shares; the market price for our Shares may be volatile and an active trading market for our Shares may not develop.

No public market currently exists for our Shares. The initial Offer Price for our Shares to the public will be the result of negotiations between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), and the Offer Price may differ significantly from the market price of the Shares following the Global Offering. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. A listing on the Stock Exchange, however, does not guarantee that an active and liquid trading market for the Shares will develop, or if it does develop, that it will be sustained following the Global Offering, or that the market price of the Shares will not decline following the Global Offering.

In addition, the trading price and trading volume of the Shares may be subject to significant volatility in responses to various factors, including:

- variations in our operating results;
- changes in financial estimates by securities analysts;
- announcements made by us or our competitors;
- regulatory developments in China affecting us, our industry or our Contractual Arrangements;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and China;
- developments in the education market in China;
- changes in the economic performance or market valuations of other education companies;
- the depth and liquidity of the market for our Shares;
- additions to or departures of, our executive officers and other members of our senior management;
- release or expiry of lock-up or other transfer restrictions on our Shares;
- sales or anticipated sales of additional Shares; and
- the general economy and other factors.

Moreover, shares of other companies listed on the Stock Exchange with significant operations and assets in China have experienced price volatility in the past, and it is possible that our Shares may be subject to changes in price not directly related to our performance.

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

The market price and trading volume for our Shares may be volatile and subject to wide fluctuations in response to factors such as actual or anticipated fluctuations in our quarterly operating results, changes in financial estimates by securities research analysts, changes in the economic performance or market valuations of other education companies, announcements by us or our competitors of material acquisitions, strategic partnerships, joint ventures or capital commitments, addition or departure of our executive officers and key personnel, fluctuations of exchange rates between the Renminbi and the Hong Kong dollar, intellectual property litigation, release of lock-up or other transfer restrictions on our Shares, and economic or political conditions in China. In addition, the performance, and fluctuation in market prices, of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes of our Shares. Furthermore, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

Because the initial public offering price is substantially higher than the pro forma net tangible book value per share, you will experience immediate and substantial dilution.

If you purchase Shares in the Global Offering, you will pay more for each Share than the corresponding amount paid by existing Shareholders for their Shares. As a result, you will experience immediate and substantial dilution upon purchase of the Shares in the Global Offering. In addition, you may experience further dilution to the extent that our Shares are issued upon the exercise of share options.

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.

Although our Controlling Shareholders are subject to restrictions on their sales of Shares within 12 months from the Listing Date as described in the section headed "Underwriting" in this document and pursuant to the undertakings they have given to the Stock Exchange as described in the section headed "Contractual Arrangements — Development in PRC Legislation on Foreign Investment — Potential measures to maintain control over and receive economic benefits from our consolidated affiliated entities" in this document, future sales of a significant number of our Shares by our Controlling Shareholders in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares.

We cannot assure you that our Controlling Shareholders will not dispose of Shares held by them or that we will not issue Shares pursuant to the general mandate to issue shares granted to our Directors as described in the section headed "Statutory and General Information" in Appendix V to this document or otherwise, upon the expiration of restrictions set out above. We cannot predict the effect, if any, that any future sales of Shares by our Controlling Shareholders, or the availability of Shares for sale by our Controlling Shareholders, or the issuance of Shares by the Company may have on the market price of the Shares. Sale or issuance of a substantial amount of Shares by our Controlling Shareholders or us, or the market perception that such sale or issuance may occur, could materially and adversely affect the prevailing market price of the Shares.

We may need additional capital, and the sale or issue of additional Shares or other equity securities, including pursuant to the Pre-IPO Share Option Scheme and the Share Award Scheme, could result in additional dilution to our Shareholders.

Notwithstanding our current cash and cash equivalents and the net proceeds from the Global Offering, we may, however, require additional cash resources to finance our continued growth or other future developments, including any investments or acquisitions we may decide to pursue. The amount and timing of such additional financing needs will vary depending on the timing of new school openings, investments in and/or acquisitions of new education programmes or businesses from third parties, and the amount of cash flow from our operations. If our resources are insufficient to satisfy our cash requirements, we may seek additional financing through selling additional equity or debt securities or obtaining a credit facility. The sale of additional equity securities could result in additional dilution to our Shareholders. Furthermore, we may issue Shares pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and grants the Share Award Scheme, which would further dilute Shareholders' interests in our Company. The incurrence of indebtedness would result in increased debt service obligations and could result in operating and financing covenants that may, among other things, restrict our operations or our ability to pay dividends. Servicing such debt obligations could also be burdensome to our operations. If we fail to service the debt obligations or are unable to comply with such debt covenants, we could be in default under the relevant debt obligations and our liquidity and financial conditions may be materially and adversely affected.

Our ability to obtain additional capital on acceptable terms is subject to a variety of uncertainties, including:

- investors' perception of, and demand for, securities of educational service providers;
- conditions in Hong Kong and other capital markets in which we may seek to raise funds;
- our future results of operations, financial condition and cash flows;
- PRC governmental regulation of foreign investment in education in China;
- economic, political and other conditions in China; and
- PRC governmental policies relating to foreign currency borrowings.

We cannot assure you that financing will be available in the amounts or on terms acceptable to us, if at all. If we fail to raise additional funds, we may need to sell debt or additional equity securities or reduce our growth to a level that can be supported by our cash flow, or defer planned expenditures.

We are a Cayman Islands company and, because judicial precedent regarding the rights of shareholders is more limited under Cayman Islands law than other jurisdictions, you may have difficulties in protecting your Shareholder rights.

Our corporate affairs are governed by our Memorandum and Articles and by the Cayman Companies Law and common law of the Cayman Islands. The rights of Shareholders to take legal action against our Directors and us, 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 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 established under statutes and judicial precedent in existence in other jurisdictions. See the section headed "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix IV to this document.

As a result of all of the above, our public Shareholders may have difficulties in protecting their interests through actions against our management, Directors or major Shareholders.

There will be a gap of several days between pricing and trading of our Shares, and the price of our Shares when trading begins could be lower than the Offer Price.

The initial price to the public of our Shares sold in the Global Offering is expected to be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be not more than five business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in the Shares during that period. Accordingly, holders of our Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur between the time of sale and the time trading begins.

Facts, forecasts and statistics in this document relating to the PRC economy and the education industry may not be fully reliable.

Facts, forecasts and statistics in this document relating to the PRC, the PRC economy, the education industry in China, the PRC higher education market and the private education market in the PRC and Central China are obtained from various sources including official government publications that we believe are reliable, as well as from a report prepared by Frost & Sullivan commissioned by us. However, we cannot guarantee the quality or reliability of these sources. Neither we, the Joint Global Coordinators, the Sponsor, the Underwriters nor our or their respective affiliates or advisers have verified the facts, forecasts and statistics nor ascertained the underlying economic assumptions relied upon in those facts, forecasts and statistics obtained from these sources. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics in this document relating to the PRC, the PRC economy, the education industry in China, the PRC higher education market and the private education market in the PRC and Central China may be inaccurate or may not be comparable to statistics produced for other economies and should not be unduly relied upon. As such, no representation as to the accuracy of such facts, forecasts and statistics obtained from various sources is made. Moreover, these facts, forecasts and statistics involve risks and uncertainties and are subject to change based on various factors, some of which are not under our control, and should not be unduly relied upon. Further, there can be no assurances that they are stated or compiled on the same basis or with the same degree of accuracy, as may be the case in other countries.

You should read the entire document 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 document but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which may contain, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorised the disclosure of any such information in the press or 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 document, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this document only and should not rely on any other information.

You should rely solely upon the information contained in this document, the Global Offering 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 document and the Global Offering.

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 favourable return. We plan to use the net proceeds from the Global Offering to, among others, expand our current colleges and acquire or cooperate with other universities. For details of our intended use of proceeds, see "Future Plans and Use of Proceeds". 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 judgement you must depend, for the specific uses we will make of the net proceeds from this Global Offering.

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

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong. This normally means that at least two of its executive directors must be ordinarily resident in Hong Kong.

We do not have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. Our management, business operations and assets are primarily based outside Hong Kong. The principal management headquarters and senior management of our Group are primarily based in the PRC. Our Directors consider that the appointment of executive Directors who will be ordinarily resident in Hong Kong would not be beneficial to, or appropriate for, our Group and therefore would not be in the best interests of our Company and our Shareholders as a whole. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules. We will ensure that there is an effective channel of communication between us and the Stock Exchange by way of the following arrangements:

(a) pursuant to Rule 3.05 of the Listing Rules, we have appointed and will continue to maintain two authorised representatives, namely Mr. Hou Junyu (侯俊宇), our executive Director and chief executive officer, and Mr. Wong Yu Kit (黃儒傑), our company secretary, to be the principal communication channel at all times between the Stock Exchange and our Company. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange;

(b) we will implement a policy to provide the contact details of each Director (such as mobile phone numbers, office phone numbers, residential phone numbers, email addresses and fax numbers) to each of the authorised representatives, to their alternate representative and to the Stock Exchange. This will ensure that each of the authorised representatives, the alternate representative and the Stock Exchange will have the means to contact all our Directors (including our independent non-executive Directors) promptly as and when required, including means to communicate with our Directors when they are travelling;

(c) we will ensure that all Directors who are not ordinarily resident in Hong Kong have valid travel documents to visit Hong Kong and will be able to come to Hong Kong to meet with the Stock Exchange within a reasonable period of time when required;

(d) we have retained the services of a compliance adviser, being Somerley Capital Limited (the "**Compliance Adviser**"), in accordance with Rule 3A.19 of the Listing Rules. The Sole Sponsor submits, on behalf of our Company, that the Compliance Adviser will serve as a channel of communication with the Stock Exchange in addition to the authorised representatives of our Company. The Compliance Adviser will provide our Company with professional advice on ongoing compliance with the Listing Rules. We will ensure that the Compliance Adviser has prompt access to our Company's authorised representatives and Directors who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties. The Compliance Adviser will also provide advice to us in compliance with Rule 3A.23 of the Listing Rules; and

(e) meetings between the Stock Exchange and our Directors could be arranged through the authorised representatives or the Compliance Adviser, or directly with our Directors within a reasonable time frame.

Our Company will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Adviser in accordance with the Listing Rules.

CONNECTED TRANSACTIONS

We have entered into certain transactions that will constitute continuing connected transactions of our Company under the Listing Rules following the completion of the Global Offering. We have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with (i) the announcement and independent shareholders' approval requirements and (ii) the annual cap requirement for such continuing connected transactions. For further details in this respect, see the section headed "Connected Transactions".

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS DOCUMENT

This document, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) 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 document 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 document misleading.

GLOBAL OFFERING

This document 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 document and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Hong Kong Public Offer Shares are offered solely on the basis of the information contained and representations made in this document and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this document and the relevant Application Forms, and any information or representation not contained herein and therein must not be relied upon as having been authorised by our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers 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 Joint Global Coordinators. 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 Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The International Offering 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 Offer Price is expected to be fixed among the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, 6 September 2018 and, in any event, not later than Wednesday, 12 September 2018 (unless otherwise determined between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Global Coordinators and our Company on or before Wednesday, 12 September 2018, the Global Offering will not become unconditional and will lapse immediately.

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

PROCEDURES FOR APPLICATION FOR HONG KONG PUBLIC OFFER SHARES

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

STRUCTURE AND CONDITIONS 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 OFFERS AND SALE OF SHARES

Each person acquiring the Hong Kong Public 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 document 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 document and/or the Application Forms in any jurisdiction other than Hong Kong. Accordingly, this document 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 authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this document 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 authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the Listing Committee for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including the Shares that may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme).

Dealings in the Shares on the Stock Exchange are expected to commence on Thursday, 13 September 2018. 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 the Offer Shares will be registered on the Hong Kong Share Registrar of our Company in order to enable them to be traded on the Stock Exchange.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid 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 STABILISATION

Details of the arrangements relating to the Over-allotment Option and Stabilisation are set out in the section headed "Structure of the Global Offering" in this document. Assuming that the Over-allotment Option is exercised in full, the Company may be required to issue up to an aggregate of 45,000,000 additional new 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 for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by our principal registrar, Walkers Corporate Limited, in the Cayman Islands, and our Hong Kong register will be maintained by the Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited in Hong Kong.

All Offer Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering 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 taxation implications of subscribing for, holding and dealing in the Shares or exercising any rights attached to them. It is emphasised that none of us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, 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

Solely for convenience purposes, this document includes translations among certain amounts denominated in Renminbi, Hong Kong dollars and U.S. dollars. No representation is made that the Renminbi amounts could actually 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 RMB0.8697 to HK$1.0, the exchange rate prevailing on 22 August 2018 published by the PBOC for foreign exchange transactions and (ii) the translations between U.S. dollars and Hong Kong dollars were made at the rate of HK$7.8490 to US$1.0, being the noon buying rate as set forth in the H.10 statistical release of the United States Federal Reserve Board on 17 August 2018.

TRANSLATION

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

ROUNDING

Any discrepancies in any table in this document between total and sum of amounts listed therein are due to rounding.

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Name	Address	Nationality
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Mr. Hou Junyu (侯俊宇)	27-B, 1st Floor Unit 1 Jianye Green House Villas Shangqiu City Henan Province PRC	Chinese
Ms. Jiang Shuqin (蔣淑琴)	27-B, 1st Floor Unit 1 Jianye Green House Villas Shangqiu City Henan Province PRC	Chinese
Non-executive Director		
Mr. Hou Chunlai (侯春來)	27-B, 1st Floor Unit 1 Jianye Green House Villas Shangqiu City Henan Province PRC	Chinese
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Joint Bookrunners	CLSA Limited 18/F, One Pacific Place 88 Queensway Hong Kong
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Legal Advisers to the Sole Sponsor and the Underwriters	As to Hong Kong and U.S. laws: Sidley Austin Level 39, Two International Finance Centre 8 Finance Street Central Hong Kong As to PRC law: Haiwen & Partners 20/F Fortune Financial Centre 5 Dong San Huan Central Road Chaoyang District Beijing PRC

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Receiving Bank	Bank of China (Hong Kong) Limited 1 Garden Road Hong Kong

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Company Secretary	Mr. Wong Yu Kit (黃儒傑) (ACS, ACIS)
Authorised Representatives	Mr. Hou Junyu (侯俊宇) 27-B, 1st Floor Unit 1 Jianye Green House Villas Shangqiu City Henan Province PRC Mr. Wong Yu Kit (黃儒傑) 40/F, Sunlight Tower 248 Queen's Road East Wanchai Hong Kong
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Remuneration Committee	Ms. Fok, Pui Ming Joanna (霍珮鳴) (Chairlady) Ms. Jiang Shuqin (蔣淑琴) Mr. Lau, Tsz Man (劉子文)
Nomination Committee	Mr. Hou Junyu (侯俊宇) (Chairman) Dr. Jin Xiaobin (金曉斌) Ms. Fok, Pui Ming Joanna (霍珮鳴)

Principal Share Registrar and Transfer Office	Cayman Corporate Centre 27 Hospital Road George Town Grand Cayman KY1-9008 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Compliance Adviser	Somerley Capital Limited 20/F, China Building 29 Queen's Road Central Hong Kong
Principal Bankers	Zhongyuan Bank Co., Ltd. Shangqiu Development District Sub-branch Northeast Corner, Intersection of Yuyuan Road and Beihai Road, Development District Shangqiu City Henan Province PRC China CITIC Bank Co., Ltd. Anyang People's Avenue Sub-branch Southeast Corner, Intersection of People's Avenue and Yongming Road, Anyang City Henan Province PRC

*This and other sections of this document contain information relating to and statistics on the PRC economy and the industry in which we operate. The information and statistics contained in this section have been derived partly from publicly available government and official sources. Certain information and statistics set forth in this section have been extracted from a market research report produced by Frost & Sullivan (the "**Frost & Sullivan Report**"), an independent third party which we commissioned. We believe that the sources of such information and statistics are appropriate sources and have taken reasonable care in extracting and reproducing such information and statistics. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information and statistics have not been independently verified by us, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other party involved in the Global Offering (other than Frost & Sullivan) and no representation is given as to its accuracy (other than by Frost & Sullivan). Accordingly, the official information provided by the government and other third-party sources as contained herein may not be accurate and should not be unduly relied upon.*

SOURCE OF INFORMATION

We commissioned Frost & Sullivan, an independent market research consulting firm which is engaged in the provision of market research consultancy services, to conduct a detailed analysis of the higher education markets in China as well as other related economic data. Frost & Sullivan is a global consulting company and an independent third party. Founded in 1961, it has 40 offices worldwide with over 2,000 industry consultants, market research analysts and economists. We have agreed to pay a total of RMB900,000 in fees for the preparation of the Frost & Sullivan Report. Figures and statistics provided in this document and attributed to Frost & Sullivan have been extracted from the Frost & Sullivan Report and published with the consent of Frost & Sullivan.

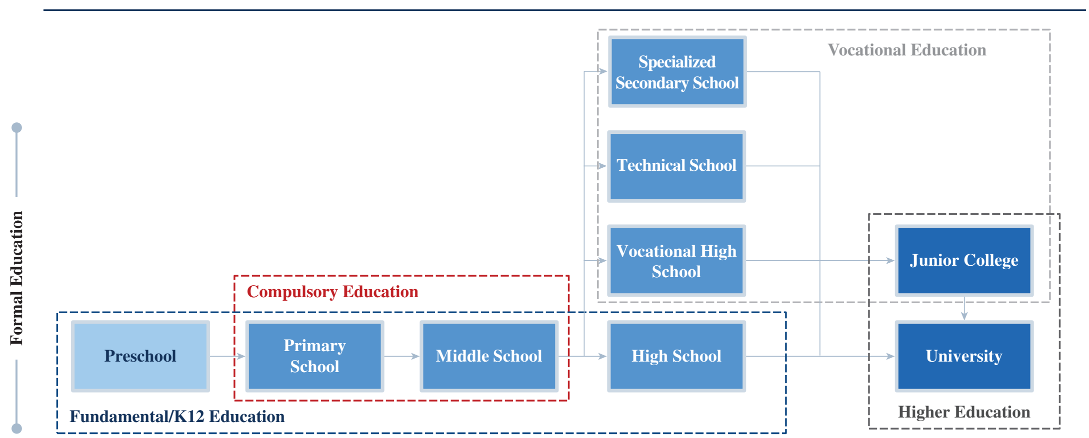
During the preparation of the market research report, Frost & Sullivan performed both primary research which involves discussions of industry status with leading industry participants and industry experts, and secondary research which involves review of company reports, independent research reports and data from Frost & Sullivan's own research database. In particular, Frost & Sullivan also obtained student enrolment statistics of other education groups that are not listed companies through primary and secondary research. Frost & Sullivan's market research report was compiled based on the following assumptions: (i) China's economy will maintain steady growth in the next decade; (ii) China's social, economic, and political environment will remain stable in the forecast period; and (iii) market drivers like Chinese households' growing expenditure on children's education, support from central and local governments, improved investment in private education and an increase in household income and wealth will drive the Chinese private higher education market over the forecast period from 2018 to 2022. The projected figures for total market size were prepared by Frost & Sullivan using historical data plotted against macroeconomic data and related industry drivers.

CHINA'S EDUCATION MARKET OVERVIEW

China's education system can be generally categorised into formal and informal education. The formal education system provides students with opportunities to obtain official certificates from the PRC government, whereas the informal education system only provides students with completion certificates for the training and learning courses that they have completed, which may not be officially recognised in China. This Industry Overview section is mainly focused on the formal education industry in China.

Formal education comprises fundamental education, which includes education from preschool to high school, secondary vocational education and higher education. Formal higher education can be further categorised into junior colleges and universities. Junior colleges only offer junior college programmes while universities can offer both junior college programmes and bachelor's degree programmes. The following diagram illustrates the structure of China's formal education system:

Overview of the Formal Education System in China

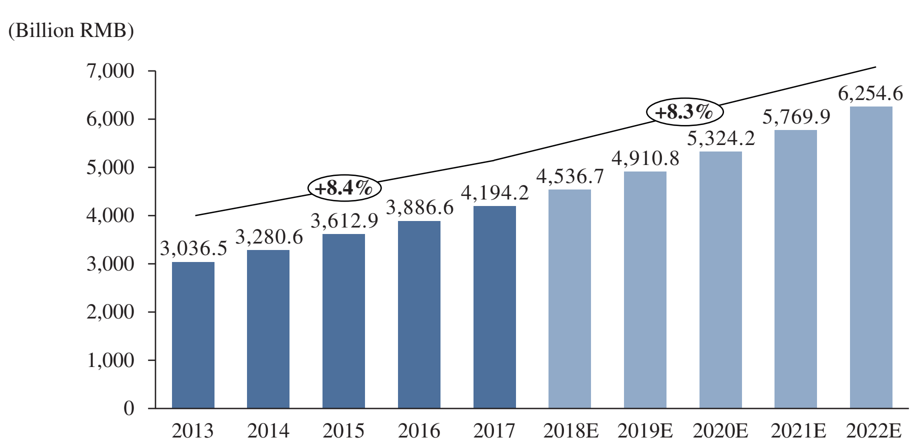


Note: Within formal education system, the overview only covers regular formal education, while adult education, which belongs to formal education according to MOE's classification, is not specifically covered.

Source: Frost & Sullivan

China's education industry has experienced steady growth over the past five years. According to the National Bureau of Statistics of China and Ministry of Education of the PRC, the total revenue of China's education industry increased from RMB3,036.5 billion in 2013 to RMB4,194.2 billion in 2017, representing a CAGR of 8.4%. According to Frost & Sullivan, the total revenue of China's education industry is expected to increase from RMB4,194.2 billion in 2017 to RMB6,254.6 billion in 2022, representing a CAGR of 8.3%. The following chart shows the historical and projected total revenue of China's education industry from 2013 to 2022:

Total Revenue of Education Industry in China (2013-2022E)



Source: Frost & Sullivan

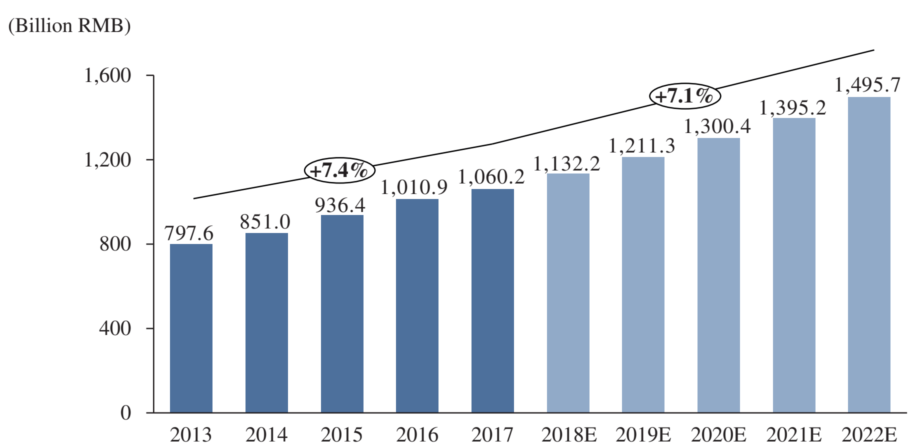
The total student enrolments in China have remained stable in recent years. According to Frost & Sullivan, the number of student enrolments increased from 244.7 million in 2013 to 256.6 million in 2017 and is expected to reach 282.3 million in 2022. According to Frost & Sullivan, the number of student enrolments in higher education increased from 26.5 million in 2013 to 29.6 million in 2017 and is expected to reach 33.9 million in 2022, outpacing the overall growth rate in the total number of student enrolments in China.

According to Frost & Sullivan, the education industry in China is likely to grow further in the future as a result of an increase in annual disposable income for urban households, government's policy support and parents' emphasis on a well-rounded education in addition to obtaining high examination scores. Additionally, the PRC government has issued policies favourable to the development of profession-oriented undergraduate education in China. As the One-Child Policy has been relaxed and Two-Child Policy implemented, a higher birth rate will lead to a larger number of students and a higher demand for education. These factors will likely drive China's education market to grow further.

CHINA'S HIGHER EDUCATION MARKET OVERVIEW

China's formal higher education can be provided by either junior colleges or universities granting different diplomas/degrees. China's higher education industry has experienced steady growth over the past five years. According to National Bureau of Statistics of China and Ministry of Education of the PRC, the total revenue of China's higher education industry increased from RMB797.6 billion in 2013 to RMB1,060.2 billion in 2017, representing a CAGR of 7.4%. According to Frost & Sullivan, the total revenue of China's higher education industry is expected to increase from RMB1,060.2 billion in 2017 to RMB1,495.7 billion in 2022, representing a CAGR of 7.1%. The following chart shows the historical and projected total revenue of China's higher education industry from 2013 to 2022:

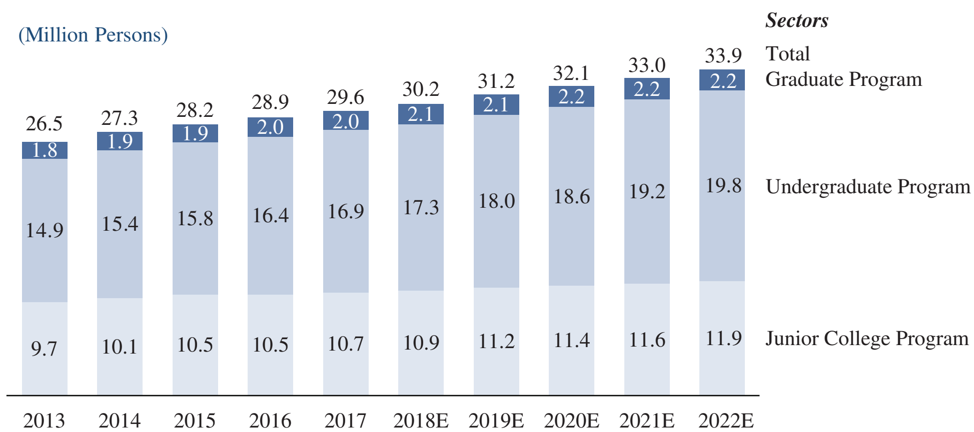
Total Revenue of Higher Education Industry in China (2013-2022E)



Source: Frost & Sullivan

The student enrolments at higher education institutions in China have grown continuously for the last six years. According to Frost & Sullivan, the number of student enrolments in higher education increased from 26.5 million in 2013 to 29.6 million in 2017, representing a CAGR of 2.8% and is expected to increase from 29.6 million in 2017 to 33.9 million in 2022, representing a CAGR of 2.7%. The following chart shows the historical and projected total number of student enrolments of China's higher education industry from 2013 to 2022:

Total Number of Student Enrolments in Higher Education in China (2013-2022E)



Source: Frost & Sullivan

Employment rate of graduates has been a critical parameter to measure the quality of a higher education institution. According to Frost & Sullivan, the total number of graduates from higher education institutions in China has risen steadily from 6.90 million in 2013 to 7.95 million in 2017. China's overall initial employment rate of the higher education graduates remained stable and was approximately 77.4%, 77.5%, 77.7%, 77.9% and 78.4% in 2013, 2014, 2015, 2016 and 2017, respectively, according to Frost & Sullivan.

China's higher education consists of public higher education and private higher education. Public higher education refers to higher education institutions established and operated by the PRC central or local governments. The major source of funding for the public higher education institutions is PRC government subsidies. In contrast, private higher education refers to higher education institutions established by individuals or private entities, and its major source of funding is income from school operations, specifically tuitions and fees. Moreover, according to Frost & Sullivan, all leading private higher education providers in China are educational groups, each operating more than one higher education institutions. By contrast, public higher education institutions in China are generally standalone entities. For these reasons, Frost & Sullivan does not consider it meaningful to compare and rank market players in both public and private higher education.

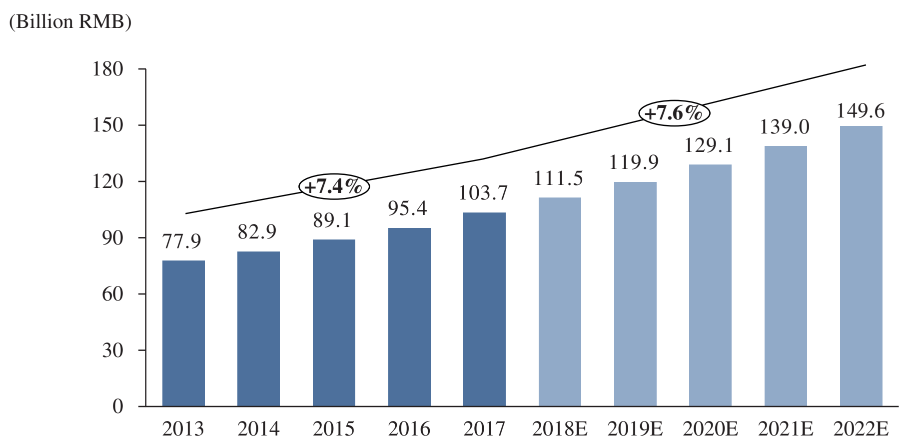
According to the Frost & Sullivan, for the public higher education market in China, total revenue increased from RMB719.7 billion in 2013 to RMB956.5 billion in 2017, representing a CAGR of approximately 7.4%, and the total number of student enrollments increased from approximately 20.9 million in 2013 to approximately 22.8 million in 2017, with a CAGR of 2.3%. According to the Frost & Sullivan, for the public higher education market in Central China, total revenue increased from RMB93.6 billion in 2013 to RMB123.3 billion in 2017, representing a CAGR of approximately 7.1%, and the total number of student enrollments increased from approximately 3.4 million in 2013 to approximately 3.7 million in 2017, with a CAGR of 1.9%.

CHINA'S PRIVATE HIGHER EDUCATION MARKET OVERVIEW

The private higher education industry in China has experienced rapid growth since the beginning of the 1990s as the relevant government authorities made great endeavour in developing the regulatory framework for private higher education, according to Frost & Sullivan. Private higher education in China can be divided into three categories, namely, private universities (民辦本科), private junior colleges (民辦專科) and independent colleges (獨立學院). Independent colleges are private higher education institutions offering undergraduate courses that are run by non-governmental institutions or individuals through cooperation with public universities.

According to Frost & Sullivan, the total revenue of the private higher education industry has been increasing steadily from RMB77.9 billion in 2013 to RMB103.7 billion in 2017, representing a CAGR of 7.4%, and is expected to increase from RMB103.7 billion in 2017 to RMB149.6 billion in 2022, representing a CAGR of 7.6%. In 2017, the total revenue of private higher education market in China accounted for 9.8% of the total revenue of higher education market in China, according to Frost & Sullivan. The following diagram illustrates the historical and projected total revenue of China's private higher education industry from 2013 to 2022:

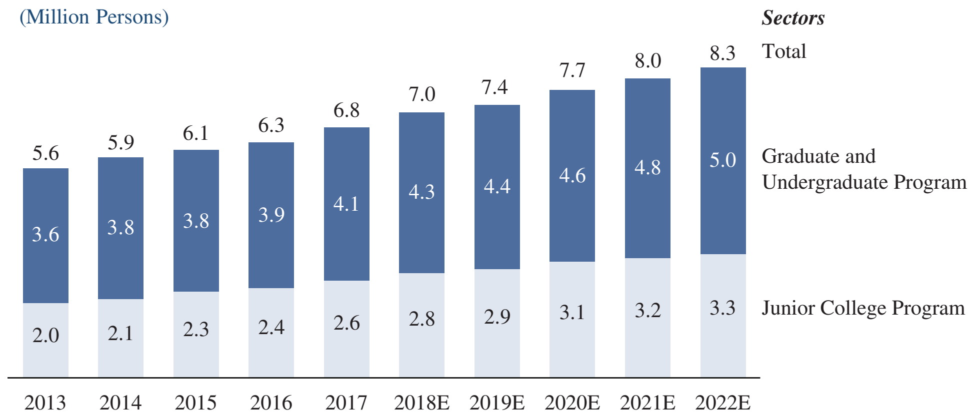
Total Revenue of Private Higher Education in China (2013-2022E)



Source: Frost & Sullivan

According to Frost & Sullivan, the number of student enrolments in private higher education in China increased from 5.6 million in 2013 to 6.8 million in 2017 and is expected to increase from 6.8 million in 2017 to 8.3 million in 2022, representing a CAGR of 4.3%. In 2017, the total number of student enrolments of private higher education market in China accounted for 22.8% of that of higher education market in China, according to Frost and Sullivan. The following chart shows the historical and projected total number of student enrolments of China's private higher education industry from 2013 to 2022:

Total Number of Student Enrolments in Private Higher Education in China (2013-2022E)



Source: Frost & Sullivan

More and more students have chosen to go to private universities or colleges instead of public schools. Overall, according to Frost & Sullivan, the penetration rate of China's private higher education industry increased from 21.1% in 2013 to 22.8% in 2017 and is expected to reach 24.6% in 2022.

According to Frost & Sullivan, China's average tuition fee of higher education per student per school year increased from RMB7,554 in 2013 to RMB8,031 in 2017. According to Frost & Sullivan, as China's economy continues to develop and per capita GDP continues to increase, China's average tuition fees for higher education, including both public and higher education, are expected to rise further. According to Frost & Sullivan, economic growth and inflation in China are also expected to result in a steady increase in teachers' salaries for both public and private higher education in China. The average teachers' salary of higher education market in China is expected to increase at a CAGR of 10.0% from 2017 to 2022, according to Frost & Sullivan. As a major cost for higher education institutions, growing teachers' salaries are expected to contribute to the continued increase in tuition fees. According to Frost & Sullivan, the average tuition fee of private higher education per student is expected to increase at a CAGR of 2.9% from 2017 to 2022 in China. The average tuition fee per student of public higher education in China is expected to remain at the current level as the revenue of public higher education is mainly derived from state financial appropriation. Central China is expected to experience similar trends in tuition fees and teachers' salaries as China generally, according to Frost & Sullivan. According to Frost & Sullivan, the average teachers' salary of higher education market is expected to increase at a CAGR of 8.7% from 2017 to 2022, and the average tuition fee of private higher education per student is expected to grow at a CAGR of 1.5% from 2017 to 2022 in Central China. The average tuition fee per student of public higher education in Central China is expected to increase at a CAGR of 1.2% from 2017 to 2022.

According to Frost & Sullivan, the average tuition fee of private higher education institutions per student was approximately RMB11,533 in 2017, much higher than that of public higher education institutions, which was RMB6,996 in the same year. In addition, China's average tuition fee of higher education as a percentage of per capita GDP was 13.5% in 2017 and is expected to grow further, according to Frost & Sullivan.

Market Drivers and Development Trends of Private Higher Education in China

According to Frost & Sullivan, the development of private higher education in China is primarily driven by the following factors:

- ***Government support***: The development of PRC private higher education is significantly driven by PRC government policies and initiatives. In particular, (i) promulgated by the the PRC central government in 2010, the Outline of China's National Plan for Medium-and Long-Term Education Reform and Development (2010-2020) (國家中長期教育改革和發展規劃綱要), (2010-2020) laid down a strategic development plan to encourage financial investments in education and support the development of private education; (ii) promulgated by Order No. 55 of the President of the PRC in November 2016 and became effective in September 2017, the 2016 Decision, namely the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員關於修改 <中華人民共和國民辦教育促進法>的決定》) provides that a private school can elect to register as either a for-profit private school or a non-profit private school, where a for-profit private school may determine the tuition fees to be charged without the need to seek approval from the relevant government authorities; and (iii) issued by the State Council in December 2016, the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《國務院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》) requires each level of the people's government to 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.

- ***Increasing resident income and demand for higher education***: With the increase in household income and improvement of living conditions in China, the public can afford to spend more on education. Private education has gained ground for development based on the gap between the rapidly increasing demand for higher education and the relatively limited public higher educational resources. According to Frost & Sullivan, with continued economic development, Chinese households' increasing income and wealth, China's higher education student enrolment rate is expected to continue to increase at a rapid pace. Nevertheless, according to Frost & Sullivan, the development of public educational resources is likely to remain stable, and private education is expected to fill in the gap and observe strong development.

- ***Growing market demand for technical talents***: As China's economy continues to develop, the Chinese market needs more technical talents in all areas. As public higher education tends to focus on academic training, there is a significant lack of skilled and well-trained frontline technicians in China, according to Frost & Sullivan. The growing market demand for technical talents will attract more students to private professional or vocational education.

- ***Increasing diversification and strengthened education quality***: With the policy support and private education groups' capabilities to integrate resources, the quality of private formal higher education is continuously improving. The emergence and development of leading private universities, which offer high-quality education programmes, indicate a flourishing market of China's private higher education. Meanwhile, private education institutions that focus on professional education are expanding their programmes and become diversified and increasingly specialised. Such developments are expected to attract more students and drive the growth of the higher education market.

With the help of these driving factors, according to Frost & Sullivan, the development trends of the private higher education industry in China are the following:

- ***Industry consolidation***: China's higher education market is expected to observe increasing consolidation as the leading players continue to expand and grow through mergers and acquisitions. Such trend is also strengthened by stringent legal requirements, large amount of required capital and long preparation period required for establishing higher education institutions.
- ***Increasing number of private universities***: Transforming independent colleges to private universities is likely to be a key development trend. This trend is supported by private education operators' capability to integrate academic and capital resources, as well as their continuously improving education quality and brand recognition. Another contributing factor to this trend is the public's pursuit of higher education degree levels, due to the social economic and technological development of China and the increase in personal wealth and education-related expenditures.
- ***Better match of talent cultivation objective and market demand***: Universities focusing on applied arts and technologies provide more training on practical techniques to better cultivate technical talents, who are well sought after by Chinese employers. The Chinese government is expected to strengthen its support for the development of profession-oriented higher education and relevant institutes.

Competitive Landscape of the Private Higher Education Industry in China

China's private higher education market is highly fragmented and decentralised, as the top five players in the market together occupied only 5.8% market shares by student enrolment in 2017. The geographic market of private higher education is broader than local cities, as compared to fundamental education, primarily due to the nationwide Gaokao and admission system where cross-region admission and enrolment is a common practice. According to Frost & Sullivan, the total number of private higher education institutions in China reached 746 in 2017. The following table shows the student enrolment numbers of the top five private higher education service providers in China in 2017:

Top Five Players in China's Private Higher Education Market by Student Enrolment in 2017

Rank	Market players	Student enrolment(1)	Market share in China
		(in thousands)	
1	Group A	184.6	2.7%
2	Group B	74.2	1.1%
3	Group C	53.1	0.8%
4(2)	**Our Group**	**40.3**	**0.6%**
5	Group D	40.2	0.6%

Note:

(1) Including student enrolment in bachelor's degree programmes, junior college to bachelor's degree transfer programmes and junior college diploma programmes only.

(2) With respect to the entire higher education market in China, Shangqiu University (including Shangqiu University Kaifeng Campus) ranked in the range of 170-200 and Anyang University ranked in the range of 320-370 among approximately 2,631 public and private higher education institutions as measured by total student enrolment in the 2017/2018 school year.

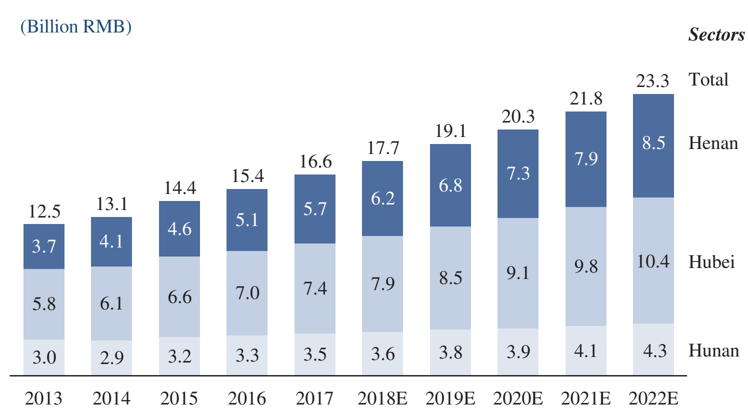
Source: Frost & Sullivan

Central China's Private Higher Education Market Overview

Central China refers to the geographic region covering Henan, Hubei and Hunan Provinces. The private higher education market in Central China is more developed and has more private higher education institutions than many regions in China. According to Frost & Sullivan, the number of private higher education institutions in Central China exceeded 110, out of a total of 746 institutions in China in 2017.

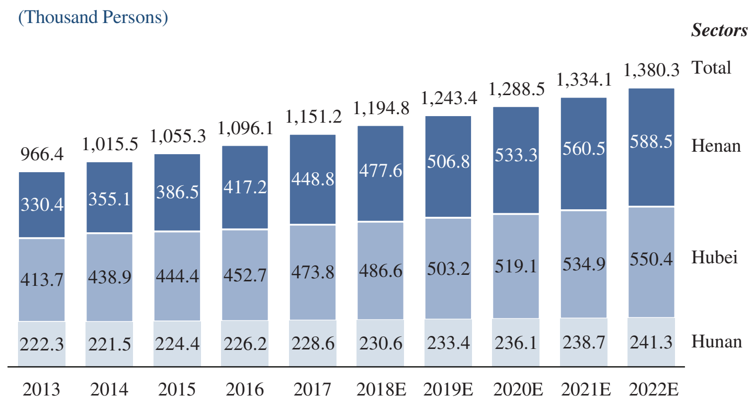
According to Frost & Sullivan, the total revenue of private higher education in Central China has grown steadily from RMB12.5 billion in 2013 to RMB16.6 billion in 2017, representing a CAGR of 7.3%. In 2017, the total revenue of private higher education market in Central China accounted for 11.9% of the total revenue of higher education market in Central China, according to Frost & Sullivan. Central China's total revenue of private higher education is expected to increase from RMB16.6 billion in 2017 to RMB23.3 billion in 2022, representing a CAGR of 7.0%, according to Frost & Sullivan. Within the Central China region, the total revenue of private higher education in Henan Province increased from RMB3.7 billion in 2013 to RMB5.7 billion in 2017, representing a CAGR of 11.2%, and is expected to increase from RMB5.7 billion in 2017 to RMB8.5 billion in 2022, representing a CAGR of 8.5%, according to Frost & Sullivan. According to Frost & Sullivan, the private higher education market in Henan is expected to grow faster than the overall private higher education market in China and Central China due to Henan's large population and relatively scarce public education resources. Henan Province had the largest registered population in China in 2017, but its public higher education is less developed than the other two provinces in Central China and many other province elsewhere in China, which is expected to drive the further development of the private higher education market in Henan Province in the future. The following chart shows the historical and projected total revenue of the private higher education industry in Central China from 2013 to 2022:

Total Revenue of Private Higher Education Industry in Central China (2013-2022E)



The number of student enrolments in private higher education in Central China increased from 0.97 million in 2013 to 1.15 million in 2017, representing a CAGR of approximately 4.5%, and is expected to increase from 1.15 million in 2017 to 1.38 million in 2022, representing a CAGR of 3.7%. In 2017, the total number of student enrolments of private higher education market in Central China accounted for 24.0% of that of higher education market in Central China, according to Frost & Sullivan. Within the Central China region, the number of student enrolments in the private higher education in Henan increased from 0.33 million in 2013 to 0.45 million in 2017, representing a CAGR of 8.0%, and is expected to increase from 0.45 million in 2017 to 0.59 million in 2022, representing a CAGR of 5.6%, according to Frost & Sullivan. The following chart shows the historical and projected total number of student enrolments of the education industry in Central China from 2013 to 2022:

Total Number of Student Enrolments in Private Higher Education in Central China (2013-2022E)



Source: Frost & Sullivan

The penetration rate of the private higher education in Central China has increased over the past five years which was higher than the national average, and this trend is likely to continue in the next five years. According to Frost & Sullivan, the penetration rate of the private higher education in Central China increased from 22.2% in 2013 to 24.0% in 2017 and is expected to reach 25.0% in 2022.

Although lower than Central China, the penetration rate of the private higher education in Henan Province grew rapidly from 20.0% in 2013 to 23.4% in 2017 and is expected to reach 25.3% in 2022, according to Frost & Sullivan. In particular, the penetration rate of the private higher education in Henan Province is expected to equal that of Central China in 2019 and exceed it in 2021, according to Frost & Sullivan.

According to Frost & Sullivan, the development of Central China's economy and the increasing school operating costs, particularly the salary of teachers, are conducive to the growth in tuition fee of private higher education in Central China. According to Frost & Sullivan, Central China's average tuition fee of private higher education per student per school year increased from RMB10,206 in 2013 to RMB10,825 in 2017. In 2017, the average tuition fee of private higher education institutions in Central China was approximately RMB10,825, much higher than that of the public higher education institutions, which was RMB7,675, according to Frost & Sullivan. According to Frost & Sullivan, Central China's average tuition fees for private higher education is expected to grow further particularly in Henan Province with the average tuition fees of private higher education per student per school year increasing from RMB8,870 in 2013 to RMB9,501 in 2017.

Market Competitive Landscape of Private Higher Education in Central China

Central China's private higher education market is less fragmented than the entire China market, as the top five players in the market together occupied 14.4% market shares by student enrolment in 2017. According to Frost & Sullivan, the total number of private higher education institutions in Central China exceeded 110 in 2017. The following table shows the student enrolment numbers of the top five private higher education service providers in Central China in 2017:

Top Five Players in Central China's Private Higher Education Market by Student Enrolment in 2017

Rank	Market players	Student enrolment[(1)]	Market share in Central China
		(in thousands)	
1[(2)]	**Our Group**	**40.3**	**3.5%**
2	Group D	40.2	3.5%
3	Group E	31.0	2.7%
4	Group F	27.8	2.4%
5	Group G	26.6	2.3%

Note:

(1) Including student enrolment in bachelor's degree programmes, junior college to bachelor's degree transfer programmes and junior college diploma programmes only.

(2) With respect to the entire higher education market in Central China, Shangqiu University (including Shangqiu University Kaifeng Campus) ranked in the range of 30-40 and Anyang University ranked in the range of 60-70 among approximately 387 public and private higher education institutions as measured by total student enrolment in the 2017/2018 school year.

Source: Frost & Sullivan

OUR HISTORY

Our history can be traced back to 2004, when the School Sponsor was established with the personal funding from Chairman Hou (the founder of our Group, father of Mr. Hou and spouse of Ms. Jiang). In 2004, the School Sponsor entered into a cooperation agreement with Henan Agricultural University (河南農業大學) with a view to establishing the predecessor of Shangqiu University known as Huayu College of Henan Agricultural University (河南農業大學華豫學院). In 2008, the School Sponsor entered into a cooperation agreement with Anyang Normal University (安陽師範學院) with respect to the predecessor of Anyang University known as College of Humanities and Management of Anyang Normal University (安陽師範學院人文管理學院). These predecessors were subsequently converted into independent private universities, namely Shangqiu University and Anyang University, respectively. Shangqiu University and Anyang University are our PRC Operating Schools that were primarily responsible for our track record performance.

Since Mr. Hou joined our Group in August 2012, Mr. Hou has assumed the executive management functions of our PRC Operating Schools with Chairman Hou assuming a primarily strategic supervisory role. During the Track Record Period, Mr. Hou, supported by our senior management team, has been primarily responsible for the day-to-day operations and executive management of our PRC Operating Schools.

In preparation for the Listing, and upon completion of the Reorganisation as described below, the PRC Holdco, the School Sponsor, Shangqiu University (including Shangqiu University Kaifeng Campus) and Anyang University became our consolidated affiliated entities through the Contractual Arrangements. See "Contractual Arrangements" for further details.

OUR MILESTONES

The following table sets forth the key milestones of our Group:

Year	Milestone
2004	The School Sponsor was established as a private non-enterprise entity (民辦非企業單位) in the PRC
	The School Sponsor entered into a cooperation agreement with Henan Agricultural University (河南農業大學) with a view to establishing the predecessor of Shangqiu University known as Huayu College of Henan Agricultural University (河南農業大學華豫學院) ("**Huayu College**")
2005	Huayu College obtained approval from the MOE for its establishment
2008	The School Sponsor entered into a cooperation agreement with Anyang Normal University (安陽師範學院) with respect to the predecessor of Anyang University known as College of Humanities and Management of Anyang Normal University (安陽師範學院人文管理學院) (the "**College of Humanities and Management**")
2011	Huayu College obtained approval from the MOE for conversion into Shangqiu University, an independent private university
2013	Shangqiu University Kaifeng Campus obtained approval from the Education Department of Henan Province (河南省教育廳) for its establishment
2014	The School Sponsor entered into a cooperation agreement with Yangtze University (長江大學) with respect to Hubei College
2016	The College of Humanities and Management obtained approval from the MOE for conversion into Anyang University, an independent private university
2017	Our Company was incorporated with limited liability in the Cayman Islands for the purpose of the Listing
2018	We entered into the Contractual Arrangements for the purpose of the Reorganisation and acquired control of our PRC Operating Schools

OUR CONSOLIDATED AFFILIATED ENTITIES

The following table sets forth information of our consolidated affiliated entities as of the Latest Practicable Date:

Consolidated affiliated entity	Type of entity	Date of establishment/ government approval for establishment	Registered capital	Business activity
PRC Holdco (namely, Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司))	Limited liability company	1 August 2017 (date of establishment)	RMB30,000,000	Assuming control of the sponsor interests in the School Sponsor as part of the Contractual Arrangements
School Sponsor (namely, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團))	Private non-enterprise entity (民辦非企業單位)	18 October 2004 (date of establishment)	RMB113,740,000	Holding the sponsor interest in Anyang University and Shangqiu University
Anyang University (安陽學院)	Private HEI	25 April 2003 (date of approval from MOE)	RMB80,000,000	Provision of higher education in the PRC
Shangqiu University (商丘學院)	Private HEI	14 July 2005 (date of approval from MOE)	RMB80,320,000	Provision of higher education in the PRC

The PRC Holdco

The PRC Holdco (namely, Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司)) was established in August 2017 primarily for the purpose of implementing the Contractual Arrangements. As advised by our PRC Legal Adviser, the sponsor interest of the School Sponsor, being a private non-enterprise entity, is not capable of being pledged under PRC laws. With a view to securing our effective control over our consolidated affiliated entities pursuant to the Contractual Arrangements, the PRC Holdco was established to become a sponsor of the School Sponsor by acquiring 1% sponsor interest in the School Sponsor and assume the role of attorney-in-fact with respect to the sponsor interests in the School Sponsor held by Mr. Hou, Chairman Hou and Ms. Jiang. Pursuant to the powers of attorney (see "Contractual Arrangements – Operation of the Contractual Arrangements – Powers of Attorney" for further details), the PRC Holdco may exercise all the rights in relation to the sponsor interests in the School Sponsor and is entitled to appoint members of the board of directors of the School Sponsor. Pursuant to such arrangement, and collectively with other aspects of the Contractual Arrangements (see "Contractual Arrangements"), we are able to secure effective control over the PRC Holdco, the School Sponsor and our PRC Operating Schools.

As of the Latest Practicable Date, the PRC Holdco was held as to 100% by Mr. Hou.

The School Sponsor

The School Sponsor (namely, Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團)) is a private non-enterprise entity (民辦非企業單位) that holds the sponsor interest in our PRC Operating Schools. The School Sponsor was established in 2004 by Chairman Hou (the founder of our Group, father of Mr. Hou and spouse of Ms. Jiang) with a registered capital of RMB13,400,000. After multiple rounds of capital injection, the registered capital of the School Sponsor was last increased to RMB113,740,000 in October 2017. As of the Latest Practicable Date, the sponsor interest of the School Sponsor was held as to 69.3% by Mr. Hou, as to 19.8% by Chairman Hou, as to 9.9% by Ms. Jiang, and as to 1% by the PRC Holdco. As part of the Contractual Arrangements (see "Contractual Arrangements"), Mr. Hou, Chairman Hou and Ms. Jiang have irrevocably authorised the PRC Holdco to be their attorney-in-fact to exercise all the rights relating to their sponsor interests in the School Sponsor at the discretion of the PRC Holdco.

Mr. Hou became a sponsor of the School Sponsor in September 2012. When Mr. Hou became a sponsor of the School Sponsor, Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang, including the right to appoint directors, the right to exercise Chairman Hou's rights as a director of the School Sponsor and the right to the portion of the assets, business, profits, revenue, dividend and bonus of the School Sponsor attributable to the sponsor interests held by Chairman Hou and Ms. Jiang. Since September 2012, each of Chairman Hou and Ms. Jiang has held his/her sponsor interests in the School Sponsor on behalf of Mr. Hou. Each of Mr. Hou, Chairman Hou and Ms. Jiang has confirmed such arrangement in writing in April 2018.

Shangqiu University (商丘學院)

Shangqiu University is a Private HEI located in Henan Province, the PRC.

In June 2004, the School Sponsor and Henan Agricultural University (河南農業大學), an Independent Third Party, entered into a cooperation agreement, with a view to establishing the predecessor of Shangqiu University, known as Huayu College of Henan Agricultural University (河南農業大學華豫學院) ("**Huayu College**"), with the School Sponsor contributing capital assets and Henan Agricultural University (河南農業大學) contributing management expertise and brand name. The parties agreed to the School Sponsor holding the sponsor interest in Huayu College and payment of management fees to Henan Agricultural University (河南農業大學). Huayu College obtained approval from the MOE for its establishment in July 2005.

As the operations and reputation of Huayu College gradually matured, we consider it was appropriate for Huayu College to operate as an independent private university and cease any affiliation with Henan Agricultural University (河南農業大學). In March 2009, the School Sponsor and Henan Agricultural University (河南農業大學華豫學院) entered into an agreement to terminate the cooperation. In April 2011, MOE approved the conversion from Huayu College into Shangqiu University, a Private HEI. As advised by our PRC Legal Adviser, such conversion was effective and in compliance with the relevant PRC legal requirements.

In May 2013, a branch college (下屬學院) of Shangqiu University Kaifeng Campus (namely, Shangqiu University Applied Science and Technology College (商丘學院應用科技學院)) obtained approval from the Education Department of Henan Province (河南省教育廳) for its establishment. Based on the confirmation letter issued by the Education Department of Henan Province (河南省教育廳) on 28 August 2017, our PRC Legal Adviser is of the view that Shangqiu University Kaifeng Campus is not a separate legal entity under PRC laws.

Anyang University (安陽學院)

Anyang University is a Private HEI located in Henan Province, the PRC.

The predecessor of Anyang University known as College of Humanities and Management of Anyang Normal University (the "**College of Humanities and Management**") obtained approval from the MOE for its establishment in April 2003. In November 2008, the School Sponsor and Anyang Normal University

(安陽師範學院), an Independent Third Party, entered into a cooperation agreement with respect to the College of Humanities and Management, with the School Sponsor contributing capital assets and Anyang Normal University (安陽師範學院) contributing management expertise and brand name. The parties agreed to the School Sponsor holding the sponsor interest in the College of Humanities and Management and payment of management fees to Anyang Normal University (安陽師範學院).

As the operations and reputation of the College of Humanities and Management gradually matured, we consider it was appropriate for the College of Humanities and Management to operate as an independent private university and cease any affiliation with Anyang Normal University (安陽師範學院). In July 2015, the School Sponsor and Anyang Normal University (安陽師範學院) entered into an agreement to terminate the cooperation. In the same month, the School Sponsor paid a one-off termination fee of RMB138.9 million to Anyang Normal University (安陽師範學院) for the purpose of the termination. Such termination fee in substance represented our conversion cost of the College of Humanities and Management from Anyang Normal University (安陽師範學院) and was negotiated on arm's length basis primarily taking into account the nature, revenue (in particular the expected revenue attributable to students that were enrolled under the affiliation with Anyang Normal University (安陽師範學院) until their graduation), scale, brand name and the operating prospects of the College of Humanities and Management and the amount of management fee paid to Anyang Normal University (安陽師範學院) during the cooperation.

The termination fee of RMB138.9 million comprises two components:

(i) *Management fee*. Our cooperation with Anyang Normal University had a term of 50 years, during which management fee would be payable to Anyang Normal University. The amount of management fee paid to the Anyang Normal University for the 2014/2015 school year was approximately RMB13,123,000. Since a lump sum payment was payable to Anyang Normal University under the termination, the parties have agreed that the present value of the management fee under the cooperation be calculated on the basis of the management fee for the 2014/2015 school year for 10 years. Therefore, this component of the termination fee is approximately RMB131,230,000.

(ii) *Gratuity*. We had an amicable cooperation with Anyang Normal University. In particular, Anyang Normal University provided us with the much needed support in the conversion from the College of Humanities and Management into Anyang University. On this basis, we agreed to pay Anyang Normal University a gratuity payment of approximately RMB7,686,585.

In April 2016, MOE approved the conversion from the College of Humanities and Management into Anyang University, a Private HEI. As advised by our PRC Legal Adviser, such conversion was effective and in compliance with the relevant PRC legal requirements.

PRIOR COOPERATION

College of Clinical Medicine of Tianjin Medical University (天津醫科大學臨床醫學院)

In April 2013, the School Sponsor entered into a cooperation agreement with Tianjin Medical University (天津醫科大學) with respect to an independent college of Tianjin Medical University known as the College of Clinical Medicine of Tianjin Medical University (天津醫科大學臨床醫學院) (the "**College of Clinical Medicine**"). Pursuant to the cooperation agreement, (i) the School Sponsor was required to contribute capital in the amount of RMB400 million to the College of Clinical Medicine and hold 80% of its sponsor interest; (ii) the School Sponsor shall be responsible for the construction of a new campus for the College of Clinical Medicine and (iii) Tianjin Medical University (天津醫科大學) was required to contribute in the form of management expertise, human resources and teaching resources to the College of Clinical Medicine and hold 20% of its sponsor interest. From April to September 2013, the School Sponsor paid an aggregate of RMB150 million to Tianjin Medical University (天津醫科大學) that was accounted for as pre-payment for cooperation in the financial statements of our Group. However, the strategic benefits of the cooperation did not materialise as expected and at the relevant time we considered it would be appropriate to terminate the cooperation. In January 2016, the parties entered into an agreement to terminate the cooperation. For the purpose of termination, Tianjin Medical University (天津醫科大學) returned to the School Sponsor RMB130 million in January 2016 and waived certain amount due to the College of Clinical Medicine that arose in the course of the prior cooperation. No termination fee or compensation was payable by us for the purpose of the termination. As a result, we recorded a one-off gain of RMB21.6 million for the year ended 31 August 2016. The School Sponsor never became a school sponsor of the College of Clinical Medicine as envisaged in the cooperation agreement. The results of operations of the College of Clinical Medicine were not consolidated into those of our Group and no interest in College of Clinical Medicine was accounted for in the financial statements of our Group. As of the date of the termination agreement, to the best of our knowledge, the College of Clinical Medicine was in normal operating conditions as a whole and we were not aware of any material deficiency concerning its academic operations.

Jingu College of Tianjin Normal University (天津師範大學津沽學院)

In March 2013, the School Sponsor entered into a cooperation agreement with Tianjin Normal University (天津師範大學) with respect to an independent college of Tianjin Normal University known as Jingu College of Tianjin Normal University (天津師範大學津沽學院) ("**Jingu College**"). Pursuant to the cooperation agreement (as supplemented), (i) the School Sponsor was required to contribute capital to Jingu College in the amount of RMB1 billion to purchase land, construct school dormitories, install ancillary facilities and build new campus and hold 85% of its sponsor interest; and (ii) Tianjin Normal University (天津師範大學) was required to contribute in the form of management expertise and human resources to Jingu College and hold 15% of its sponsor interest. However, the strategic benefits of the cooperation did not materialise as expected and at the relevant time we considered it would be appropriate to terminate the cooperation. In June 2017, the parties entered into a termination agreement. There was no termination fee or compensation arrangement involved for the purpose of the termination. The School Sponsor did not make any capital contribution and never became a school sponsor of Jingu College as envisaged in the cooperation agreement. The results of operations of Jingu College were not consolidated into those of our Group and no interest in Jingu College was accounted for in the financial statements of our Group. As of the date of the termination agreement, to the best of our knowledge, Jingu College was in normal operation conditions as a whole and we were not aware of any material deficiency concerning its academic operations.

Reasons for termination

We conducted reasonable due diligence prior to entering into the cooperation with (i) Tianjin Medical University (天津醫科大學) with respect to the College of Clinical Medicine; and (ii) Tianjin Normal University (天津師範大學) with respect to Jingu College, respectively, primarily on the operation (such as student enrolment and source of students), financial (such as tuition fee and boarding fee income and debts and other liabilities) and legal (such as legal status and practical impediment to cooperation and acquisition) aspects of the schools. Such due diligence included reviewing operating data, financial statements, legal documentation and corporate documents made available by the schools, site visits, discussions with key management personnel and public and industry research. During our due diligence, we reviewed the written termination agreements with respect to the College of Clinical Medicine and Jingu College, pursuant to which the original cooperating party controlling the sponsor interest in each of the schools has agreed to terminate the cooperation and cease participation in the future operations of the school. On this basis, we were not aware of, and did not envisage that there would be, any dispute over the sponsor interests of the schools at the time when we entered into the cooperation in 2013. Litigation proceedings concerning the sponsor interests of the schools were initiated after we have entered into the cooperation. Such proceedings were considerably more protracted than originally expected and presented us with practical challenges to implement the key aspects of the cooperation. Our decision to terminate the cooperation in 2016 with Tianjin Medical University (天津醫科大學) and 2017 with Tianjin Normal Universisty (天津師範大學) is particularly set out below:

- the school sponsors of each of the College of Clinical Medicine and Jingu College were involved in litigation proceedings with respect to their sponsor interests. We were not able to implement many key aspects of the cooperation as planned due to such school sponsors refusing to cooperate, including initiating the application process for the change of school sponsor, acquiring land through allocation and construction for the new campus and participating in the daily operations and management of the schools. We were not able to realise the strategic benefits of gaining in-depth familiarity with the operations of the schools through the cooperation as envisaged and progressively introduce changes to facilitate the expected acquisition, integration into our Group and conversion into a Private HEI. Based on our communication with the cooperating parties and understanding of the litigation proceedings, our Directors had at the relevant time concluded that there was no realistic prospects for us to obtain the sponsor interest and meaningful management participation rights within a reasonable timeframe, rendering it impracticable for us to acquire control of the schools to achieve the objectives of our expansion strategy; and
- on account of the substantial uncertainties in when we would be able to begin implementing the key aspects of the cooperation, and the rising costs of acquiring land through allocation, construction of school facilities and human resources particularly in Tianjin, our Directors considered at the relevant time that the significantly prolonged processes could result in inordinate expenditure that could outweigh the benefits of the cooperation and have a material adverse effect on our operations and financial position, thus rendering it no longer in the best interest of our Company to proceed.

Our Directors do not consider that the termination is reflective of our capability to acquire independent colleges or cooperate with public education institutions in the future, on the basis that the termination was primarily a consequence of us being practically prevented from implementing the terms of the cooperation due to protracted litigation proceedings involving the school sponsors as discussed above, notwithstanding that we had done what we reasonably could in the circumstances, as opposed to our failure to manage and operate the schools. Furthermore, we terminated the cooperation on a mutually amicable basis, and each of Tianjin Medical University (天津醫科大學) and Tianjin Normal University (天津師範大學) has confirmed in writing that there are no disputes with, and claims against, us arising from the relevant cooperation.

We recognise that future acquisitions of independent colleges through cooperation with public education institutions as those discussed above may involve substantial uncertainties and take considerable time to complete. In light of this, we have internal control measures in place to monitor our future acquisition and cooperation transactions. We will deploy experienced school management personnel to our future acquisition or cooperation targets to direct and closely monitor the school operations and integration progress, who will regularly report to our Board for continuous assessment. In particular, we will assess the timeline of each future acquisition and cooperation with a view to ensuring they are within our expectation and consistent with our expansion strategy. We will diligently scrutinise our capital expenditure in connection with future transactions against the prospects of realising the expected strategic benefits. In the event that we encounter unexpected material impediment to any transaction, we will assess on an informed basis whether it remains in our best interests to proceed and if appropriate, negotiate with the counterparty to reach an amicable resolution. Where feasible, we will also use our best endeavours to negotiate more elaborate termination provisions to be included in the cooperation agreements, such as including the operation of "long-stop date" and the principles/basis on how the termination fee/compensation arrangements will be determined, with a view to achieving outcome certainty and protection in favour of us in the event of termination. We will also engage external professional advisers, such as valuers, accountants, financial advisers and legal counsels to advise us of potential risks and assist us with due diligence and negotiation of appropriate protective terms. Our Directors are of the view that that our internal control procedures are adequate and effective in ensuring our future acquisitions and cooperation transactions will be effectively implemented and executed to meet our objectives. Our internal control consultant has reviewed our design of the internal control measures set out above. Based on the foregoing, our internal control consultant concurs that we have properly designed the internal controls to achieve the foregoing purpose.

ACQUISITION OF HUBEI COLLEGE

The cooperation agreement with Yangtze University

Hubei College (namely, College of Engineering and Technology of Yangtze University (長江大學工程技術學院)) is currently an independent college of Yangtze University. In December 2014, the School Sponsor entered into a cooperation agreement with Yangtze University (長江大學) with respect to Hubei College. The current school sponsors of Hubei College are Yangtze University (長江大學) and Oilfield Education, an Independent Third Party controlling the sponsor interest in Hubei College. Pursuant to the cooperation agreement (as supplemented), (i) Yangtze University (長江大學) shall transfer the intangible assets and management rights of Hubei College to the School Sponsor and change the principal teaching body (辦學主體) to the School Sponsor effective on 10 December 2014; (ii) Yangtze University (長江大學) shall, without compensation, provide and sign the relevant documents consenting to the conversion of Hubei College into a Private HEI, support the acquisition of land through allocation and construction for the new campus of Hubei College at Jingzhou (荊州) and assist to complete the change of school sponsor and legal representative procedures as soon as possible; (iii) the School Sponsor shall pay to Yangtze University (長江大學) RMB120 million (RMB100 million payable upon signing of the cooperation agreement with the outstanding balance payable within 10 days after the change of school sponsor is effected) as consideration for its contribution in Hubei College and certain management fees; (iv) the School Sponsor shall use its own financial resources to purchase land and construct a new campus in Jingzhou for Hubei College; and (v) prior to the commencement of the new campus to be constructed by the School Sponsor, the School Sponsor shall pay Yangtze University (長江大學) RMB17 million annually as rent for Hubei College to utilise the existing campus resources (including teaching buildings, office buildings, laboratories, student dormitories and canteens).

Pursuant to the cooperation agreement, in December 2014, the School Sponsor paid RMB100 million of consideration to Yangtze University (長江大學) that was recognised as pre-payment for cooperation in the financial statements of our Group and has since been participating in the operation of Hubei College. We currently expect that the new campus of Hubei College in Jingzhou (荊州) will commence operations in the 2019/2020 school year. After relocation of the existing operations of Hubei College to the new campus, we expect Hubei College to discontinue the use of its current campus and cease paying rent to Yangtze University (長江大學). For more details of the relocation plan, see "Business — Additional College to Be Acquired by Our Group". In April 2016, the School Sponsor, Yangtze University (長江大學), Hubei College and Oilfield Education entered into an agreement with respect to the change of sponsor and entitlement of assets of Hubei College, pursuant to which (i) Yangtze University (長江大學) shall not be entitled to any assets of Hubei College; (ii) Oilfield Education shall exit as a school sponsor and shall not be entitled to any assets of Hubei College; and (iii) upon the change of school sponsor of Hubei College from Oilfield Education to the School Sponsor becoming effective, Hubei College shall assume the obligations and be entitled to the assets of Hubei College.

Change of school sponsor of Hubei College subject to MOE approval

In May 2016, Yangtze University (長江大學) applied to Hubei Provincial Department of Education (湖北省教育廳) to replace Oilfield Education as a school sponsor of Hubei College by the School Sponsor. With a view to understanding the status of the application, in January 2018, we, with the assistance of our PRC Legal Adviser, consulted a Deputy Director (副處長) of the Development Planning Office of Hubei Provincial Department of Education (湖北省教育廳發展規劃處). During such consultation, we were verbally given to understand that the MOE has assumed the authority in approving the change of school sponsor of higher education institutions in Hubei Province, and the aforementioned application is under consideration by the MOE. Upon the School Sponsor becoming a school sponsor of Hubei College, we expect to acquire control of Hubei College through contractual arrangements and consolidate the results of operations of Hubei College into those of our Group. In April 2018, with a view to understanding the status of the application, our PRC Legal Adviser again consulted a Deputy Director (副處長) of the Development Planning Office of Hubei Provincial Department of Education (湖北省教育廳發展規劃處),

who has verbally confirmed that (i) there would not be any substantive legal impediment to the change of school sponsor of Hubei College, but the exact timing would principally depend on the MOE; and (ii) as the approval involves many processes, it may take up to a year to complete even if it proceeds smoothly. Our PRC Legal Adviser is of the view that the Development Planning Office of Hubei Provincial Department of Education (湖北省教育廳發展規劃處) is a competent authority on the basis that, according to the official website of the Hubei Provincial Department of Education, it is responsible for the reporting and approving the establishment, merger, revocation and the change of name of vocational education schools and above, and the centralized management and comprehensive coordination of private higher education, and the official consulted has the appropriate authority on the basis the official consulted has authoritative understanding of the PRC laws and regulations with respect to the approval process of the change of school sponsor in Hubei Province and by virtue of his position, to give such confirmations.

With a view to understanding the approval process at the MOE, in June 2018, our PRC Legal Adviser conducted a general telephone consultation with an official of the Department of Development Planning of MOE (教育部發展規劃司), who has verbally confirmed that, with respect to the change of school sponsor of independent colleges and MOE approval generally, the MOE will assess whether the materials submitted by the provincial department of education are complete and in compliance with the relevant requirements; if the materials are in order, the MOE will issue the approval documentation to the provincial department of education. With a view to understanding the approval process specifically with respect to Hubei College at the MOE, in July 2018, our PRC Legal Adviser consulted a senior staff member (副主任科員) of the Office of Private Education Management, Division of Development Planning of MOE (教育部發展規劃司民辦教育管理處). During such consultation, we were given to understand that (i) provided that the application materials for the change of school sponsor are in order, the MOE will approve the change of school sponsor and issue a new school operating license, and such process will not be subject to any other impediments; (ii) the MOE has received and is processing the application materials relating to the change of school sponsor of Hubei College submitted by the Hubei Provincial Department of Education (湖北省教育廳) and requested for further supplementary information from Hubei College; and (iii) where there is more than one school in a province applying for change of school sponsor, the provincial department of education will collate the application materials of all such schools and submit them to the MOE for review and feedback at the same time; as there are a number of schools in Hubei Province currently applying for the change of school sponsor and the Hubei Provincial Department of Education (湖北省教育廳) is collating the relevant materials from such schools prior to submission to the MOE, the timing on the change of school sponsor of Hubei College cannot be accurately estimated. To the best of our knowledge, Hubei College has submitted the supplemental information requested by the MOE to the Hubei Provincial Department of Education (湖北省教育廳), and such information is pending to be submitted to the MOE for further review together with the application materials of other schools in Hubei Province also applying for change of school sponsor, which are currently being collated by the Hubei Provincial Department of Education (湖北省教育廳). Our PRC Legal Adviser is of the view that the Division of Development Planning of MOE (教育部發展規劃司) is a competent authority to give such confirmations on the basis that, according to the official website of the MOE, it is responsible for approving the establishment, revocation, change of name and adjustments of higher education institutions together with other relevant parties, and undertaking overall planning, comprehensive coordination, and macro-management of private education, and the officials consulted have the appropriate authority to give such confirmations on the basis that they have authoritative understanding of the PRC laws and regulations with respect to the approval process of the change of school sponsors of independent colleges.

As of the Latest Practicable Date, the aforementioned application had yet to be approved. We will keep our Shareholders and investors updated by way of announcements, interim reports and/or annual reports, as appropriate. Based on our understanding of the process involved and communication with the relevant government authorities (including the consultations mentioned above), we do not expect any material impediment to completing these administrative procedures. We understand that there is no general timeframe for MOE to approve a change of school sponsor for an independent college. As noted in the consultations above, the MOE approval processing time is in part subject to how many schools in the relevant province are applying for the change of school sponsor concurrently, as the provincial department of education will need to process and collate application materials from such other schools before submitting to the MOE for consideration and approval, which has no definite timeframe.

Our cooperation agreement with Yangtze University (長江大學) did not specify any "long-stop date" or any other compensation mechanisms in the event that the change of school sponsor to Hubei College is not approved by the MOE. If such application is not approved, or our Directors have reasonably concluded that it is no longer commercially realistic to expect such approval be granted, we may enter into settlement negotiations with Yangtze University (長江大學), similar to what we had done with Tianjin Medical University (天津醫科大學) and Tianjin Normal University (天津師範大學), with a view to terminating the cooperation and agreeing on suitable compensation arrangements in view of the resources we had committed during the cooperation. As advised by our PRC Legal Adviser, we also have general remedies under PRC laws to cancel the contract and request the parties to reinstate their respective pre-contract position on the basis that the main objectives of the cooperation agreement are no longer capable of being realised as envisaged and that the MOE not granting approval constitutes a force majeure event.

The sponsor capital of Hubei College

As of the Latest Practicable Date, we were not able to definitively determine whether the sponsor capital (開辦資金) of Hubei College in the amount of RMB115,650,000 had been fully paid up as Yangtze University (長江大學) has been unable to furnish us with the relevant supporting evidence. In connection with the foregoing, we attempted to identify the relevant documentation, such as the capital verification reports, from the archives of Hubei College, but were unable to identify any. We were also given to understand that due to various changes in management and responsible officers and staff departures in Hubei College and Yangtze University (長江大學) in the past, their archives have not been properly maintained. Furthermore, the Hubei Provincial Department of Education (湖北省教育廳) does not provide filing retrieval services that would otherwise enable us to inspect the filed records of Hubei College to assess whether the sponsor capital has been paid up.

Our Directors have reviewed the relevant documentation and records and considered the circumstances as a whole, and have concluded that it is likely that the sponsor capital of Hubei College has not been paid up by the existing school sponsors. As advised by our PRC Legal Adviser, sponsor capital is required to be paid up prior to the formal establishment of a school and if the sponsor capital of Hubei College had not been paid up, the existing school sponsors would have been in breach of their obligation under PRC laws and regulations to duly pay up the sponsor capital prior to the formal establishment of Hubei College, in which case the existing school sponsors may be required by the relevant authorities to pay up the unpaid sponsor capital and/or assume the portion of the liabilities that Hubei College is unable to discharge. As advised by our PRC Legal Adviser, Hubei College would not be in breach of any laws and regulations in the PRC in the case where the existing school sponsors had failed to duly pay up the sponsor capital.

In the event that the sponsor capital of Hubei College has not been fully paid up when we become a school sponsor of Hubei College in the future, our PRC Legal Adviser advises that there is a risk that we will be jointly liable with the original school sponsor of Hubei College to pay up the unpaid sponsor capital and/or assume the portion of the liabilities that Hubei College is unable to discharge to the extent of the amount of unpaid sponsor capital. On the basis of the foregoing, we engaged in negotiations with Yangtze University (長江大學) with a view to minimizing the legal risk that we are exposed to, and Yangtze University (長江大學) has committed in writing that it would be responsible for the obligations and liabilities of the existing school sponsors towards Hubei College prior to the entering into of the cooperation agreement with the School Sponsor, and such obligations and liabilities would not be relevant to the School Sponsor. As advised by our PRC Legal Adviser, such written commitment of Yangtze University (長江大學) is legal and valid. Our Directors consider that such commitment in writing from a reputable public education institution is adequate to protect us from the relevant legal risks.

Potential Implications of the MOJ Draft for Comments

The MOJ Draft for Comments may have certain implications on our acquisition of Hubei College and the registration of Hubei College as a for-profit private school or a non-profit private school. For more information, including the possible scenarios in relation to our acquisition of Hubei College, see "Business — Potential Implications of the 2016 Decision and the MOJ Draft for Comments — The MOJ Draft for Comments — Implications on Hubei College". See also "Risk Factors — Risks Relating to Our Business and Our Industry — Hubei College is required to satisfy certain requirements under the current form of the MOJ Draft for Comments if it chooses to register as a non-profit private school, which may subject Hubei College to operational risks" and "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to register Hubei College as a for-profit private school or complete relevant procedures or obtain the government registrations under the current form of the MOJ Draft for Comments".

CORPORATE REORGANISATION

In preparation for the Listing, we implemented the reorganisation (the "**Reorganisation**") as set forth below:

1. Incorporation of offshore companies

Our Company

Our Company (namely, China Chunlai Education Group Co., Ltd. (中國春來教育集團有限公司)) will be the listing vehicle for the Listing.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 November 2017 with an authorised share capital of HK$500,000 divided into 50,000,000,000 shares with par value of HK$0.00001. On the same date, one share of our Company was issued and allotted to the incorporator at par value and Chunlai Investment acquired such share from the incorporator at par value.

With a view to achieving an appropriate share capital structure to implement the Global Offering, on 12 February 2018, 899,999,999 of our Shares were issued and allotted to Chunlai Investment for a consideration of HK$0.00001 per Share. After such issuance and allotment, our issued share capital became 900,000,000 Shares with a par value of HK$0.00001 that is wholly-owned by Chunlai Investment.

Chunlai (BVI)

Chunlai (BVI) (namely, China Chunlai Education (BVI) Limited (中國春來教育(英屬維爾京群島)有限公司)) is expected to function primarily as an investment holding company.

Chunlai (BVI) was incorporated as a company with limited liability in the BVI on 28 November 2017 with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00. On the same date, one share of Chunlai (BVI) was issued and allotted to our Company at par value.

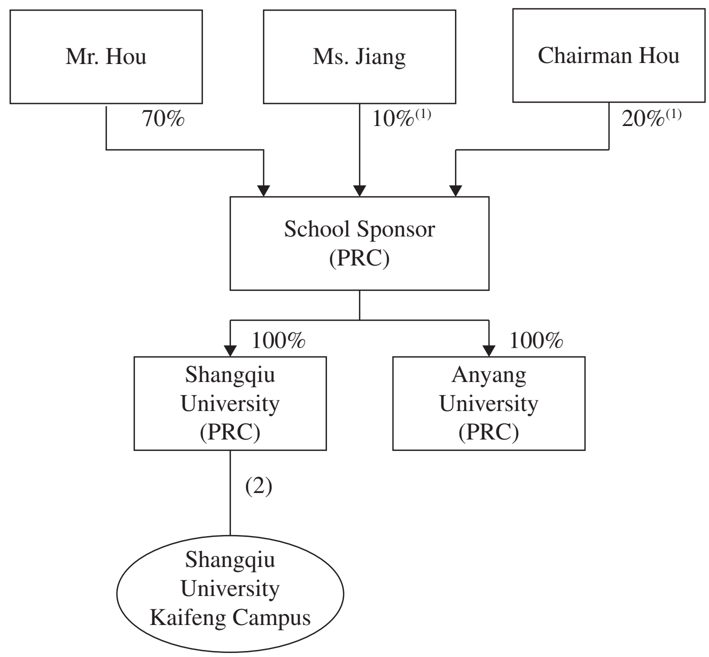
Chunlai (Hong Kong)

In addition to being an investment holding company, Chunlai (Hong Kong) (namely, China Chunlai Education (Hong Kong) Limited (中國春來教育(香港)有限公司)) is expected to function as a hub for conducting our overseas cooperation and expansion (See also "Contractual Arrangements – PRC Laws and Regulations Relating to Foreign Ownership in the Higher Education Industry – Plan to comply with the Qualification Requirement").

Chunlai (Hong Kong) was incorporated as a company with limited liability in Hong Kong on 19 December 2017 with an issued share capital of HK$1 that was subscribed by Chunlai (BVI).

2. Reorganisation with respect to our consolidated affiliated entities

In 2017 and 2018, we undertook the following reorganisation with respect to our consolidated affiliated entities in the PRC. The following chart illustrates the structure of our consolidated affiliated entities in the PRC prior to such reorganisation:



Notes:

(1) When Mr. Hou became a sponsor of the School Sponsor in September 2012, Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang. Since then, each of Chairman Hou and Ms. Jiang has held his/her sponsor interests in the School Sponsor on behalf of Mr. Hou. Each of Mr. Hou, Chairman Hou and Ms. Jiang has confirmed such arrangement in writing in April 2018.

(2) Shangqiu University Kaifeng Campus (namely, Shangqiu University Applied Science and Technology College (商丘學院應用科技學院)) is a branch college (下屬學院) of Shangqiu University and is not a separate legal entity under PRC laws.

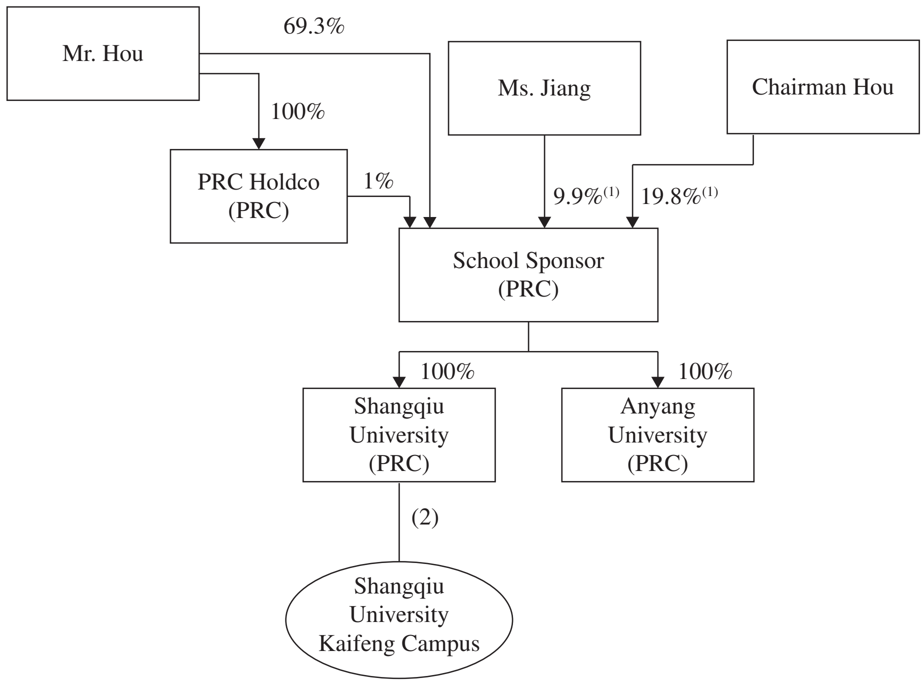
Establishment of the PRC Holdco

The PRC Holdco was established in 1 August 2017 primarily for the purpose of implementing the Contractual Arrangements as described above (see also "Contractual Arrangements"). The PRC Holdco has a registered capital of RMB30,000,000 and is wholly-owned by Mr. Hou.

Change of sponsor interest in the School Sponsor

For the purpose of controlling the sponsor interests in the School Sponsor held by Mr. Hou, Chairman Hou and Ms. Jiang pursuant to the powers of attorney as part of the Contractual Arrangements (see "Contractual Arrangements – Operation of the Contractual Arrangements – Powers of Attorney" for further details), in October 2017, the PRC Holdco injected RMB1,140,000 in cash into the registered capital of the School Sponsor. After such injection, the registered capital of the School Sponsor was increased to RMB113,740,000 that is held as to 69.3% by Mr. Hou, as to 19.8% by Chairman Hou (founder of our Group, father of Mr. Hou and spouse of Ms. Jiang), as to 9.9% by Ms. Jiang and as to 1.0% by the PRC Holdco.

The following chart illustrates the structure of our consolidated affiliated entities in the PRC after the reorganisation set out above:



Notes:

(1) When Mr. Hou became a sponsor of the School Sponsor in September 2012, Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang. Since then, each of Chairman Hou and Ms. Jiang has held his/her sponsor interests in the School Sponsor on behalf of Mr. Hou. Each of Mr. Hou, Chairman Hou and Ms. Jiang has confirmed such arrangement in writing in April 2018.

(2) Shangqiu University Kaifeng Campus (namely, Shangqiu University Applied Science and Technology College (商丘學院應用科技學院)) is a branch college (下屬學院) of Shangqiu University and is not a separate legal entity under PRC laws.

3. Establishment of WFOE

WFOE is expected to serve as our main control hub over our consolidated affiliated entities pursuant to the Contractual Arrangements.

WFOE was established on 19 January 2018 as a wholly-foreign owned enterprise in the PRC with a registered capital of US$1 million and is wholly-owned by Chunlai (Hong Kong).

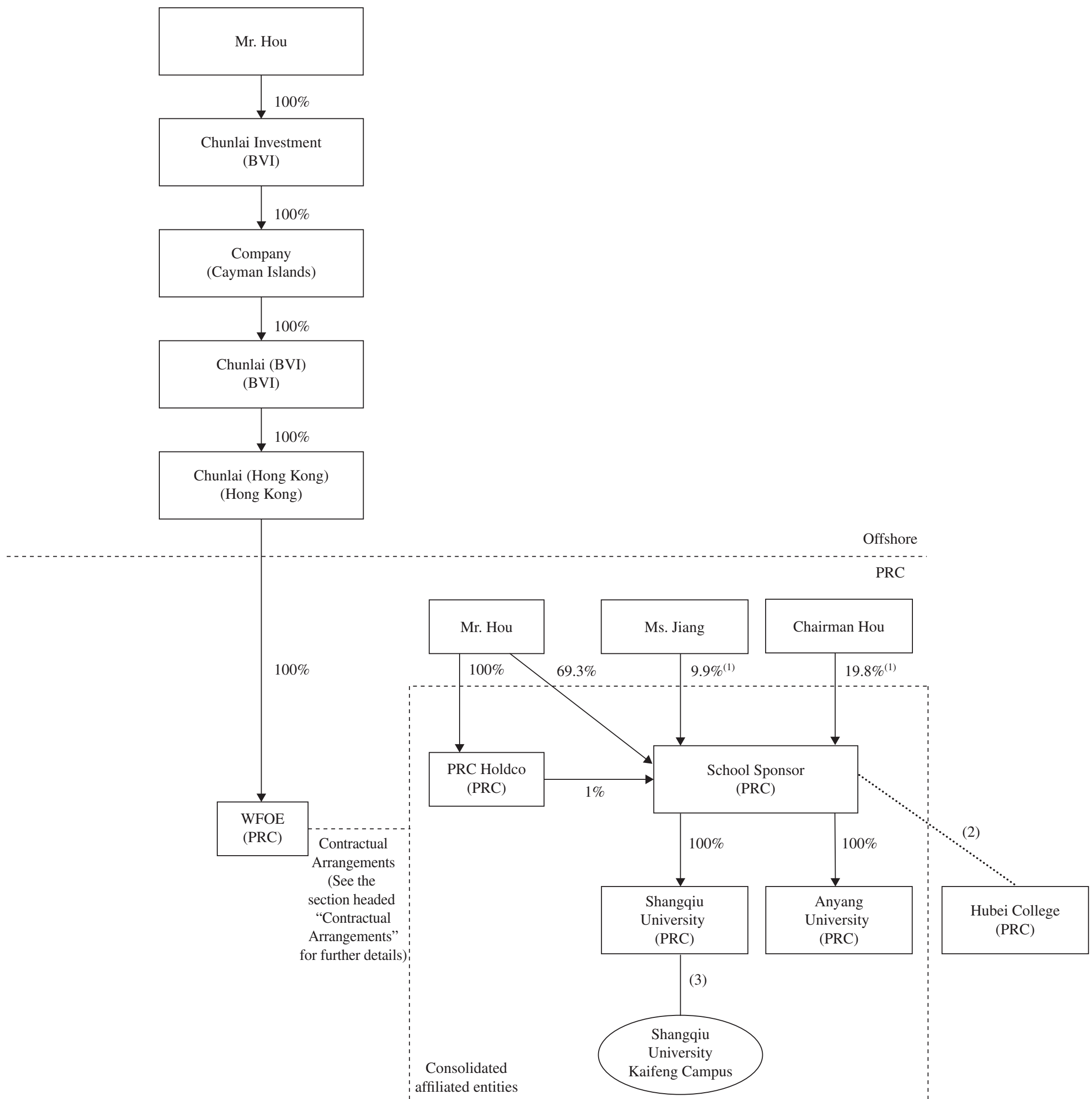
4. The Contractual Arrangements

On 22 February 2018, WFOE and other parties entered into various agreements constituting the Contractual Arrangements, pursuant to which all economic benefits arising from the businesses of our consolidated affiliated entities are transferred to WFOE to the extent permitted under PRC laws and regulations by means of the service fees payable to WFOE. See the section headed "Contractual Arrangements".

CORPORATE STRUCTURE

Corporate structure after the Reorganisation and before the Global Offering

The following chart illustrates the shareholding and ownership structure of our Group immediately following the Reorganisation and prior to the completion of the Global Offering:



Notes:

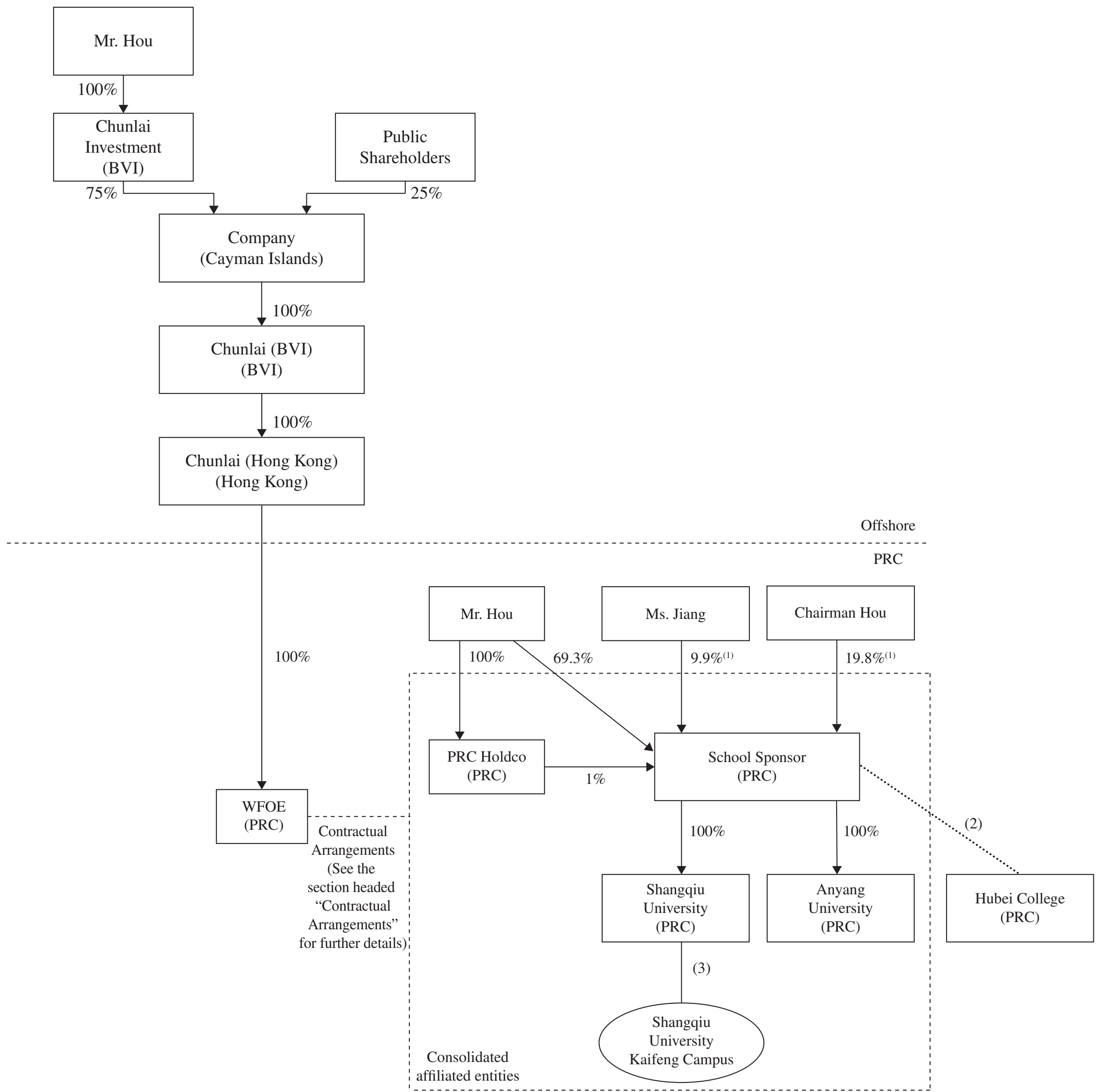
(1) When Mr. Hou became a sponsor of the School Sponsor in September 2012, Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang. Since then, each of Chairman Hou and Ms. Jiang has held his/her sponsor interests in the School Sponsor on behalf of Mr. Hou. Each of Mr. Hou, Chairman Hou and Ms. Jiang has confirmed such arrangement in writing in April 2018.

(2) The acquisition of Hubei College is yet to complete pending the School Sponsor becoming a school sponsor of Hubei College and the execution of the relevant contractual arrangements to obtain effective control over Hubei College (see "– Acquisition of Hubei College"). Upon the School Sponsor becoming a school sponsor of Hubei College and the execution of the relevant contractual arrangements, Hubei College will become one of our consolidated affiliated entities.

(3) Shangqiu University Kaifeng Campus (namely, Shangqiu University Applied Science and Technology College (商丘學院應用科技學院)) is a branch college (下屬學院) of Shangqiu University and is not a separate legal entity under PRC laws.

Corporate structure immediately following the completion of the Global Offering

The following chart illustrates the shareholding and ownership structure of our Group immediately following the completion of the Global Offering, assuming the Over-allotment Option is not exercised and without taking into account any Shares that may be issued upon the exercise of any options granted under the Pre-IPO Share Option Scheme and any grants under the Share Award Scheme:



Notes:

(1) When Mr. Hou became a sponsor of the School Sponsor in September 2012, Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang. Since then, each of Chairman Hou and Ms. Jiang has held his/her sponsor interests in the School Sponsor on behalf of Mr. Hou. Each of Mr. Hou, Chairman Hou and Ms. Jiang has confirmed such arrangement in writing in April 2018.

(2) The acquisition of Hubei College is yet to complete pending the School Sponsor becoming a school sponsor of Hubei College and the execution of the relevant contractual arrangements to obtain effective control over Hubei College (see "– Acquisition of Hubei College"). Upon the School Sponsor becoming a school sponsor of Hubei College and the execution of the relevant contractual arrangements, Hubei College will become one of our consolidated affiliated entities.

(3) Shangqiu University Kaifeng Campus (namely, Shangqiu University Applied Science and Technology College (商丘學院應用科技學院) is a branch college (下屬學院) of Shangqiu University and is not a separate legal entity under PRC laws.

SAFE REGISTRATION AND PRC LEGAL COMPLIANCE

Pursuant to the Circular of the SAFE on Foreign Exchange Administration of Overseas Investment, Financing and Round-trip Investments Conducted by Domestic Residents through Special Purpose Vehicles (關於境內居民通過特殊目的公司境外融資及返程投資外匯管理有關問題的通知, "**Circular 37**"), promulgated by SAFE and which became effective on 4 July 2014, (a) a PRC resident must register with the local SAFE branch before he or she contributes assets or equity interests to 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, among other things, 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 Circular 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, "**Circular 13**"), promulgated by SAFE and which became effective on 1 June 2015, the power to accept SAFE registration was delegated from local SAFE to local banks where the assets or interests in the domestic entity are located.

As advised by our PRC Legal Adviser, Mr. Hou completed the registration under Circular 13 and Circular 37 in December 2017.

Our PRC Legal Adviser has confirmed that, all requisite approvals, permits and licences from the relevant PRC government authorities in relation to the Reorganisation have been obtained, and the Reorganisation has complied with all applicable PRC laws and regulations in all material respects.

OVERVIEW

We are a leading provider of private higher education in China. We ranked first in Central China and fourth nationwide among providers of private higher education as measured by total student enrolment in the 2017/2018 school year, according to Frost & Sullivan. Since our inception in 2004, we have grown to operate three colleges in Henan Province. Our total student enrolment increased from 29,673 for the 2014/2015 school year to 45,210 for the 2017/2018 school year. We provide rigorous and practical curricula to help our students achieve success after graduation. During the Track Record Period, the average initial employment rate of our schools' higher education programmes was substantially above the overall average for higher education in China, according to Frost & Sullivan.

We believe that we have strong potential to further grow our business. Central China is a densely populated and fast-developing region. In particular, Henan Province had the largest registered population and generated the fifth largest GDP among all provinces in China in 2017, according to Frost & Sullivan. To capture these growth opportunities, each of our current colleges in Henan Province has acquired or is in the process of acquiring additional land and other resources to further expand its student enrolment.

Furthermore, we expect to complete our acquisition of Hubei College, pending the MOE approving the School Sponsor becoming a school sponsor of Hubei College and the registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure – Acquisition of Hubei College"). Based on our understanding of the process involved and communication with the relevant government authority, we do not expect any material impediment to completing these administrative procedures. Upon completion of these procedures, we expect to acquire effective control of Hubei College through contractual arrangements and consolidate its results of operations into those of our Group. For the 2017/2018 school year, Hubei College had a student enrolment of 7,789.

Our employment-oriented curricula are focused on equipping our students with practicable skills that meet the demand of economic development in China. The effectiveness of our practical curricula and training programmes is reflected in our high graduate employment rates. For the 2014/2015, 2015/2016 and 2016/2017 school years, the average initial employment rate of our higher education programmes was 96.1%, 96.4% and 94.1%, respectively, substantially above the overall average for higher education in China, which was between 77.4% and 78.4% from 2013 through 2017, according to Frost & Sullivan.

We experienced significant growth in our revenue and profit during the Track Record Period. Our revenue increased from RMB336.3 million for the year ended 31 August 2015 to RMB378.6 million for the year ended 31 August 2016, and further to RMB460.9 million for the year ended 31 August 2017. We had a loss of RMB62.8 million for the year ended 31 August 2015, and a profit of RMB109.8 million for the year ended 31 August 2016, which increased to RMB151.6 million for the year ended 31 August 2017. Our adjusted net profit increased from RMB76.1 million for the year ended 31 August 2015 to RMB88.2 million for the year ended 31 August 2016, and further to RMB154.7 million for the year ended 31 August 2017. For the six months ended 28 February 2018, our revenue was RMB243.8 million, our profit was RMB58.9 million, and our adjusted net profit was RMB70.5 million. See the section headed "Financial Information — Non-IFRS Measure" in this document for further information on our adjusted net profit. For the year ended 31 August 2017 and the six months ended 28 February 2018, Hubei College recorded revenue of RMB95.4 million and RMB49.9 million, respectively, and a profit of RMB27.5 million and RMB10.4 million, respectively.

OUR COMPETITIVE STRENGTHS

We believe the following are our principal strengths that contribute to our success and differentiate us from our competitors:

We are a leading provider of private higher education in China with strong growth potential.

We are a leading provider of private higher education in China. We ranked first in Central China and fourth nationwide as measured by total student enrolment in the 2017/2018 school year, according to Frost & Sullivan. Since our inception in 2004, we have grown to operate three colleges in Henan Province. Our total student enrolment increased from 29,673 for the 2014/2015 school year to 45,210 for the 2017/2018 school year. We provide rigorous and practical curricula to help our students achieve success after graduation. During the Track Record Period, the average initial employment rate of our schools' higher education programmes was substantially above the overall average for higher education in China, according to Frost & Sullivan.

We believe that we have strong potential to further grow our business. Central China is a densely populated and fast-developing region, with each of its constituent provinces being among China's top ten provinces both in terms of population and in terms of GDP in 2017, according to Frost & Sullivan. In particular, Henan Province had the largest registered population and generated the fifth largest GDP among all provinces in China in 2017, according to Frost & Sullivan. Each of our colleges has acquired or is in the process of acquiring additional land and other resources to support the further expansion of its student enrolment:

- Shangqiu University encompasses approximately 884,000 sq.m., of which approximately 133,000 sq.m. are currently vacant and reserved for building new student dormitories and teaching facilities. Utilisation of this land is expected to increase Shangqiu University's capacity by approximately 4,500 to approximately 26,000 students. We are in the process of acquiring new land use right to expand the campus by approximately 100,000 sq.m, which is expected to be primarily used for constructing staff dormitories and various teaching facilities and improving the landscape and environment of the campus;
- we are in the process of acquiring new land use right to expand Anyang University's campus by approximately 400,000 sq.m., which is expected to increase Anyang University's capacity by approximately 7,500 to approximately 28,000 students. In the short run, our enrolment has grown and will continue to grow by approximately 1,250 on average annually from the 2016/2017 school year through the 2019/2020 school year directly as a result of the termination of our cooperation with Anyang Normal University, as Anyang University had historically allocated a portion of its admission quota to a campus managed by Anyang Normal University before such termination; and
- since Shangqiu University Kaifeng Campus started operations in 2013, its enrolment quickly grew to 6,437 for the 2017/2018 school year. We are in the process of acquiring additional land use right to expand the campus by approximately 200,000 sq.m. We are also continuously constructing new buildings and facilities at the Kaifeng campus, and plan to expand the capacity of this campus to approximately 12,000 students over the next several years.

Furthermore, we expect to complete our acquisition of Hubei College, pending the MOE approving the School Sponsor becoming a school sponsor of Hubei College and the registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure – Acquisition of Hubei College"). Based on our understanding of the process involved and communication with the relevant government authority, we do not expect any substantial legal impediment to completing these administrative procedures. Upon completion of these procedures, we expect to acquire effective control of Hubei College through contractual arrangements and consolidate its results of operations into those of our Group. For the 2017/2018 school year, Hubei College had a student enrolment of 7,789. For the year ended 31 August 2017 and the six months ended 28 February 2018, Hubei College recorded revenue of RMB95.4 million and RMB49.9 million, respectively, and a profit of RMB27.5 million and RMB10.4 million, respectively. Hubei College plans to build a new campus in Jingzhou encompassing approximately 660,000 sq.m., substantially larger than its current main campus, which will be replaced. Hubei College has entered into a definitive agreement to acquire the land use right for its planned new campus. Upon completing the construction of the new campus, Hubei College is expected to have a capacity of approximately 12,000 students.

Our quality and reputation provide a solid foundation for our business growth.

We believe that our business growth mainly depends on our ability to continuously attract students to our colleges, which in turn hinges upon the quality and reputation of our colleges as well as the brand recognition of our Group. Shangqiu University and Anyang University have both received numerous awards. For example, Anyang University was recognised as a 2015 Outstanding Private School by the Education Department of Henan Province, and Shangqiu University was recognised as a 2016 Model School of Henan Province by the Higher Education Committee of the Henan Provincial Committee of the Communist Party of China and the Education Department of Henan Province. We have also established Chunlai Institute at Shangqiu University, an honours programme that aims to promote comprehensive and individualised education of its select students. Hubei College, which we expect to acquire in the near future, is an independent college offering comprehensive disciplines and renowned for its petroleum-related programmes.

For the 2017/2018 school year, the overall yield of our three colleges, as defined by the number of students who enrolled in a programme divided by the number of students who were admitted in that programme, was 91.2% for our bachelor's degree programmes. We believe that we were able to achieve such a high yield on account of the quality and reputation of our bachelor's degree programmes. During the Track Record Period, Shangqiu University and Anyang University consistently had strong demands for their bachelor's degree and junior college diploma programmes. The college we established more recently, Shangqiu University Kaifeng Campus, experienced significant growth in student demand during the Track Record Period. Our ability to attract and retain students provide us with a solid foundation for future enrolments, revenue and cash flows, which will help us achieve further expansion and growth.

Our practical curricula and training programmes help our students achieve high employment rates.

Our employment-oriented curricula focus on equipping our students with practical skills that meet the demand of economic development in China. Since our inception, we have emphasised on practical training, aiming to increase the competitiveness of our graduates in the job market and smooth their transition from students to employees. We encourage our students to seek internships, and we have established collaborative relationships with over 200 enterprises to provide our students with ample internship and training opportunities. For example, our colleges have established cooperative relationships with many well-known companies, including Tarena Technologies Inc. and Zoomlion Kaifeng Industrial Park. We have designed a series of training courses customised for specific enterprises to meet their personnel needs, and these enterprises in turn provide our students with venues for studies and internships. We also invite technical experts from enterprises to teach classes at our colleges, and send our teaching staff to attend training programmes at enterprises.

In response to market trends, we continually expand and update our majors and courses to better prepare our students for future employment. For example, with the recent relaxation of the one-child policy in China, we anticipated growing job openings for kindergarten teachers and other related positions. In response, Shangqiu University added a pre-school education major in 2014, which quickly became popular among its students. In 2017, the first graduating class of Shangqiu University's pre-school education major had an initial employment rate of 96.2%. On a more local level, Anyang has in recent years emerged as a major aero sports hub in China, and the city's aeronautical industry is experiencing significant growth. To capitalise on the growing demand for aeronautical talents, Anyang University established its School of Aeronautical Engineering in 2014, and has continued to increase its focus on aeronautical engineering programmes in recent years.

The effectiveness of our practical curricula and training programmes is reflected in our high graduate employment rates. For the 2014/2015, 2015/2016 and 2016/2017 school years, the average initial employment rate of our higher education programmes was 96.1%, 96.4% and 94.1%, respectively, substantially above the overall average for higher education in China, which was between 77.4% and 78.4% from 2013 through 2017, according to Frost & Sullivan.

Our centralised and effective management allows us to replicate our success in new markets.

We have adopted modern enterprise management systems to efficiently manage our colleges. We started from operating one college in cooperation with a public university, and have grown to operate three colleges independently in three different cities today. We endeavour to expand into new provinces and, leveraging our experience in successfully acquiring independent colleges and converting them to private universities, we expect to complete our acquisition of Hubei College in the near future. In light of our rapid expansion, we believe our commitment to centralised and standardised management is even more essential to the success of our business.

The core aspects of our colleges' operations, such as finance, marketing, human resources, procurement, assets, outsourcing services and student enrolments, are managed centrally by our Group. Each of our colleges is managed on a day-to-day basis by a principal assisted by several vice principals. The principal of each college reports to the college's executive council on the affairs of the college, and the executive council of each college provides regular updates to our Board. We have also fostered a corporate philosophy of collaboration, accountability and efficiency and created a family-like business culture and a sense of connection and belonging within our Group, which has helped us manage our teacher turnover rate during the Track Record Period. Our core ethos is also instilled in newly recruited teachers and other staff by a dedicated group of experienced teachers and administrative staff. In preparation for potential future school acquisitions, we strategically build up our administrative and teaching reserves. For example, we appoint multiple associate heads in various administrative and teaching departments to increase the number of employees with administrative and teaching experience. Should we acquire any new school in the future, we may assign certain experienced employees to the new school to help us integrate it into our Group expediently. We believe our centralised management and unique corporate culture help us efficiently allocate resources among our colleges, keep a focused vision at all levels of our Group, smoothly execute our business strategies, enhance our operating efficiency and ensure a consistent education quality throughout our school network.

With our extensive experience accumulated in the past 13 years, we have improved our operational efficiency as we gradually expanded our educational network. As our revenue increased from RMB336.3 million for the year ended 31 August 2015 to RMB460.9 million for the year ended 31 August 2017, our gross profit margin increased from 62.0% to 63.1%, and our adjusted net profit margin increased from 22.6% to 33.6% during the same period. See the section headed "Financial Information — Non-IFRS Measure" in this document for further information on our adjusted net profit.

Our experienced management team embodies our corporate culture and has a long and proven track record in the private education industry in China.

We believe our management team was among the earliest to enter the PRC private education industry with a modern enterprise management mind set and skills. Our founder, Chairman Hou, established our first college in Shangqiu through the School Sponsor, and has since led the steady expansion of our school network. Chairman Hou has extensive knowledge and experience in managing private universities and a deep understanding of the PRC private education industry. Our executive Director and chief executive officer, Mr. Hou, joined our Group in 2012 and was designated by Chairman Hou and Ms. Jiang as the representative of the Hou's family and the executive successor of our Group as part of a long-term leadership continuity plan. Since then, Mr. Hou has been purposely groomed, empowered and positioned to gradually take up the executive leadership role in our Group under the guidance from Chairman Hou, Ms. Jiang and other senior management members. In early years, Mr. Hou worked in different areas of school management, and gained valuable first-hand leadership experience. He was in charge of, among others, human resources, finance and student affairs while serving as the associate dean of Shangqiu University since August 2012, and was later in charge of, among others, student admissions and enrolment, human resources and finance while serving as the associate dean of Anyang University since February 2013. Mr. Hou's role as the associate dean of Shangqiu University and Anyang University was primarily execution and management in nature and was fundamental to our school operations. As an associate dean, Mr. Hou also had to participate in making important and high-level decisions for the future development of the schools. Mr. Hou has the personal attributes to excel in his role in a relatively short period of time under the guidance from Chairman Hou, Ms. Jiang and other senior management members. As a practical matter, his ability to perform these executive and management functions did not depend on his academic qualifications. Mr. Hou's role as the associate dean Shangqiu University and Anyang University enabled him to participate in important and high-level executive and management decisions of our schools, the experience of which in turn prepared him to assume a key leadership role in our Group going forward. In addition, Mr. Hou was able to acquire in-depth understanding of the policies and landscape of private education in China and formulate his perspectives on the development trend of the education industry. Mr. Hou became a senior management member of our Group in 2014. Under his leadership, we have since then successfully established Shangqiu University Kaifeng Campus and converted Anyang University to a Private HEI, which further expanded our operation and influence in the higher education industry in the PRC. Mr. Hou has also led our efforts to acquire the sponsorship interest in Hubei College. The acquisition is expected to be completed in the near future pending the final approval by the MOE. Despite Mr. Hou has only served our Group (and in the education industry) for about six years, Mr. Hou has fully devoted himself to the business of our Group and was able to adapt to our business culture and the education industry in a relatively short timeframe. As Mr. Hou is not primarily responsible for the academic aspects of our school operations, his academic qualifications do not have significant relevance to his leadership role in our Group. His overseas education of studying an undergraduate course in the University of Sussex from October 2008 to June 2012 has broadened his horizon and perspectives and enabled him to generate new ideas to the management team. In particular, Mr. Hou was able to demonstrate his significance to our Group by gaining the trust and confidence of our stakeholders, both internally and externally, who recognise Mr. Hou as a key executive and leader of our Group. During the Track Record Period, our Group had achieved significant growth in, among other things, industry reputation, revenue and student enrolment, under the executive leadership of Mr. Hou. Our Directors recognise the invaluable contribution of Mr. Hou and are confident that Mr. Hou is competent and capable of serving as our chief executive officer and leading the development of our business going forward.

In addition to Chairman Hou and Mr. Hou, we have a stable and experienced senior management team, the members of which have served us for more than 10 years on average. For example, our general manager, Mr. Yang Xinzhong, has served us for over 12 years and is primarily responsible for our external relations and coordinating processes and operations across our organisation. Our chief financial officer, Mr. Zhao Zhen, has served us for over ten years and is primarily responsible for overseeing the financial operations of our Group. The principals and vice principals of our colleges all have extensive experience in higher education. Most of the senior management members at each college joined us at the beginning of their careers as junior teachers and staff and have been promoted internally to management level through our review and promotion system. We believe our management team has internalised our corporate culture and is a strong impetus for our continued business growth.

OUR BUSINESS STRATEGIES

We aim to consolidate our leading position in China's private higher education market and further enhance our national reputation. To achieve this goal, we plan to execute the following business strategies:

Grow our student enrolment by expanding and improving school infrastructure

We believe that high-quality educational resources and school infrastructure is crucial for our continued success. We intend to increase our investments in new construction projects to build academic, office and living facilities that can meet the needs of our colleges in the years to come.

- We plan to further improve the infrastructure of Shangqiu University by building a new library, a stadium, laboratories and other teaching facilities, staff dormitories and student dormitories to increase its capacity to approximately 26,000 students and improve the landscape and environment of Shangqiu University.
- We plan to expand Anyang University's campus by approximately 400,000 sq.m. to increase its capacity to approximately 28,000 students. We have paid a deposit for the acquisition of the new land use right. We plan to build student dormitories, classrooms and other teaching facilities mainly for the use of Anyang University's aeronautical programmes and certain new programmes that may be established in the future.
- We plan to further expand Shangqiu University Kaifeng Campus. In particular, we are in the process of acquiring additional land use right to expand the campus by approximately 200,000 sq.m., and we plan to build a library, sport facilities and other teaching facilities and additional student dormitories to increase its capacity to approximately 12,000 students over the next several years.
- We plan to build a new campus encompassing approximately 660,000 sq.m. for Hubei College, which we expect to acquire subject to certain administrative procedures. Hubei College has entered into a definitive agreement to acquire the land use right for its planned new campus in Jingzhou. Hubei College plans to build a full range of teaching and living facilities at the new campus in two phases, with a total capacity of approximately 12,000 students. The new campus is expected to start operations within two years.

Further improve our education quality and strengthen our reputation

We believe that our education quality is the lifeline of our business. Our core mission is to educate well-rounded students that meet the needs of economic development in China. We plan to continue to focus on applied sciences and build a number of flagship disciplines, including engineering, management, agricultural science, humanities and social sciences. We intend to deepen our collaboration with employers to provide better practical training to our students and further improve their employment prospects. We aim to enhance our reputation among large and well-known enterprises.

We also plan to purchase modern equipment that enables our students to improve their practical skills more effectively. For instance, Shangqiu University plans to purchase soil nutrient analysis equipment and automatic weather stations for its landscape programme; Anyang University plans to purchase electric gliders and other electronic equipment for its aeronautical engineering programme; and Shangqiu University Kaifeng Campus plans to purchase equipment and software for its logistics simulation laboratory. With these purchases, we aim to further improve our students' practical skills in the relevant fields.

Furthermore, we intend to strengthen our academic programmes, make significant investments in scientific research, and provide our students with an education that focuses on excellence and innovation. We plan to cooperate with public universities to offer master's degree programmes. For instance, Anyang University plans to develop long-term collaborative relationships with Henan Normal University on scientific research. Hubei College plans to collaborate with Yangtze University on building laboratories and conducting scientific research. We also plan to continue to develop Chunlai Institute at Shangqiu University and establish similar institutes in our other schools. We believe that with its emphasis on both comprehensive and personalised education, Chunlai Institute can help our top students realise their potential and achieve success during and after university, which in turn will further enhance the reputation of our colleges.

Expand our market coverage and market share

To increase our economies of scale and become a large-scale higher education group in the PRC, we intend to accelerate our expansion by acquiring and establishing additional schools. As of the Latest Practicable Date, we had yet to identify any specific acquisition targets.

Our expansion strategy will initially focus on target schools, particularly high-quality independent colleges, offering bachelor's degree programmes that are in social and economic demand. In terms of geographic locations, we intend to prioritise the identification of suitable target schools in provincial capitals and other cities with large school-age populations, thriving economies and geographic advantages, such as Shandong, Jiangsu, Hebei, Yunnan, Hubei, Shaanxi and Henan. We anticipate suitable target schools will have student enrolments of at least 8,000, revenue of at least RMB100 million, net profit of at least 20% and fair market valuation ranging from RMB100 million to RMB500 million. They should also have good compliance records and reputation in the relevant local market, or even nationwide. Before making any acquisition decision, we will carry out feasibility studies and comprehensively assess, among other things, (i) whether the government policies are conducive to our acquisition and future operations of the target school; (ii) the operating conditions and long term development potential of the target school; (iii) the integration and potential synergies that the target school may generate for our Group; and (iv) whether our intention and objectives align with that of the existing school sponsor(s).

We may acquire target schools out-right (particularly for private education institutions) or through collaboration with other universities (particularly for independent colleges). We target to initially focus on acquisitions through collaboration. Although such mode of acquisition may involve a longer timeline of two to three years, we believe that it enables us to acquire familiarity of the target schools during the collaboration stage and, more importantly, implement gradual changes to minimise disruption to the target schools and integration risk. We believe that prestigious public universities in China will be receptive to collaborate with us, especially if we are able to demonstrate our track record performance. Leveraging the influence and resources of such public universities, we will be able to operate high-quality independent colleges and eventually convert them into our private universities, as and when appropriate.

We expect to use a portion of the proceeds from the Global Offering (see also "Future Plans and Use of Proceeds — Use of Proceeds"), operating cash flow and/or external borrowings to fund our expansion plan.

According to our current understanding and interpretation of the MOJ Draft for Comments, if the MOJ Draft for Comments is adopted in its current form, it may have the following implications on our expansion strategy:

(i) we may acquire schools that are permitted to be registered, and have not been registered, as for-profit-private schools or non-profit private schools. When required to do so, we will register such acquired schools as for-profit private schools;

(ii) we may enter into cooperation with public universities with respect to independent colleges that have not been registered as for-profit private schools or non-profit private schools. However, if such independent colleges are required to register as for-profit private schools or non-private schools prior to our acquisition, in order for our acquisition to continue, such colleges shall cease collaboration with the public universities subject to MOE approved and register as for-profit private schools. Such colleges may no longer be able to use the names of the public universities;

(iii) we may acquire schools that have been registered as for-profit private schools. The consideration payable for such acquisition is expected to take into account the additional costs that may be involved in the for-profit private school registration process; and

(iv) we may not be able to acquire any schools that have already been registered as non-profit private schools.

We currently do not consider that the implications above would have any material impact on our expansion strategy, except that the number of target schools available for our acquisition may be reduced by those that will be registered as a non-profit private school in the future. In particular, with respect to the acquisition of independent colleges mentioned in (ii) above, we do not consider that the cessation of collaboration with public universities and the use of public universities' name by the target schools would have any significant impact on their attractiveness in general, because we would target independent colleges with industry reputation, ranking and operation scale that have been solidly established and are capable of independent operations, thus the cessation of collaboration and change of name would not generally result in substantive changes to the school operations and material negative impact on industry reputation. We consider that students in general take into account the track record and ranking of schools (that is reflective of, among other things, the school's admission benchmark and graduates' employment prospects) to be among the key factors in deciding on which schools to apply for, as opposed to focusing only on collaboration with public universities. Even if some students prefer to apply to schools in collaboration with public universities, as we target schools in provincial capitals and other cities with large school-age populations, the demand for higher education in such locations generally exceeds the limited supply, thus we expect there will be sufficient student enrolment for schools that are not in collaboration with public universities. With a view to minimising the impact of terminating cooperation with public universities and change of name, in identifying suitable independent colleges to acquire, we will particularly focus on those that are able to operate with a large degree of autonomy and independence and whose competitive edge does not heavily rely on collaboration with public universities. Furthermore, in our prior experience with Shangqiu University and Anyang University, their school operations, in particular student enrolment, did not experience any material adverse impact on account of termination of collaboration with public universities and change of name. During the Track Record Period, each of our Shangqiu University and Anyang University had generally maintained an increasing trend in student enrolment: (i) the total student enrolment for Shangqiu University for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years amounted to 17,144, 18,503, 19,394 and 19,249, respectively; and (ii) the total student enrolment for Anyang University for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years amounted to 11,407, 13,757, 18,351 and 19,524, respectively. See also "Business — Our Colleges — Enrolment, capacity and utilisation".

Notwithstanding that the MOJ Draft for Comments may limit the scope of our acquisition to for-profit private schools, we consider it is strategically more desirable to seek appropriate acquisition opportunities as opposed to establishing new schools as acquisitions of existing schools enable us to gain rapid entry into the market of choice, while barriers to entry for new schools to start up are high for the following reasons:

- *Licenses and permits*. School operators in China are required to obtain and maintain a series of approvals, licenses and permits by various relevant governmental authorities and are subject to specific registration and filing requirements; the process of obtaining such approvals, licenses and permits can be very time-consuming and is subject to legal and administrative uncertainties;
- *High initial investment*. The initial investment required by establishing a new school is substantial, and the investments include costs associated with construction of new campus and school facilities, hiring new teachers and administrative staff, building industry reputation and promoting the new school through marketing efforts;

- *Location and land*. It takes, in general, considerable time and resources to identify a location for establishing a new school, and to obtain relevant permits and approvals for developing the underlying land can be time-consuming; and
- *Staff*. Recruiting qualified teachers who are usually in high demand for a new school and building a quality team of teaching and administrative staff require substantial capital and time commitments.

We have established a special committee (comprising Mr. Hou, our chief executive officer and executive Director, Mr. Cheng Yinxue (程印學), chancellor of Shangqiu University and Mr. He Haipeng (賀海鵬), chancellor of Anyang University) led by Mr. Hou to pay close attention to the developments of the relevant policies and regulations, including the 2016 Decision and the MOJ Draft for Comments. We will assess whether the MOJ Draft for Comments or other relevant implementation rules and regulations in the future will present practical challenges or compliance issues to any future acquisition of independent colleges. Such special committee will ensure that our acquisition in the future will fully comply with the relevant rules and regulations in effect from time to time.

Strengthen our teaching staff and optimise our employee structure

We believe teachers are our most valuable assets. We plan to improve the quality of our teaching staff through external recruitment and internal training. For example, we aim to attract retired and incumbent professors, academic leaders and administrators to teach and conduct academic research at our colleges. We also plan to recruit young teachers with advanced degrees as well as teachers who have extensive industry experience and have worked in large enterprises. We plan to hire more renowned experts as adjunct teachers to teach advanced classes. We aim to promote the satisfaction and loyalty of our teachers by establishing well-designed compensation, evaluation and promotion mechanisms. Additionally, we have established mentorship programmes for our teachers to cultivate positive and reciprocal relationships among teachers. We will also continue to provide extensive trainings to our teachers to maintain and improve their knowledge and skills. For instance, we encourage and financially support our young teachers to attend continuing education programmes and pursue doctoral degrees. We also encourage our teachers to participate in nation-wide training programmes and seminars, and we plan to develop international training opportunities for our teachers to broaden their horizon and advance their skills.

We believe that cooperation with enterprises and other employers is important for the success of our graduates. We plan to continue to invite technical experts from enterprises to teach classes at our colleges. On the other hand, we believe that our teaching staff can gain valuable knowledge and insights by participating in training programmes at enterprises. For example, to improve its teachers' practical skills, Shangqiu University Kaifeng Campus is developing a mandatory training programme for teachers that are recent university graduates. Under this programme, teachers are required to work in enterprises or production workshops to gain hands-on experience in the relevant industries.

We aim to optimise our employee structure by increasing the quality and diversity of our workforce. We carefully evaluate various aspects of prospective employees, including their academic degrees, graduating schools, titles and work experience. For example, we believe that recruiting teachers who graduated from a wide range of different high-quality universities encourages intellectual exchange and helps expose our students to different academic approaches.

OUR COLLEGES

Overview

We currently operate three private colleges, all located in Henan Province. As of the Latest Practicable Date, we were in the process of acquiring the sponsor interest in Hubei College, an independent college located in Hubei Province. The table below sets forth selected information on each of these colleges:

College	Year of government approval for establishment	Location	Programmes offered
Our colleges			
Shangqiu University (商丘學院)	2005	Shangqiu, Henan Province	• Bachelor's degree programmes • Junior college to bachelor's degree transfer programmes • Junior college diploma programmes • Combined vocational education and junior college programmes • Vocational education programmes
Anyang University (安陽學院)	2003	Anyang, Henan Province	• Bachelor's degree programmes • Junior college to bachelor's degree transfer programmes • Junior college diploma programmes • Combined vocational education and junior college programmes • Vocational education programmes
Shangqiu University Applied Science and Technology College (商丘學院應用科技學院) ("**Shangqiu University Kaifeng Campus**")	2013	Kaifeng, Henan Province	• Bachelor's degree programmes • Junior college to bachelor's degree transfer programmes • Junior college diploma programmes
Additional college to be acquired by our Group			
Yangtze University College of Technology and Engineering (長江大學工程技術學院) ("**Hubei College**")	2004	Jingzhou and Wuhan, Hubei Province	• Bachelor's degree programmes • Junior college diploma programmes

Unless otherwise indicated, information presented in this "Our Colleges" section relates to our three current colleges. For information on Hubei College, see the section headed "— Additional College to Be Acquired by Our Group" below.

Educational programmes

We currently offer the following types of educational programmes:

- *Bachelor's degree programmes*: They generally take four years to complete. Applicants generally must have high school diplomas and have taken the National Higher Education Entrance Exam. Graduates are awarded bachelor's degrees.
- *Junior college to bachelor's degree transfer programmes*: They generally take two years to complete. Applicants generally must have junior college diplomas, either from our own schools or other licenced schools, and have taken the National Higher Education Entrance Exam. Graduates are awarded bachelor's degrees.
- *Junior college diploma programmes*: They generally take three years to complete. Applicants generally must have high school diplomas and have taken the National Higher Education Entrance Exam. Graduates are awarded junior college diplomas.
- *Combined vocational education and junior college diploma programmes*: They generally take five years to complete. Applicants generally must have middle school diplomas. Students attend courses for vocational education programmes in the first two years and courses for junior college diploma programmes in the last three years. Graduates are awarded junior college diplomas.
- *Vocational education programmes*: Applicants generally must have middle school diplomas for three-year programmes and have high school diplomas for one-year programmes. Graduates are awarded vocational high school diplomas.

Enrolment, capacity and utilisation

The table below sets forth enrolment statistics of our colleges for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years:

	Student enrolment(1) for the school year			
	2014/2015	**2015/2016**	**2016/2017**	**2017/2018**
Shangqiu University				
Bachelor's degree programmes	10,532	10,598	10,052	9,776
Junior college to bachelor's degree transfer programmes	458	626	1,010	1,150
Junior college diploma programmes(2)	5,114	6,725	6,354	5,717
Vocational education programmes(3)	1,040	554	1,978	2,606
School subtotal	17,144	18,503	19,394	19,249
Anyang University				
Bachelor's degree programmes	8,816	10,036	11,783	11,512
Junior college to bachelor's degree transfer programmes	795	695	1,474	1,680
Junior college diploma programmes	1,796	3,026	3,472	3,529
Vocational education programmes(3)(4)	–	–	1,622	2,803
School subtotal	11,407	13,757	18,351	19,524
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes(5)	946	1,818	3,637	4,995
Junior college to bachelor's degree transfer programmes(6)	–	–	–	396
Junior college diploma programmes(7)	176	397	812	1,046
School subtotal	1,122	2,215	4,449	6,437
Total	29,673	34,475	42,194	45,210

Notes:

(1) As our school year typically ends in late June or early July, we present student enrolment statistics as of 30 June for the 2014/2015, 2015/2016 and 2016/2017 school years. We present student enrolment statistics as of 28 February for the 2017/2018 school year.

(2) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.

(3) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes.

(4) Anyang University started its vocational education programmes and combined vocational education and junior college diploma programmes in 2016.

(5) Shangqiu University Kaifeng Campus started its bachelor's degree programmes in 2013. Consequently, the 2016/2017 school year was the first school year when it had students enrolled in all four class years of its bachelor's degree programmes.

(6) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.

(7) Shangqiu University Kaifeng Campus started its junior college diploma programmes in 2013. Consequently, the 2015/2016 school year was the first school year when it had students enrolled in all three class years of its junior college diploma programmes.

Each of our colleges generally requires its students to live on campus in dormitories. Therefore, a college's student enrolment is largely limited by the capacity of its student dormitories. We estimate the capacity and utilisation rate of each college based on the approximate number of students that its dormitories are designed to accommodate for the relevant school year. The following table sets forth information relating to the capacity and utilisation rate of our colleges for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years:

	Capacity(1) for the school year				**Utilisation rate(2) for the school year**			
	2014/2015	**2015/2016**	**2016/2017**	**2017/2018**	**2014/2015**	**2015/2016**	**2016/2017**	**2017/2018**
Shangqiu University	18,597	20,302	21,874	21,874	92.2%	91.1%	88.7%	88.0%
Anyang University	15,532	17,720	19,604	20,528	73.4%	77.6%	93.6%	95.1%
Shangqiu University Kaifeng Campus	2,034	2,856	5,430	7,848	55.2%	77.6%	81.9%	82.0%
Total	36,163	40,878	46,908	50,250	82.1%	84.3%	90.0%	90.0%

Notes:

(1) The capacity of each college is based on the approximate number of students that its dormitories are designed to accommodate for the relevant school year.

(2) The utilisation rate of each college equals its actual student enrolment as of 30 June (in the case of 2014/2015, 2015/2016 and 2016/2017 school years) or as of 28 February (in the case of the 2017/2018 school year) of a school year divided by its capacity for that school year.

Our student enrolment is also limited by the admission quotas received by our colleges. For any upcoming school year, each of our colleges submits a student recruitment plan that contains admission quotas for its education programmes to be reviewed and approved by local PRC education authorities. Anyang University had historically allocated a portion of its admission quota to a campus managed by Anyang Normal University. Up to 5,000 students enrolled in the campus managed by Anyang Normal University were admitted under such allocated quota. These students do not study at Anyang University and do not utilise any campus resources or capacity of Anyang University. Starting from the 2016/2017 school year following the termination of our cooperation with Anyang Normal University, Anyang University no longer allocates any of its admission quota to the campus managed by Anyang Normal University, which has the effect of increasing our enrolment by approximately 5,000 during a four-year period from the 2016/2017 school year through to the 2019/2020 school year. We formulate the student recruitment plans for our colleges by taking into account the available resources of our Group as a whole and each of our individual colleges. Quotas for bachelor's degree programmes, junior college to bachelor's degree transfer programmes and junior college diploma programmes (including combined vocational education and junior college diploma programmes) are subject to approval by the provincial education department. Quotas for other programmes offered by our colleges are subject to approval by the relevant municipal education bureau. Because Shangqiu University Kaifeng Campus is a second-level college of Shangqiu University, under relevant PRC regulations, the allocation of Shangqiu University's admission quotas between its primary campus Normal in Shangqiu and Shangqiu University Kaifeng Campus is only subject to a filing requirement as opposed to an approval requirement. The following table sets forth the admission quotas of our colleges' higher education programmes for the school years indicated:

	Admission quota for the school year			
	2014/2015	2015/2016	2016/2017	2017/2018
Shangqiu University				
Bachelor's degree programmes	2,750	2,450	2,460	2,600
Junior college to bachelor's degree transfer programmes	400	520	750	621
Junior college diploma programmes	2,165(4)	2,926(8)	1,130	1,430
Combined vocational education and junior college diploma programmes	473	300	820	870
Vocational education programmes	550	525	550	503
Total	6,338	6,721	5,710	6,024
Anyang University(1)				
Bachelor's degree programmes	3,550(5)	3,600(9)	2,970	2,970
Junior college to bachelor's degree transfer programmes	997(6)	999(10)	759	1,104
Junior college diploma programmes	1,110(7)	1,647(11)	1,000	1,200
Combined vocational education and junior college diploma programmes(2)	–	–	650	960
Vocational education programmes(2)	–	–	1,000	540
Total	5,657	6,246	6,379	6,774
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes	700	1,000	2,000	1,900
Junior college to bachelor's degree transfer programmes(3)	–	–	–	467
Junior college diploma programmes	300	300	500	400
Total	1,000	1,300	2,500	2,767
Group				
Bachelor's degree programmes	7,000	7,050	7,430	7,470
Junior college to bachelor's degree transfer programmes	1,397	1,519	1,509	2,192
Junior college diploma programmes	3,575	4,873	2,630	3,030
Combined vocational education and junior college diploma programmes	473	300	1,470	1,830
Vocational education programmes	550	525	1,550	1,043
Total	12,995	14,267	14,589	15,565

Notes:

(1) Anyang University allocated a portion of its admission quota to a campus managed by Anyang Normal University prior to the 2016/2017 school year. Students enrolled in such campus do not study at Anyang University and do not utilise any campus resources or capacity of Anyang University.

(2) Anyang University started its combined vocational education and junior college diploma programmes and vocational education programmes in 2016.

(3) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.

(4) Including a quota of 935 for second-round admission (補錄) granted by the provincial education department.

(5) 455 of such admission quota were allocated to a campus managed by Anyang Normal University.

(6) 445 of such admission quota were allocated to a campus managed by Anyang Normal University.

(7) Including a quota of 510 for second-round admission (補錄) granted by the provincial education department.

(8) Including a quota of 1,596 for second-round admission (補錄) granted by the provincial education department.

(9) 841 of such admission quota were allocated to a campus managed by Anyang Normal University.

(10) 702 of such admission quota were allocated to a campus managed by Anyang Normal University.

(11) Including a quota of 1,047 for second-round admission (補錄) granted by the provincial education department.

The admission quota a university receives for a particular education programme is the maximum number of students it can admit for that programme. Our colleges had complied with their respective admission quotas during the Track Record Period and up to the Latest Practicable Date. They generally admit the maximum number of student permitted for each programme to fully utilise its admission quota. For the 2017/2018 school year, the overall yield of our colleges, as defined by the number of students who enrolled in a programme divided by the number of students who were admitted in that programme, was 91.2% for our bachelor's degree programmes.

Tuition fees and boarding fees

For the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018, we derived all of our revenue from tuition fees and boarding fees collected by our colleges. We require students to pay tuition fees and boarding fees for the entire school year upfront. We recognise revenue proportionately over a 12-month period of the school year.

We generally raise tuition fees every two or three school years to reflect our increased operating costs. Tuition fees for our colleges are determined by us, subject to the approval of the relevant local NDRC branches. According to our tuition fee policy, any increase is only applicable to the incoming first year students, and the tuition fee rate for the existing students remains the rate they paid for their first year throughout the course of the relevant programme. The following table sets forth the listed tuition fees applicable to newly admitted students for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years:

	Tuition fees applicable to newly admitted students for the school year			
	2014/2015	**2015/2016**	**2016/2017**	**2017/2018**
		(in RMB)		
Shangqiu University				
Bachelor's degree programmes	11,900-13,000	11,900-13,000	12,900-14,900	12,900-14,900
Junior college to bachelor's degree transfer programmes	7,000-8,000	7,000-8,000	7,000-8,000	7,000-8,000
Junior college diploma programmes(1)	5,800-6,800	5,800-6,800	5,800-6,800	6,800-7,800
Vocational education programmes(2)	2,800	2,800	2,800	2,800
Anyang University				
Bachelor's degree programmes	11,900-13,000	11,900-13,000	12,900-14,900	12,900-14,900
Junior college to bachelor's degree transfer programmes	8,000-9,000	8,000-9,000	8,000-9,000	8,000-9,000
Junior college diploma programmes and combined vocational education and junior college diploma programmes	5,800-6,800	5,800-6,800	5,800-6,800	5,800-7,800
Vocational education programmes(3)	N/A	N/A	2,800	3,000

	Tuition fees applicable to newly admitted students for the school year			
	2014/2015	2015/2016	2016/2017	2017/2018
	(in RMB)			
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes	11,900-13,000	11,900-13,000	12,900-14,900	12,900-14,900
Junior college to bachelor's degree transfer programmes(4)	N/A	N/A	N/A	7,000-8,000
Junior college diploma programmes	5,800-6,800	5,800-6,800	5,800-6,800	6,800-7,800

Notes:

(1) Including (i) students enrolled in junior college diploma programmes and (ii) students enrolled in the last three years of combined vocational education and junior college diploma programmes.

(2) Including (i) students enrolled in vocational education programmes and (ii) students enrolled in the first two years of combined vocational education and junior college diploma programmes. Excluding students enrolled in one-year vocational education programmes, whose applicable tuition fees were RMB5,000 for the 2014/2015 through the 2017/2018 school years.

(3) Anyang University started its vocational education programmes in 2016.

(4) Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in 2017.

Boarding fees are generally received prior to the beginning of each school year. During the Track Record Period, boarding fees ranged from RMB600 to RMB1,400 per school year depending on the college, room size and number of students housed in each room. The following table sets forth the boarding fees applicable to newly admitted students for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years:

	Boarding fees applicable to newly admitted students for the school year			
	2014/2015	2015/2016	2016/2017	2017/2018
	(in RMB)			
Shangqiu University	800-1,400	800-1,400	800-1,400	800-1,400
Anyang University	1,100-1,200	1,100-1,200	1,100-1,200	1,100-1,200
Shangqiu University Kaifeng Campus	1,400	1,400	1,400	1,400

We have tuition fees and boarding fees refund policies in place at our colleges with respect to students who leave during a school year. If a student enrols and pays tuition fees and boarding fees but leaves school upon approval by the relevant school officials before the end of that school year, we will refund the tuition fees and boarding fees for any remaining full academic months, calculated on the basis of ten academic months per school year and five academic months per semester. For newly admitted students who cannot enrol for the school year due to failure to pass physical examinations, we will refund the full tuitions and any boarding fees for the remaining full academic months. We generally do not refund tuition fees and boarding fees to students who are expelled or transfer to other schools.

Students enrolled in vocational education programmes generally have a higher drop-out rate than students enrolled in higher education programmes. The following table sets out the number of students who dropped out of our colleges for the school years indicated:

	Number of dropouts for the school year			
	2014/2015	2015/2016	2016/2017	2017/2018[(1)]
Shangqiu University				
Higher education programmes[(2)]	72	79	31	35
Vocational education programmes[(3)]	26	233	75	71
School Subtotal	98	312	106	106
Anyang University				
Higher education programmes[(2)]	11	5	10	12
Vocational education programmes[(3)]	–	–	3	56
School Subtotal	11	5	13	68
Shangqiu University Kaifeng Campus				
Higher education programmes[(2)]	1	4	6	2
School Subtotal[(4)]	1	4	6	2
Total	110	321	125	176

Notes:

(1) As of 28 February 2018.

(2) Including students dropped out of (i) bachelor's degree programmes, (ii) junior college to bachelor's degree transfer programmes, (iii) junior college diploma programmes, and (iv) last three years of combined vocational education and junior college diploma programs.

(3) Including students dropped out of (i) vocational education programs and (ii) first two years of combined vocational education and junior college diploma programs. Vocational education programmes generally have higher dropout rates than higher education programmes.

(4) Shangqiu University Kaifeng Campus did not offer vocational education programmes during the Track Record Period.

The following table sets forth the amount of tuition fees and boarding fees refunded to students who dropped out of our colleges for the periods indicated:

	For the year ended 31 August			For the six months ended 28 February
	2015	2016	2017	2018
	(in thousands of RMB)			
Shangqiu University	477.4	1,538.7	367.0	528.4
Anyang University	89.6	45.0	109.7	260.4
Shangqiu University Kaifeng Campus	5.3	17.7	24.3	21.2
Total	572.3	1,601.4	501.0	810.0

Grade assessment

For each of our colleges, examinations are centrally administered by each college's office of academic affairs at the end of each semester to test students' understanding in various subject matters. The final grade a student receives for a particular course generally takes into account his or her performance in the written examinations and/or coursework assessment. Examinations primarily take the form of closed-book and/or open-book examinations and course work assessments consist of projects and other forms of assessment including students' participation in class discussions, their performance in written papers, homework and tests, as well as the results of their internship evaluations and practical examinations. The examinations for a course are generally formulated by the primary instructor based on the teaching syllabus and examination scope, as reviewed by the relevant teaching and research office and approved by administrators of the relevant academic department.

Graduate employment

Successful post-graduate employment is one of the main objectives of students pursuing higher education, especially private higher education, in China. As such, graduate employment rate is a key indicator of our school operations. To help our students find jobs that fit their interests and skills, each of our colleges has a dedicated career guidance and service centre that provides a wide range of services to our students who seek employment or internship opportunities. These career guidance and service centres not only serve as a platform to gather and disseminate employment information, but also help our students explore life, work and learning options available to them. When our students approach a career guidance and service centre for counselling services, our professionally trained staff will offer career advice based on their personal interests and preference and fine-tune their work and learning plans. The career guidance and service centre of each college organises various information sessions, job-hunting trainings and other employment-related events from time to time to ensure that our students are well equipped with necessary information and the desired skill sets.

Each of our colleges maintains close relationships with many local and national employers. We also provide employment-related training and career planning sessions to our students. For the 2014/2015, 2015/2016 and 2016/2017 school years, the average initial employment rate of our colleges' higher education programmes was 96.1%, 96.4% and 94.1%, respectively, substantially above the overall average for higher education in China, which was between 77.4% and 78.4% from 2013 through 2017, according to Frost & Sullivan. We do not compile, nor are we required by PRC education authorities to report, employment data for graduates of our vocational education programmes.

For further details on each college's practical training and career guidance programmes, see "— Shangqiu University — Career training", "— Anyang University — Career training" and "— Shangqiu University Kaifeng Campus — Career training" below.

Shangqiu University

Shangqiu University is located in Shangqiu, Henan Province. The predecessor of Shangqiu University was Huayu College of Henan Agricultural University (河南農業大學華豫學院), which we co-founded with Henan Agricultural University in 2004. Huayu College was approved by the MOE as an independent college in 2005. In 2011, Huayu College changed its name to Shangqiu University and was approved by the MOE as a Private HEI. See the section headed "History, Reorganisation and Corporate Structure – Our Consolidated Affiliated Entities – Shangqiu University".

Curriculum and degrees

Shangqiu University currently offers 46 bachelor's degree programmes, 20 junior college to bachelor's degree transfer programmes, 32 junior college diploma programmes, 14 combined vocational education and junior college diploma programmes and 32 vocational education programmes. Shangqiu University has also been approved to offer double-major bachelor's degree programmes in marketing, Chinese language and literature, and economics. For the 2017/2018 school year, Shangqiu University had a total enrolment of 19,249 students.

Shangqiu University is organised into 15 schools and departments, including School of Media and Arts, School of Foreign Languages, School of Humanities, School of Management, Business School, School of Computer Engineering, School of Electronic Information Engineering, School of Landscape Architecture, School of Civil Engineering, School of Physical Education, School of Marxism, Secondary Vocational College, Department of Music, and Chunlai Institute. Shangqiu University currently offers approximately 510 public courses, basic courses, specialised courses and elective courses. As a general principle, Shangqiu University requires all students to take core courses, such as English, advanced mathematics, computer science and advanced Chinese, to hone certain foundational skills that are transferrable across industries. Moreover, Shangqiu University provides an array of major programmes with its primary focus on engineering programmes. In particular, its courses in electrical and information engineering, mechanical design and manufacture, automation, and computer engineering and technology are well recognised in Henan Province. During the Track Record Period, Shangqiu University had two featured majors, three brand-name majors, two comprehensive reform experimental majors, one higher education reform study and application program, two experimental teaching model centres, one outstanding teaching unit, and one high-quality online course that are recognised by provincial authorities.

Career training

Shangqiu University provides career training programmes and workshops to its students to prepare them for their careers. In 2007, Shangqiu University established a student career guidance and service centre to facilitate the communication between employers and graduates by organising various recruitment events, such as resume collection, campus visits by employers and on-campus job fairs.

Taking advantage of its campus and cooperative enterprises, Shangqiu University has established a practical teaching system that integrates basic skill training, comprehensive specialty training and on-site practical training. Shangqiu University continuously expands its practical training centres to various industries to help its graduates transition from school to workplace. As of the Latest Practicable Date, Shangqiu University had established 106 practical training centres with a number of enterprises to set up joint programmes with tailored curricula and internship programmes to satisfy the specific needs of each enterprise. Among others, Shangqiu University has established training centres with Autoliv (China) Steering Wheel Co., Ltd and jointly developed practical training programmes with Tarena Technologies Inc. and GEM Group.

In these training centres, our students participate in workplace simulation training courses and receive first-hand instructions and advice from experienced engineers or senior employees of the enterprises. By allowing students to use their knowledge learned in classroom to solve real-world problems, these training centres help our students improve their practical skills and cultivate their creativity. The employers also invite students to visit their companies and production workshops to provide our students with valuable opportunities to experience the work environment and see the staff in action. Certain enterprises arrange students to intern with them during the school year as part of the training programmes. We believe our continued effort in expanding our practical training centres with enterprises have a positive impact on the employment rate of our graduates.

Chunlai Institute

In April 2017, Shangqiu University established Chunlai Institute, a two-year honours programme that aims to promote comprehensive and individualised education of its select students.

Chunlai Institute selects its enrolees from second-year bachelor's degree students who have completed three semesters of study throughout various schools and departments of Shangqiu University. A first round screening is conducted by each school or department based on grades and other achievements, after which finalists are interviewed. In 2017, 116 students were selected to enrol in the first class of Chunlai Institute.

Chunlai Institute offers courses in, among others, management, world history, introduction to traditional Chinese culture, conversational English and art. To increase the competitiveness of its enrolees, Chunali Institute also offers courses that prepare students for graduate school entrance exams and civil service exams. More important, each student at Chunlai Institute is assigned a member of our teaching staff as advisor. Students have regular small-group and one-on-one meetings with their advisors to receive personalised guidance. Before graduation, each student enrolled in Chunlai Institute is required to participate in one academic project led by his or her advisor at the university level or above, one academic competition at the university level or above and one public interest activity, as well as to publish one academic article or research report.

School facilities

The campus of Shangqiu University encompasses approximately 884,000 sq.m. and was named the most beautiful university campus in Henan Province by the Henan Education Press and the journal of Henan Education (Higher Education Edition) in 2015. The university was also awarded the title of a picturesque garden landscape school ("園林單位") in 2013. The university has a variety of campus facilities, such as modern classroom buildings, laboratory buildings, a library, a multimedia audio-visual centre, apartment buildings, track and field facilities, a gymnasium, restaurants and other recreational facilities. These buildings and facilities are distributed in five functional areas, namely teaching area, administrative area, living area, sports area, and recreational area. We strive to provide comfortable living conditions for our students. School dormitories have independent bathrooms and balconies, as well as a variety of furniture and home appliances such as computer desks, wardrobes, air conditioners, water heaters and drinking fountains. Wireless network, supermarkets, restaurants and canteens, telecommunication services, express delivery services, healthcare services, among others, can all be found on campus.

We are in the process of acquiring new land use right to expand the campus by approximately 100,000 sq.m, which is expected to be primarily used for constructing staff dormitories and various teaching facilities and improving the landscape and environment of the campus.

Anyang University

Anyang University is located in Anyang, Henan Province. The predecessor of Anyang University was College of Humanities and Management of Anyang Normal University (安陽師範學院人文管理學院) (the "**College of Humanities and Management**"), which was co-founded by Anyang Normal University and Anyang Iron and Steel Group in 2003.

In November 2008, the School Sponsor and Anyang Normal University entered into a cooperation agreement, pursuant to which the parties agreed to manage the College of Humanities and Management, with the School Sponsor contributing capital assets and Anyang Normal University contributing management expertise and brand name. In 2009, we established a new campus at the current location of Anyang University.

As the operations and reputation of the College of Humanities and Management gradually matured, we considered it was appropriate for the College of Humanities and Management to operate as an independent private university and cease any affiliation with Anyang Normal University. In July 2015, the School Sponsor and Anyang Normal University entered into an agreement to terminate the cooperation, with the School Sponsor agreeing to pay certain compensation sum. See the section headed "History, Reorganisation and Corporate Structure — Our Consolidated Affiliated Entities — Anyang University" for further details on our prior cooperation with Anyang Normal University.

During our cooperation with Anyang Normal University, the College of Humanities and Management allocated a portion of its admission quota to a campus managed by Anyang Normal University, so that up to 5,000 students enrolled in the campus managed by Anyang Normal University were admitted under such quota allocated by the College of Humanities and Management. Starting from the 2016/2017 school year following the termination of our cooperation with Anyang Normal University, the College of Humanities and Management no longer allocates any of its admission quota to the campus managed by Anyang Normal University, which has the effect of increasing our enrolment by approximately 5,000 during a four-year period from the 2016/2017 school year through to the 2019/2020 school year.

In 2016, the College of Humanities and Management changed its name to Anyang University and was approved by the MOE as a Private HEI. Students admitted before the 2016/2017 school year are awarded degrees or certificates bearing the name of College of Humanities and Management of Anyang Normal University, and students admitted in and after the 2016/2017 school year will be awarded degrees or certificates bearing the name of Anyang University.

Curriculum and degrees

Anyang University currently offers 38 bachelor's degree programmes, 25 junior college to bachelor's degree transfer programmes, 25 junior college diploma programmes, 18 combined vocational education and junior college diploma programmes and five vocational education programmes. For the 2017/2018 school year, Anyang University had a total enrolment of 20,066 students.

Anyang University is organised into 12 schools and departments, including School of Architecture and Engineering, School of Aeronautical Engineering, School of Literature and Communication, School of Economics and Management, School of Foreign Languages, School of Finance and Accounting, School of Fine Arts, School of Music, Secondary Vocational College, School of Marxism, Department of Physical Education and Department of Public Art Education. Anyang University currently offers approximately 440 public courses, basic courses, specialised courses and elective courses. As a general principle, Anyang University requires all students to take core courses, such as advanced mathematics and college English, to hone certain foundational skills that are transferrable across industries. Outside the core courses, Anyang University offers an array of major programmes with its primary focus on humanities and art, such as English, product design and music performance. During the Track Record Period, Anyang University had three featured major development stations, one comprehensive reform experimental major, one experimental teaching model centre, one outstanding teaching unit, and one high-quality online course that are recognised by provincial authorities. Anyang University also plans to increase its focus on aeronautical engineering programmes to accommodate the growth of the aeronautical industry in the Anyang area. Anyang University aims to serve the economic and social development of the Anyang area and, in particular, provide intellectual support for its emerging aeronautical industry.

Career training

Anyang University provides career training programmes and workshops to prepare its students for their careers. Anyang University established the Anyang University Career and Entrepreneurship Service Centre to provide more communication channels between employers and graduates by organising various recruitment events, such as resume collection, campus visits by employers and on-campus job fairs. The centre also provides online training courses, guidance, consultation and other services for students that seek to start their own business.

Anyang University has established cooperative relationships with various employers to help its graduates transition from school to workplace. Among others, Anyang University has set up joint practical training programmes with Tarena Technologies Inc. and has signed a cooperative agreement with Zhejiang Hengxin Education Technology Co., Ltd.

In these training centres, our students participate in workplace simulation training courses and receive first-hand instructions and advice from experienced engineers or senior employees of the enterprises. By allowing students to use their knowledge learned in classroom to solve real-world problems, these training centres help our students improve their practical skills and cultivate their creativity. The employers also invite students to visit their companies and production workshops to provide our students with valuable opportunities to experience the work environment and see the staff in action. Certain enterprises arrange students to intern with them during the school year as part of the training programmes. We believe our continued effort in expanding our practical training centres with enterprises will have a positive impact on the employment rate of our graduates.

School facilities

The campus of Anyang University encompasses approximately 610,000 sq.m.. The university has a variety of campus facilities, such as classroom buildings, laboratory building, a library, apartment buildings, track and field, a gymnasium, a theatre and restaurants. These buildings and facilities are distributed in four functional areas, namely teaching area, living area, sports area and recreational area. The university has a beautiful lake surrounded by lush green trees, which provides our students an enjoyable campus environment. We strive to provide comfortable living conditions for our students. School dormitories have independent bathrooms and balconies, as well as a variety of furniture and home appliances such as computer desks, wardrobes, air conditioners, water heaters and drinking fountains. Wireless network, supermarkets, restaurants and canteens, telecommunication services, express delivery services, healthcare services, among others, can all be found on campus.

We plan to expand our campus by approximately 400,000 sq.m., and we have paid a deposit for the acquisition of the new land use right.

Shangqiu University Kaifeng Campus

Shangqiu University Kaifeng Campus is located in Kaifeng, Henan Province. It was established in 2013 as a branch college (下屬學院) of Shangqiu University.

Curriculum and degrees

Shangqiu University Kaifeng Campus currently offers 17 bachelor's degree programmes, six junior college to bachelor's degree transfer programmes and eight junior college diploma programmes. For the 2017/2018 school year, Shangqiu University Kaifeng Campus had a total enrolment of 6,437 students.

Shangqiu University Kaifeng Campus is organised into six schools and departments, namely School of Finance and Economics, School of Civil Engineering, School of Arts and Education, School of Sciences, School of Mechanical Engineering and Management and Department of Ideological and Political Theory Education. Shangqiu University Kaifeng Campus currently offers approximately 240 public courses, basic courses, specialised courses and elective courses. As a general principle, the college requires all students to take core courses, such as mathematics and English, to hone certain foundational skills that are transferrable across industries. Outside the core courses, the college provides an array of major programmes with its primary focus on engineering, particularly civil engineering.

Career training

Shangqiu University Kaifeng Campus provides career training programmes and workshops to prepare its students for their careers. Shangqiu University Kaifeng Campus established its career guidance and service centre to provide more communication channels between employers and graduates by organising various recruitment events, such as resume collection, campus visits by employers and on-campus job fairs. The career guidance and service centre often organises recruitment events specifically designed for different major programmes. For instance, we hosted an on-campus job fair for students with art and design majors in May 2016. In the job fair, the employers gave presentation to introduce their companies and their recruitment standards. The students were given the opportunities to introduce their experience in the relevant fields and ask questions to the employers. The centre also provides training courses, guidance, consultation and other services for students that seek to start their own business. In May 2017, the career service centre and School of Finance and Economics organised a career panel to promote start-up entrepreneurship. In the career panel, founders of a water purification equipment company and a food company were invited to share their start-up experience. In the same month, the career service centre invited three top contestants from the first Henan Province College Student Innovation and Start-Up Entrepreneurship Competition to give presentation on their experiences in starting their own businesses.

Shangqiu University Kaifeng Campus has entered into cooperation agreements with various employers to offer our students on-site internship opportunities and help them transition from school to workplace. These internship opportunities are from an array of industries and target a wide range of major programmes at the college, such as accounting, auditing, mechanical design and manufacturing and automation, civil engineering and pre-school education. Among others, Shangqiu University Kaifeng Campus has signed a cooperation agreement with Zoomlion Kaifeng Industrial Park.

In these internship programmes, our students use their knowledge learned in classroom to solve real-world problems and receive first-hand instructions and advice from senior employees of the enterprises. These internship programmes help our students improve their practical skills and cultivate their creativity. We believe our continued effort in expanding our practical training centres with enterprises will have a positive impact on the employment rate of our graduates.

School facilities

The campus of Shangqiu University Kaifeng Campus encompasses approximately 404,000 sq.m. The school has a variety of campus facilities, such as classroom buildings, a laboratory building, a library, apartment buildings, track and field and restaurants. These buildings and facilities are distributed in five functional areas, namely teaching area, living area, administrative area, sports area and recreational area. The college also has a beautiful lake surrounded by lush green trees, which provides our students an enjoyable campus environment. We strive to provide comfortable living conditions for our students. School dormitories have independent bathrooms and balconies, as well as a variety of furniture and home appliances such as computer desks, wardrobes, air conditioners, water heaters and drinking fountains. Wireless network, supermarkets, restaurants and canteens, telecommunication services, express delivery services, among others, can all be found on campus.

We are in the process of acquiring additional land use right to expand Shangqiu University Kaifeng Campus by approximately 200,000 sq.m., and the remaining balance of consideration for the acquisition that has yet to be paid is approximately RMB8 million.

ADDITIONAL COLLEGE TO BE ACQUIRED BY OUR GROUP

As of the Latest Practicable Date, we were in the process of acquiring the sponsor interest in Hubei College, an independent college of Yangtze University (長江大學) located in Hubei Province. Hubei College is a legal entity separate and independent from Yangtze University. It conducts its school operations, including education administration, student recruitment, degree granting and financial accounting independent from Yangtze University. In December 2014, we entered into a cooperation agreement with Yangtze University with respect to the joint operation of Hubei College and paid part of the consideration in the amount of RMB100 million and are expected to pay the remaining consideration of RMB20 million upon the School Sponsor becoming a school sponsor of Hubei College. Pursuant to our cooperation with Yangtze University, we have acquired the management rights and become the principal teaching body (辦學主體) of Hubei College since December 2014. Although we are not able to exercise full control over Hubei College as we have yet to become a sponsor of Hubei College, since December 2014, we have been participating in, and responsible for, the operations of Hubei College, including engaging in its academic operations (including, in particular, improving curriculum offerings and degree programmes, strengthening academic research capabilities and practical career training programmes, improving teaching staff quality and conducting training programmes, developing innovative teaching methods and delivery, designing and implementing peer-review system of teaching programmes and improving the efficiency of other day-to-day teaching activities), student recruitment, human resources and finance, with Yangtze University assuming a passive role with nominal participation in management. For this purpose, we have deployed various management and operation staff to Hubei College. As of the Latest Practicable Date, more than 50 of our staff had been deployed to Hubei College. As advised by Frost & Sullivan, such mode of cooperation is also commonly seen in other independent colleges jointly operated by public and private education institutions in the PRC. Since our operation of Hubei College began in December 2014, we have from time to time financed the operations of Hubei College in the form of interest-bearing loans accounted for as loan receivables on our financial statements. Other than certain loans and related interests, we have not accounted for any costs or benefits (including any profits of Hubei College) for the operations of Hubei College on our financial statements. In particular, Hubei College is responsible for the costs of its own staff, including the salary of the personnel that we have deployed to Hubei College for the purpose of implementing the cooperation, including oversight over, and participation in, its operations. We expect that we will consolidate 100% of the results of operations of Hubei College (including its profits and losses and assets and liabilities) into the financial statements of our Group on a line-by-line basis upon obtaining full control of Hubei College through the change of school sponsor pending MOE approval and the execution of the relevant contractual arrangements. We recognise the importance of safeguarding our interests in the operations of Hubei College prior to obtaining full control of Hubei College. To that end, we have negotiated extensive management rights over Hubei College that allow us to deploy key management staff, in particular finance-related executives and management personnel, to closely oversee the operations of Hubei College, in particular the finance department, to prevent any misappropriation or leakage of assets and identify material operational deficiencies. We have established regular and systematic monitoring and reporting procedures to receive status updates and reports from our personnel deployed to Hubei College with a view to ensuring our management is sufficiently apprised of the operations and financial position of Hubei College. We are also in a position to actively participate in the key decision making of Hubei College to ensure that our interests in the operations and assets of Hubei College are adequately protected in all material respects.

We expect to complete our acquisition of Hubei College, pending the MOE approving the School Sponsor becoming a school sponsor of Hubei College and the registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure – Acquisition of Hubei College"). Based on our understanding of the process involved and communication with the relevant authorities, we do not expect any material impediment to completing these administrative procedures. Upon completion of these procedures, we expect to acquire effective control of Hubei College through contractual arrangements and consolidate its results of operations into those of our Group.

Hubei College currently operates its main campus in Jingzhou and a satellite campus in Wuhan, both in Hubei Province. The campus buildings and facilities located at both of these campuses are provided by Yangtze University. Pursuant to the cooperation with Yangtze University, we will build a new campus for Hubei College in Jingzhou (the "**New Campus**") using our financial resources and relocate the existing operations to the new campus. Consistent with the terms of such cooperation, Hubei College is in the process of acquiring the relevant land use rights and other relevant permits to commence construction of the New Campus. The land of the New Campus is expected to encompass approximately 660,000 sq.m., substantially larger than the existing main campus of Hubei College. In January 2018, the School Sponsor, Hubei College and the Management Committee of Jingzhou High Technology Industrial Park (荊州高新技術產業園區管理委員會) (the "**Management Committee**") entered into a definitive agreement with respect to the New Campus, pursuant to which, among other things, (i) the School Sponsor shall be responsible for the construction of the New Campus in phases; (ii) the Management Committee shall ensure that the land underlying the New Campus and the fixtures will have clear title free from any disputes or encumbrances, the infrastructure including water, electricity and sewage treatment will be connected to the land and coordinate with the relevant government authorities to complete the preliminary procedures of the allocation process; (iii) the land underlying the New Campus will be provided to Hubei College through allocation (劃撥) in two phases of approximately 333,333 sq.m. and 326,667 sq.m., respectively; (iv) the aggregate consideration payable by Hubei College for the land would be approximately RMB114 million, with the consideration for the 1st phase (i.e. approximately RMB58 million) payable within five business days from the issuance of the relevant land allocation decision (用地劃撥決定書) and the consideration for the 2nd phase (i.e. approximately RMB56 million) payable within five business days from the issuance of the relevant land allocation decision (用地劃撥決定書) but not earlier than 1 October 2018; (v) the School Sponsor shall coordinate with Hubei College to pay the consideration for the land in the aforesaid manner; and (vi) the Management Committee shall provide a subsidy in the amount of approximately RMB24.9 million to Hubei College within three months from the date the consideration for the land has been paid by Hubei College. As of the Latest Practicable Date, the land allocation decision (用地劃撥決定書) had not been issued and the consideration for the land had not been paid. Based on our communication with the relevant government authorities and our understanding of the process involved, we expect that the land allocation decision (用地劃撥決定書) for the 1st phase of the land will be issued in or around September 2018, and that we will be able to acquire the relevant land use right certificate and permits to commence construction of the New Campus in or around September 2018.

The construction of the New Campus is expected to take place in two phases:

Phase of construction	Timeline	Buildings	Total expected GFA	Estimated expenditure*
1st phase	2018-2019	teaching building, laboratory building, dormitory, cafeteria and sportsground	approximately 82,710 sq.m.	approximately RMB131.3 million
2nd phase	2019-2021	practical training building, library, dormitory, cafeteria, gymnasium, office building and teaching building	approximately 210,907 sq.m.	approximately RMB344.5 million

Note:

* The expected expenditure in this table does not take into account the cost for the land underlying the New Campus of approximately RMB114 million.

We expect that the construction of the New Campus will utilise the internal financial resources of Hubei College, financial resources of the Group (including a portion of the proceeds from the Global Offering allocated for the purpose of acquiring the new land (see "Future Plans and Use of Proceeds")), and, where appropriate, bank borrowings.

The 1st phase of the New Campus will contain all facilities essential to accommodate students and commence school operations. We anticipate that the New Campus will commence school operations in the 2019/2020 school year. Our Directors consider that the timeline for the 1st phase of the New Campus is realistic, on the basis that (i) the New Campus will primarily consist of low-rise buildings with low GFA per building, which have a considerably shorter construction cycle; and (ii) we expect multiple contractors will be engaged to simultaneously commence construction with a view to ensuring the expected timeline will be met.

Consistent with the terms of the cooperation with Yangtze University, the existing operations of Hubei College at its main campus in Jingzhou and its satellite campus in Wuhan will be relocated to the New Campus. After such relocation, Hubei College will no longer utilise the campus facilities owned and provided by Yangtze University. Such relocation is also expected to reduce the operational reliance of Hubei College on Yangtze University and facilitate the conversion of Hubei College into a Private HEI in the future. The relocation plan of Hubei College's operations to the New Campus is summarised below:

- all students to be enrolled for the 2019/2020 school year and onwards will be enrolled to the New Campus;
- with respect to the satellite campus in Wuhan, Hubei College has ceased to enrol any new students to this satellite campus after the 2016/2017 school year. The existing students at this campus are not expected to be relocated to the New Campus. We expect the last batch of such students will graduate in the 2019/2020 school year. Hubei College's operations on this campus will thereafter cease; and
- with respect to the existing main campus in Jingzhou, Hubei College will progressively relocate the students to the New Campus in batches beginning from the 2019/2020 school year. Taking into account the number of students that will graduate in due course, we currently expect that Hubei College's operations on this campus will cease operations prior to the 2021/2022 school year.

Other than the capital expenditure expected to be involved in the acquisition of the land and construction of facilities for the New Campus as discussed above, we do not expect Hubei College will incur any substantial costs in relation to the relocation plan outlined above, primarily because no relocation of students is expected at the satellite campus in Wuhan, and relocation of students from the existing main campus in Jingzhou to the New Campus is expected to be of a short-distance on account of the reasonably close proximity of the two sites, both of which are located in Jingzhou. Furthermore, we do not expect that such relocation will result in any material disruption to the operations of Hubei College, primarily because, as outlined above, the relocation is expected to be a gradual process and both the existing campuses and the New Campus will operate concurrently during the relocation to ensure there will be continuity in operations, and the relocation of students to the New Campus is expected to take place systematically in batches by programmes/disciplines enabling Hubei College to more effectively plan, allocate and optimise its resources on the New Campus to minimise potential disruption to the students. Since we do not expect there will be material interruption to the operations of Hubei College during the relocation, we do not expect Hubei College will experience any substantial loss of revenue during the relocation.

Since we started to participate in the operation of Hubei College, there has occasionally been negative publicity concerning Hubei College. For example, in 2014, certain teachers and other employees of Hubei College publicly expressed their dissatisfaction by submitting complaints due to their misunderstanding of the cooperation between Yangtze University and our Group. In 2016, certain newly admitted students of Hubei College expressed their dissatisfaction to the press for being requested to enrol in the Jingzhou main campus instead of the Wuhan satellite campus. See also the section headed "Risk Factors – Risks Relating to Our Business and Our Industry – Our business is dependent on the market recognition of reputation, and any damage to our reputation would materially and adversely affect our business." Our Directors consider that such publicity would not have any material impact on Hubei College or our Group, on the basis that (a) Hubei College has promptly responded and resolved the complaints and dissatisfaction primarily through active communication with the relevant staff and offering the appropriate accommodation arrangements to the relevant students, (b) the number of staff and students involved was not material, (c) and the nature of the complaints and dissatisfaction was not of a substantive nature that would otherwise lead the public to cast a negative perception on Hubei College or our Group in any material respects.

The MOJ Draft for Comments may have certain implications on our acquisition of Hubei College and the registration of Hubei College as a for-profit private school or a non-profit private school. For more information, including the possible scenarios in relation to our acquisition of Hubei College, see "— Potential Implications of the 2016 Decision and the MOJ Draft for Comments — The MOJ Draft for Comments — Implications on Hubei College". See also "Risk Factors — Risks Relating to Our Business and Our Industry — Hubei College is required to satisfy certain requirements under the current form of the MOJ Draft for Comments if it chooses to register as a non-profit private school, which may subject Hubei College to operational risks." and "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to register Hubei College as a for-profit private school or complete relevant procedures or obtain the government registrations under the current form of the MOJ Draft for Comments".

Enrolment, Capacity and Utilisation

The table below sets forth enrolment statistics of Hubei College for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years:

	Student enrolment(1) for the school year			
	2014/2015	**2015/2016**	**2016/2017**	**2017/2018**
Bachelor's degree programmes	6,649	6,364	6,138	6,144
Junior college diploma programmes	1,174	1,008	1,361	1,645
Total	7,823	7,372	7,499	7,789

Note:

(1) As Hubei College's school year typically ends in late June or early July, we present student enrolment statistics as of 30 June for the 2014/2015, 2015/2016 and 2016/2017 school years. We present student enrolment statistics as of 28 February for the 2017/2018 school year.

Hubei College had the capacity to accommodate 7,944, 7,944, 9,289 and 9,289 students with its dormitories for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, respectively. Its utilisation rate, which is defined as its actual student enrolment divided by its capacity, was 98.5%, 92.8%, 80.7% and 83.9%, respectively, for the same school years. The following table sets forth the admission quotas of Hubei College's higher education programmes for the school years indicated:

	Admission quota for the school year			
	2014/2015	**2015/2016**	**2016/2017**	**2017/2018**
Hubei College				
Bachelor's degree programmes	1,670	1,684	1,710	1,710
Junior college diploma programmes	660	660	760	760
Total	2,330	2,344	2,470	2,470

Tuition Fees and Boarding Fees

For the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018, Hubei College derived all of its revenue from tuition fees and boarding fees it collected. Hubei College requires students to pay tuition fees and boarding fees for the entire school year upfront. It recognises revenue proportionately over a 12-month period of the school year. Tuition fees determined by Hubei College are subject to the approval of the relevant local NDRC branch. Any increase in Hubei College's tuition fee rate is only applicable to the incoming first year students and the tuition fee rate for the existing students remains the rate they paid for their first year throughout the course of the relevant programmes. The following table sets forth the listed tuition fees of Hubei College applicable to newly admitted students for the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years:

	Tuition fees applicable to newly admitted students for the school year			
	2014/2015	**2015/2016**	**2016/2017**	**2017/2018**
		(in RMB)		
Bachelor's degree programmes	11,000-15,000	12,900-15,900	12,900-15,900	12,900-15,900
Junior college diploma programmes	7,500	7,500	7,500	7,500

Boarding fees are generally received prior to the beginning of each school year. During the Track Record Period, boarding fees applicable to newly admitted students for the school year for Hubei College ranged from RMB1,100 to RMB1,200 per school year, depending on the room size and number of students housed in each room.

Hubei College's tuition fees and boarding fees refund policies are similar to those of our colleges. For the 2014/2015, 2015/2016, 2016/2017 and 2018/2018 (as of 28 February 2018) school years, the number of students dropped out of Hubei College was 3, 8, 13 and 11, respectively. For the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018, the amount of tuition fees and boarding fees refunded to students by Hubei College was nil, RMB26.0 thousand, RMB81.6 thousand and RMB104.7 thousand, respectively. The following table sets forth the average tuition fees per student for these two types of programmes as well as the average boarding fees per student for Hubei College for the school years indicated:

	Average tuition fees for the school year			
	2014/2015	**2015/2016**	**2016/2017**	**2017/2018**
	(in RMB)			
Hubei College				
Bachelor's degree programmes	9,018	12,612	13,221	13,581
Junior college diploma programmes	5,649	8,817	8,703	7,560
Average boarding fees	807	1,158	879	921

Teachers

Hubei College has a dedicated team of full-time and part-time teachers. The management of Hubei College independently conducts recruitment programs for new teachers and manages its teaching staff. As of the Latest Practicable Date, Hubei College had 295 full-time and part-time teachers. The following table sets forth the number of teachers at Hubei College for the school years indicated:

	Number of teachers for the school year			
	2014/2015(1)	**2015/2016**(1)	**2016/2017**(1)	**2017/2018**(2)
Hubei College				
Full-time	201	180	180	178
Part-time	83	89	102	107
School subtotal	284	269	282	285

Notes:

(1) As of 31 August of the school year.

(2) As of 28 February of the school year.

The following table sets forth the teacher-to-student ratio, taking into account both full-time and part-time teachers, for Hubei College for the school years indicated:

	For the school year			
	2014/2015(1)	**2015/2016**(1)	**2016/2017**(1)	**2017/2018**(2)
Hubei College	1:27.5	1:27.4	1:26.6	1:27.3

Notes:

(1) Calculated with the number of students as of 30 June and the number of teachers as of 31 August of the school year.

(2) Calculated with the number of students and the number of teachers as of 28 February of the school year.

Curriculum and Degrees

Hubei College currently offers 25 bachelor's degree programmes and 11 junior college diploma programmes. Hubei College is organised into 13 schools and departments, namely School of Resource Exploration and Engineering, School of Petroleum and Chemical Engineering, School of Information Engineering, School of Mechanical Engineering, School of Urban Construction, School of Management, School of Foreign Languages, Department of Basic Education, Department of Physical Education, Department of Ideological and Political Theory Education, Institute of New Technology on Petroleum, Information Technology Research Institute and Applied Chemistry Institute. Hubei College currently offers over 400 public courses, basic courses, specialised courses and elective courses. As a general principle, the college requires all students to take core courses, such as advanced mathematics and college English, to hone certain foundational skills that are transferrable across industries. Outside the core courses, the college offers an array of major programmes with its primary focus on engineering and petroleum-related programmes. During the Track Record Period, Hubei College had one comprehensive reform experimental major, one strategic emerging industry talent development undergraduate majors, and two high-quality course development projects that are recognised by provincial authorities.

Career Training and Graduate Employment

Hubei College provides career training programmes and workshops to its students to prepare them for their careers. In 2006, Hubei College established the student career services office and the school-enterprise collaboration committee to facilitate the communication between employers and graduates by organising various recruitment events, such as resume collection, campus visits by employers and on-campus job fairs. Hubei College has established practical training centres and partnered with large enterprises to set up joint programmes, some of which had tailored curricula or internship programmes to satisfy the specific needs of each enterprise. In some of these joint programmes, the enterprises selected a certain number of students from Hubei College and subsidised those selected students. Once these students completed their training from these joint programmes, they were required to work for the enterprises for a certain period of time, typically one year. In these internship programmes, students use their knowledge learned in classroom to solve real-world problems and receive first-hand instructions and advice from senior employees of the enterprises. These joint programmes help students improve their practical skills and cultivate their creativity.

For the 2014/2015, 2015/2016 and 2016/2017 school years, Hubei College's initial employment rate was 90.7%, 92.0% and 93.7%, respectively, for bachelor's degree programmes and 95.2%, 98.0% and 97.5%, respectively, for junior college diploma programmes.

School Facilities

The current main campus of Hubei College encompasses approximately 248,000 sq.m.. Located in the historical and cultural city of Jingzhou, the campus provides students with an enjoyable environment and pleasant scenery with a beautiful lake surrounded by lush green trees. Hubei College currently also has a satellite campus in Wuhan, which accommodates a small proportion of its students. As part of its relocation plan, Hubei College has not admitted new students to its Wuhan campus starting from the 2017/2018 school year. Upon graduation of all current students at the Wuhan campus, Hubei College plans to cease operations at that campus. Hubei College has a variety of campus facilities, such as classroom buildings, a laboratory building, a library, apartment buildings, track and field, a gymnasium, a theatre and restaurants. Hubei College strives to provide comfortable living conditions for its students. School dormitories have independent bathrooms and balconies, as well as a variety of furniture and home appliances such as computer desks, wardrobes, water heaters and drinking fountains. Wireless network, supermarkets, restaurants and canteens, telecommunication services, express delivery services, healthcare services, among others, can all be found on campus.

Hubei College plans to build a new campus in Jingzhou, Hubei Province, which encompasses approximately 660,000 sq.m. The new campus is designed to have various campus facilities, such as classroom buildings, laboratory buildings, libraries, apartment buildings, dining and living facilities and office buildings, as well as amenities to meet the needs of Hubei College's students. In January 2018, the School Sponsor, Hubei College and the Management Committee of Jingzhou High Technology Industrial Park (荊州高新技術產業園區管理委員會) entered into a definitive agreement with respect to, among other things, the land use rights of the land underlying the new campus for a consideration of approximately RMB114 million payable by Hubei College, which had not been paid as of the Latest Practicable Date (see also "– Additional College to Be Acquired by Our Group"). Hubei College plans to start construction of buildings at the new campus after it receives the land use right and other permits required for its construction projects. The management of Hubei College expects the new campus to be in operation within two years.

In addition, Hubei College has acquired the land use rights of a plot of land in Xianning, Hubei province, with a site area of approximately 333,200 sq.m. A number of school buildings and facilities have been constructed on this site but have not been put to operation. As of the Latest Practicable Date, the management of Hubei College had not determined the use of these buildings and facilities but intended to obtain the proper title certificates prior to commencing their operations.

EXPANSION PLANS

In order to continuously increase our total enrolment, we plan to acquire additional land use rights and construct new educational and living facilities. The following table sets forth our current expansion plans for each of our current colleges as well as Hubei College based on our management's present expectation, which are subject to various risks, assumptions and uncertainties, including but not limited to the possibility that we may not complete our acquisition of Hubei College as soon as we expect, or at all. There is no assurance that our actual expansion will not deviate from our current expansion plans. The MOJ Draft for Comments may have certain implications on our expansion plans. For more information, see "— Our Business Strategies — Expand our market coverage and market share". 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. In the event of any 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.

We consider that the increase in capacity under the expansion plan is essential to accommodate our growth strategy of increasing student enrolment going forward. Each of our colleges generally requires its students to live on campus in dormitories. Therefore, a college's student enrolment is largely limited by the capacity of its student dormitories. In particular, for the 2017/2018 school year, the overall utilisation rate of our colleges reached a relatively high level of 90%. Taking into account of the gender specificity of our student dormitories and the gender mix of our students, there is currently limited capacity for a significant growth in student enrolment. We expect to increase the capacity of our colleges progressively to strike a reasonable balance between student enrolment and utilisation. Although the number of student enrolments in private higher education in Central China is expected to grow at a CAGR of only 3.7% from 2017 to 2022 according to Frost & Sullivan, we believe as we commit substantial resources to improve our education quality and strengthen our reputation, including strengthening our academic programmes, making significant investments in scientific research and cooperating with public universities to expand our course offerings, we will be able to compete more effectively for student enrolments in Central China. We believe the planned increase in capacity is appropriate and will enable our colleges to grow sustainably. We also consider that private education in Henan Province, where our colleges are located, is among the provinces in Central China with the highest growth potential in education. In particular, according to official statistics, Henan Province ranked first in term of registered population and fifth in terms of GDP among all provincial administrative regions in China in 2017. According to official statistics, the number of college entrance exam takers in Henan Province reached nearly one million in 2018, which also ranked the first among all provincial administrative regions in China. In addition, according to official statistics, the gross enrolment ratio ("**GER**") of higher education in Henan Province was only 36.5%, 38.8% and 41.78% in 2015, 2016 and 2017, respectively, which has always lagged behind than the national GER of higher education in China of 40.0%, 42.7% and 45.7% in 2015, 2016 and 2017 respectively, signifying ample room for growth. Furthermore, according to the 13th Five-year Plan for National Education Development (國家教育事業發展"十三五"規劃), higher education has entered into a stage of popularization and the GER should reach 50% in 2020. On this basis, we expect that in the long term, provincial government will continuously step up its efforts in developing higher education, which we believe will necessitate a corresponding increase in the number of admission quota in order to accommodate growth and improve GER. By executing our expansion plans, our colleges will be well positioned to capitalise on the opportunities presented by such policy-driven development. In approving admission quota, we understand that the relevant education authorities will comprehensively assess the school's capacity, facilities, education quality, industry reputation and student employment rate. We consider that, given our track record of delivering quality private higher education and industry reputation, the education authorities in the PRC will be receptive to our application for increasing admission quota provided that we are able to demonstrate that we have sufficient school capacity, appropriate facilities available and quality education programmes to offer, which are among the key objectives of our expansion plans.

College	Land	Cost for land use right	Facilities	Cost for facilities	Expected time line	Expected breakeven period	Capacity after expansion
Shangqiu University	Shangqiu University encompasses approximately 884,000 sq.m, of which approximately 133,000 sq.m. are currently vacant and reserved for building new student dormitories and teaching facilities; we are also in the process of acquiring the land use right for approximately 100,000 sq.m. of land	Fully paid	A library, a stadium, laboratories and other teaching facilities, staff dormitories and student dormitories and improvement in landscape and environment	Approximately RMB100 million, which is expected to be primarily funded by the proceeds from the Global Offering and our internal funding	1st half of 2019	Approximately 2.5 years	26,000, an increase of approximately 19% from its current capacity
Anyang University	We are in the process of acquiring the land use right for approximately 400,000 sq.m. of land	Approximately RMB120 million, of which approximately RMB50 million had been paid as of the Latest Practicable Date and approximately RMB70 million is expected to be primarily funded by our internal funding	Student dormitories, classrooms and other teaching facilities	Approximately RMB140 million, which is expected to be primarily funded by the proceeds from the Global Offering	2020	Approximately 3 years	28,000, an increase of approximately 36% from its current capacity
Shangqiu University Kaifeng Campus	We are in the process of acquiring the land use right for approximately 200,000 sq.m. of land	Fully paid other than a final instalment of RMB10 million, which is expected to be primarily funded by our internal funding	Library, sport facilities and other teaching facilities and student dormitories	Approximately RMB110 million, which is expected to be primarily funded by the proceeds from the Global Offering and our internal funding	2022	Approximately 7-8 years	12,000, an increase of approximately 53% from its current capacity
Hubei College	Hubei College has entered into a definitive agreement to acquire the land use right for its planned new campus in Jingzhou encompassing approximately 660,000 sq.m.	Approximately RMB114 million, all of which had not yet been paid as of the Latest Practicable Date, which is expected to be primarily funded by the proceeds from the Global Offering and our internal funding	A full range of teaching and living facilities including, among others, student dormitories, classrooms, libraries, office buildings, dining halls and sports facilities	Approximately RMB600 million, which is expected to be primarily funded by retained earnings of our Group and Hubei College	1st phase (2018-2019) and 2nd phase (2019-2021) (see also "– Additional College to Be Acquired by Our Group")	Approximately 8-10 years	12,000, an increase of approximately 29% from its current capacity

The planned increase in capacity for each of our colleges and Hubei College is primarily premised on the considerations below:

Shangqiu University. Shangqiu University has relatively mature operations, thus we expect that its student enrolment growth rate will be in line with industry average. Taking into account the student enrolment for the 2018/2019 school year, the expected growth and existing capacity, we currently expect that an increase in capacity by 19% will be sufficient to accommodate the growth of Shangqiu University in the next four years.

Anyang University. Starting from the 2016/2017 school year following the termination of our cooperation with Anyang Normal University, Anyang University no longer allocates any of its admission quota to the campus managed by Anyang Normal University, which has the effect of increasing student enrolment by approximately 5,000 during a four-year period from the 2016/2017 school year through to the 2019/2020 school year. Prior to the 2016/2017 school year, up to 5,000 students enrolled in the campus managed by Anyang Normal University were admitted under such allocated admission quota. These students do not study at Anyang University and do not utilise any campus resources or capacity of Anyang University. Starting from the 2016/2017 school year, as such students graduate, the allocated admission quota used by such students would become available for Anyang University to enrol its own students, who will study at Anyang University and utilise the campus resources and capacity of Anyang University. Therefore, on the basis that it will take a maximum of four years (being the duration of the longest programme enrolled by such students) for all such 5,000 students to graduate, we will be able to increase our admission quota by approximately 5,000 during a four-year period from the 2016/2017 school year through the 2019/2020 school year. This represents a significant headroom for growth in our student enrolment during such four-year period. In recent years, Anyang University's admission quota has generally been close to full utilisation primarily due to the high student demand for Anyang University's programmes. We believe that such demand, in particular for bachelor's degree programmes, will continue to grow as Anyang University further improves its education quality, ranking, industry reputation and marketing efforts, to the extent that the student demand for Anyang University's programmes will maintain at a level similar to, or exceeding, the admission quota available. Furthermore, as the 5,000 admission quota is split between bachelor's degree programmes and junior college diploma programmes and will become available to Anyang University over a four-year period, we believe, given the student demand for Anyang University's programmes is expected to continue, Anyang University will able to maximise the relatively moderate increment of admission quota for each school year from the 2016/2017 school year through the 2019/2020 school year. See also "– Our Colleges – Enrolment, capacity and utilisation". On this basis, we expect that the student enrolment growth rate of Anyang University in the next few years will be moderately higher than industry average. Taking into account the student enrolment for the 2018/2019 school year, the expected growth and existing capacity, we currently expect that an increase in capacity by 36% will be sufficient to accommodate the growth of Anyang University in the next four years.

Shangqiu University Kaifeng Campus. Shangqiu University Kaifeng Campus is still in a development stage and is experiencing a fast growth. From the school year 2014/2015 to the school year 2017/2018, its student enrolment increased at a CGAR of approximately 79.0%. We expect that such growth trend will continue at a rate considerably higher than industry average. In addition, as the operations of Shangqiu University Kaifeng Campus mature to meet the criteria of a Private HEI under relevant PRC laws and regulations, including the Higher Education Law of the PRC (《中華人民共和國高等教育法》), the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) and its implementation rules, the Interim Regulations on Establishment of Ordinary Higher Education Institution (《普通高等學校設置暫行條例》) and Interim Provisions on Establishment of Ordinary Undergraduate Schools (《普通本科學校設置暫行規定》), with respect to, among other things, its name (and what it represents), category, scale and school operating conditions, we will contemplate the possibility of applying to the relevant education authorities to establish a Private HEI to carry on the operations of Shangqiu University Kaifeng Campus as an independent legal entity. The establishment of such Private HEI should also align with the development policy directives in the PRC from time to time. The application for such establishment is subject to MOE approval and comprehensive assessments by MOE appointed experts but does not have a definitive timeframe. When such establishment materialises, the newly established Private HEI entity will assume the operations of Shangqiu University Kaifeng Campus and have its own independent admission quota and student enrolment system that will no longer be shared with or reliant on Shangqiu University. Such establishment is in turn expected to result in student enrolment growth rate of the established Private HEI significantly higher than industry average for the next few years after establishment. We believe that such establishment would be conducive to the development of the operations of Shangqiu University Kaifeng Campus in the long term, and we will, in due course, comprehensively assess the pros and cons with a view to making a fully informed decision in the interests of the Company and its Shareholders as a whole. Taking into account the student enrolment for the 2018/2019 school year, the expected growth and existing capacity, we currently expect that an increase in capacity by 53% will be sufficient to accommodate the significant increase in student enrolment in the next four to five years as the operations of Shangqiu University Kaifeng Campus continue to mature at a fast pace. The expansion plan is also intended to prepare Shangqiu University Kaifeng Campus to meet the criteria of a Private HEI under relevant PRC laws and regulations and to cater for the capacity requirements in the event a Private HEI is established to carry on the operations of Shangqiu University Kaifeng Campus.

Hubei College. The headroom for student enrolment growth of Hubei College is part limited by the existing campus that belongs to Yangtze University. As the new campus is still under development and a relocation of students from the existing campus to the new campus will be involved, we expect that the student enrolment will gradually increase at a rate moderately lower than industry average during the initial operations of the new campus of Hubei College. Taking into account the student enrolment for the 2018/2019 school year, the expected growth and existing capacity, we currently expect that an increase in capacity by 29% will be sufficient to accommodate the growth of the operations of Hubei College on the new campus in the next four years.

STUDENT RECRUITMENT

Our colleges participate in the PRC national and local admission scheme pursuant to which graduating high school students nationwide submit college applications to several universities of their choice based on the scores they achieved in the PRC National Higher Education Entrance Exam. Each province in the PRC sets its own minimum entrance exam scores for different academic programmes, and the universities in each province then evaluate and admit prospective students based on their entrance exam scores and preference rankings of different universities.

Our new student enrolment has historically been driven primarily by word-of-mouth referrals. We believe we generally have a good reputation in providing high quality education services among our students and their parents. In addition, after over 13 years of operations, we have built a highly engaged and vibrant community of alumni, who we believe have an emotional connection to our colleges and are passionate in helping us attract outstanding students. Other than referrals, we also employ a range of marketing and recruiting methods to attract students and increase enrolment at our colleges, such as information sessions, advertisements and brochures.

During the recruitment season, each college forms a temporary student recruitment team. The recruitment team members visit high schools in major cities in Henan Province to hold information sessions and recruitment events.

We also utilise new and targeted marketing techniques, such as Weibo, WeChat and online advertising, targeting potential students and their parents and offering individual informational meetings. Shangqiu University and Anyang University each run a WeChat public account that publishes news and events about the college from time to time.

Our recruitment efforts, coupled with the quality and reputation of our education programmes, have helped us achieve high admission yields. For example, for the 2017/2018 school year, the overall yield of our three colleges, as defined by the number of students who enrolled in a programme divided by the number of students who were admitted in that programme, was 91.2% for our bachelor's degree programmes.

OUR TEACHERS

We believe that our team of experienced and dedicated teachers are crucial to our success. As an operator of private schools, we can provide better incentives to qualified teachers who fit our hiring criteria. Teachers are the key to maintaining high-quality educational programmes and services as well as maintaining our brand and reputation. Our aim is to continue hiring teachers with a strong command of their respective subject areas who are open to innovative teaching methods and a caring heart towards students' well-being. We believe using innovative methods of teaching is a crucial skill for teachers that can significantly enhance the student learning process. Innovative methods of teaching include: (i) the ability to teach students visualisation skills to help them understand, recall and think critically about the subjects they study, (ii) wisely managed classroom technology with the appropriate use of computers, tablets, digital camera and video conferencing technology to enhance a student's learning experience, and (iii) the use of active learning methods involving peer instructions, engaging discussion groups and collaborative problem solving. We also value the awards and recognition bestowed upon our teachers who have achieved teaching excellence. As of 28 February 2018, we had 1,094 full-time teachers, 99.7% of whom had bachelor's degrees or above, and approximately 77.9% of whom had master's degrees or above. As of 28 February 2018, we also had 624 part-time teachers. The following table sets forth the number of teachers at each of our colleges for the school years indicated:

	Number of teachers for the school year			
	2014/2015(1)	**2015/2016**(1)	**2016/2017**(1)	**2017/2018**(2)
Shangqiu University				
Full-time	267	308	449	591
Part-time	215	230	237	251
School subtotal	482	538	686	842
Anyang University				
Full-time	224	283	318	335
Part-time	215	246	272	285
School subtotal	439	529	590	620
Shangqiu University Kaifeng Campus				
Full-time	21	31	69	168
Part-time	15	30	61	88
School subtotal	36	61	130	256
Total	957	1,128	1,406	1,718

Notes:

(1) As of 31 August of the school year.

(2) As of 28 February of the school year.

The following table sets forth the teacher-to-student ratio, taking into account both full-time and part-time teachers, for each of our colleges and our Group as a whole for the school years indicated:

	For the school year			
	2014/2015(1)	**2015/2016**(1)	**2016/2017**(1)	**2017/2018**(2)
Anyang University	1:35.6	1:34.4	1:28.3	1:22.9
Shangqiu University	1:26.0	1:26.0	1:31.1	1:31.5
Shangqiu University Kaifeng Campus	1:31.2	1:36.3	1:34.2	1:25.1
Group	1:31.0	1:30.6	1:30.0	1:26.3

Notes:

(1) Calculated with the number of students as of 30 June and the number of teachers as of 31 August of the school year.

(2) Calculated with the number of students and the number of teachers as of 28 February of the school year.

As advised by our PRC Legal Adviser, the teacher-to-student ratio of our colleges should be maintained at a level of not less than 1:18 in accordance with applicable rules and regulations in the PRC, and each of our colleges, namely, Anyang University, Shangqiu University and Shangqiu University Kaifeng Campus, had not complied with such prescribed ratio during the Track Record Period. As advised by our PRC Legal Adviser, the teacher-to-student ratio is one of the basic school operating condition indicators (基本辦學條件指標) under the relevant PRC regulations; in the event that one of the basic school operating condition indicators of a college does not meet the relevant regulatory requirement, the college shall receive a yellow card issued by competent authority and its student admission will be subject to certain restrictions; and in the event that a college receives a yellow card for three consecutive years, it shall receive a red card issued by competent government authority and its student admission will be subject to suspension. With a view to understanding whether the teacher-to-student ratio at our colleges below such level would have any adverse effect on our school operations, in April 2018, we, with the assistance of our PRC Legal Adviser, consulted an official of the Development Planning Office of Henan Provincial Department of Education (河南省教育廳發展規劃處). During such consultation, we were given to understand that such situation is to a certain extent common in private higher education institutions and as our colleges have been proactively improving the situation, the authority has not issued any yellow or red card to any of Anyang University, Shangqiu University or Shangqiu University Kaifeng Campus and will not impose on our colleges any penalty or limitations on student enrolment or school operations. As advised by our PRC Legal Adviser, the Development Planning Office of Henan Provincial Department of Education (河南省教育廳發展規劃處) is a competent authority and the official interviewed had appropriate authority to give the relevant confirmations during the interview. In addition, our colleges had passed all annual inspections conducted by the relevant education authorities during the Track Record Period. Each of our colleges has also obtained confirmation from competent education authorities confirming that there was no record of administrative penalty imposed on the college as a result of any breach of PRC laws and regulations. Our executive Directors have also confirmed that none of our colleges has received any yellow or red card from, or been subject to any form of administrative penalty by, competent authorities in relation to its compliance with the teacher-to-student ratio.

Based on the foregoing, our PRC Legal Adviser is of the view that our teacher-to-student ratio as set out above would not constitute material breach under the standard of relevant PRC laws and regulations of our Group as a whole.

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. Our teacher-to-student ratio for each of our colleges has consistently improved since the 2015/2016 school year. 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 student enrolment and the complexity of our course offerings. Our efforts include (i) attracting and recruiting young and middle aged teachers (中青年教師) to fill appropriate roles in our schools; such teachers are considerably more cost-effective and abundant in the market; (ii) recruiting part-time teachers with more experience and lecturer or above designation to deliver subject-specific and technical lectures of our colleges with flexible and variable work schedule and commitment; and (iii) approaching and recruiting experienced and technical staff currently under the employment of enterprises to come work for us as qualified laboratory and experimental teachers (實驗實訓課教師). 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.

Each of our Directors (other than our independent non-executive Directors) has confirmed that the non-compliance with the teacher-to-student ratio (i) does not involve any fraud or dishonesty; (ii) has not resulted in any compromise to the education quality of the relevant schools in any material respects; and (iii) has not interfered with the normal operations of the relevant schools in any material respects. Having considered the relevant facts and circumstances, the fact that we have not encountered any administrative penalty or material disputes in relation to the non-compliance, and the view of our PRC Legal Adviser that it would not constitute a material breach under the standard of relevant PRC laws and regulations of our Group as a whole, our Directors are of the view that such non-compliance (together with any other non-compliance incidents identified in this document) does not affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to its attention that would lead it to cast doubts on the views of our Directors above.

The following table sets forth a breakdown of our full time teachers in terms of education qualification for the school years indicated:

	For the school year			
Highest academic degree obtained	**2014/2015(1)**	**2015/2016(1)**	**2016/2017(1)**	**2017/2018(2)**
Doctoral degree	1	1	6	10
Master's degree	414	522	642	842
Bachelor's degree	97	99	188	239
Others	–	–	–	3
Total	512	622	836	1,094

Notes:

(1) As of 31 August of the school year.

(2) As of 28 February of the school year.

The following table sets forth a breakdown of our full time teachers in terms of their years of working experience in the higher education industry as of 28 February 2018:

	Shangqiu University		Anyang University		Shangqiu University, Kaifeng Campus		Group	
	Number	**%**	**Number**	**%**	**Number**	**%**	**Number**	**%**
More than 10 years	205	34.7	22	6.6	37	22.0	264	24.1
5 to 10 years	114	19.3	127	37.9	6	3.6	247	22.6
Less than 5 years	272	46.0	186	55.5	125	74.4	583	53.3
Total	591	100.0	335	100.0	168	100.0	1,094	100.0

Teacher Recruitment

We recruit teachers based on the size of our current student enrolment and the number of newly admitted students at the beginning of each school year. Before hiring each teacher, we typically consider his or her prior teaching experience, academic record, graduation certificate and reference letters. We generally conduct two rounds of interviews. The first round consists of a written exam and a simulated lecture. The second round is an interview conducted by school principals, the human resources department, the office of academic affairs, the teaching enhancement office and other offices of the relevant college. We also conduct background check for our candidates during the recruiting process. We generally hire outstanding recent graduates from colleges or graduate schools. We also hire competent teachers laterally from other public and private schools in the PRC. In particular, we actively recruit experienced professors recently retired from public universities and other institutions. As of the Latest Practicable Date, except in the case of new teachers waiting to take the next available qualification exam, all the PRC teachers who teach courses in our colleges possessed valid teacher qualification certificates (教師資格證) issued by the PRC government. As of the Latest Practicable Date, all foreign teachers who teach courses in our colleges held valid foreign expert certificates (外國專家證) issued by the PRC government.

We aim to optimise our employee structure by increasing the quality and diversity of our workforce. We carefully evaluate various aspects of prospective employees, including their academic degrees, graduating schools, titles and work experience. For example, we believe that recruiting teachers who graduated from a wide range of different high-quality universities encourages intellectual exchange and helps expose our students to different academic approaches.

Teacher Training

We provide our teachers with several types of trainings to improve their abilities. We have a group-level teaching enhancement office, which supervises teacher training across our colleges. Newly hired teachers undergo mandatory training programmes that cover, among others, teaching skills and techniques, teacher management policies, and education theories. We also provide continuing training for our teachers so that they can stay abreast of the changes in student demands, new teaching theories and/or methodologies, changing testing standards and other trends. In addition, we have also established a number of exchange programmes with enterprises so that our teachers can have the opportunity to study or do conduct research both in China and abroad.

In order to expose our teachers to the latest technological developments in various industries, we also periodically invite industry experts to provide trainings to our teachers and at the same time provide our teachers with the opportunity to train or work in enterprises. To improve its teachers' practical skills, Shangqiu University Kaifeng Campus is developing a mandatory training programme for teachers that are recent university graduates. Under this programme, teachers are required to work in enterprises or production workshops to gain hands-on experience in the relevant industries. We believe that our teaching staff can gain valuable knowledge and insights from these trainings.

Teaching Performance Evaluations

To ensure the quality of the educational services we provide to our students, we periodically monitor and evaluate our teachers' teaching quality. Each of our colleges has established a college-level department to be responsible for the overall teaching quality supervision and evaluation and formulating a number of quality standards governing all aspects of our teaching activities. Each college also has a team of teaching supervisors. These supervisors periodically conduct teaching evaluations, which include in-class observations, evaluation of our teachers' class preparation and/or the effectiveness of their classroom instructions. The evaluations generally focus on teachers' moral qualities, teaching capabilities and subject matter expertise, work attitude, teaching results in terms of various targets and personal character. As an important part of the evaluation process, we encourage our students to complete teacher evaluations and teaching satisfaction surveys at the end of each semester or school year and periodically organise meetings with students to understand their views on teachers' performance. Such survey results are given a large weight in the final evaluation result. We may take into consideration the performance of each teacher when making decisions regarding their compensation. We generally award teachers who receive outstanding performance reviews. For those teachers that fail to meet our rigorous standards, we generally talk to those teachers and help them make new plans, improve teaching methods, guide them to revise classroom instructions and improve their overall teaching ability. We allow them to improve their performance within a certain period of time. If they still cannot satisfy our rigorous requirements, we will move them to non-teaching positions or, if necessary, dismiss them. We believe we offer compensation to our teachers that is competitive relative to that offered by public schools in the same areas where our colleges are located. Compensation typically includes a base salary, hourly rates, subsidies and a performance bonus, which is generally based on the teaching quality, scientific research achievements, work attendance and other factors.

CAMPUS SERVICES

We make available campus services to our students. Meal catering services and medical care services represent the two major services ordinarily required by our students.

During the Track Record Period and up to November 2017, we cooperated with a company beneficially owned by Mr. Hou and Ms. Jiang to provide meal catering services for the benefit of our students in our colleges. No payment of fees was involved in such cooperation. It was not our Group's intention to carry on any meal catering services as the provision of such services does not form a core part of our operations. Therefore, with a view to aligning and rationalising our business objectives, such meal catering service company was not injected into our Group. We also ceased cooperation with such meal catering service company to delineate our operations from Mr. Hou, being our Controlling Shareholder. We began cooperating with an Independent Third Party meal catering service company on normal commercial terms in November 2017. Pursuant to such cooperation, we will receive approximately RMB3.5 million in aggregate annually as management fee from such third party meal catering service company for using our premises at Shangqiu University, Anyang University and Shangqiu University Kaifeng Campus to provide meal catering services to our students. On this basis, we estimate that we would have received an additional amount of approximately RMB3-3.5 million in the form of management fee income for each of the three years ended 31 August 2017 and approximately RMB0.9 million for the six months ended 28 February 2018, if we were to charge management fee on normal commercial terms from a third party meal catering company. We generally require any of our catering providers to obtain relevant licences and permits required by the applicable laws and regulations. To ensure the food quality and safety, we oversee the meal catering services and inspect the daily operations of the dining halls.

Each of Shangqiu University and Anyang University operates a medical centre and provides medical care services to our students. As advised by our PRC Legal Adviser, we have obtained the relevant licences and permits required for operating these medical centres as required under applicable laws and regulations.

In certain serious and emergency medical situations, we will send our students to local hospitals for treatment. In addition to medical care services, on-campus psychological counselling service is also available at our colleges. The counselling service provides support for our students and helps them overcome any difficulty or concern, whether it is related to study, future career or personal matters, they may be experiencing, develop emotional resilience and enable them to fulfil their academic and personal potential.

See "Risk Factors — Risks Relating to Our Business and Our Industry — Our business and reputation could be materially and adversely affected in the event of incidents resulting from quality issues of our catering or medical services."

POTENTIAL IMPLICATIONS OF THE 2016 DECISION AND THE MOJ DRAFT FOR COMMENTS

The 2016 Decision

Overview

On 7 November 2016, the 2016 Decision, namely the Decision on Amending the Law for Promoting Private Education of the PRC (《關於修改<中華人民共和國民辦教育促進法>的決定》) was approved by the Standing Committee of the National People's Congress, which became effective on 1 September 2017. The 2016 Decision has made certain amendments to the Law for Promoting Private Education. According to the 2016 Decision, school sponsors of private schools can choose to establish schools as non-profit or for-profit entities, with the exception of schools providing compulsory education, which can only be established as non-profit entities. For details of the amendments pursuant to the 2016 Decision, including the major differences between non-profit schools and for-profit schools, please refer to "Regulations — 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 document.

Implications

The 2016 Decision may have the following implications for our business:

Election of For-profit or Non-profit Status

Each of our schools is required to elect to be treated as a for-profit school or a non-profit school within a transitional period determined by the local government authorities. As of the Latest Practicable Date, we had not made a definitive decision with regard to the status of any of our schools. The 2016 Decision is silent on specific measures regarding how existing private schools can elect to become for-profit schools or non-profit schools, which, according to the 2016 Decision, shall be further clarified by relevant regulations to be promulgated by the local government authorities. On December 20, 2017, Hubei Municipal Government promulgated the Implementation Opinions of Hubei Government on Promoting the Healthy Development of Private Education (《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 "**Hubei Implementation Opinions**"). On 2 February 2018, Henan Municipal Government promulgated the Implementation Opinions of Henan Government on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見》) (the "**Henan Implementation Opinions**"). Pursuant to the Hubei Implementation Opinions and the Henan Implementation Opinions, school sponsors of private schools are allowed to register and operate the schools as for-profit private schools or non-profit private schools. After obtaining the permit for operating a private school, non-profit schools shall apply to local counterparts of the Ministry of Civil Affairs of the PRC for the registration, while for-profit private schools shall apply to local counterparts of SAIC for the registration. Schools shall finish the re-registration procedure in principle before 1 September 2020. The relevant departments of the provincial government authorities and the government of all municipalities and counties shall formulate the detailed rules to promote the aforesaid classification registration reform. As of the Latest Practicable Date, as advised by our PRC Legal Adviser, the detailed requirements and policies regarding the application procedures have not been formulated in Henan or Hubei province. On 19 January 2018, we and our PRC Legal Adviser conducted an interview with the Henan Ministry of Education and the officer confirmed that the Henan implementation rules on the new classification system under the Amendment are expected to be published in 2018, but schools will not be required to choose to register as for-profit or non-profit private school immediately upon the publication of implementation rules. There will be a transition period of no less than five years, during which schools may operate in their current conditions. On 15 January 2018, we and our PRC Legal Adviser conducted an interview with the Hubei Ministry of Education and the officer confirmed that the Hubei implementation rules on the new classification system under the 2016 Decision have not been published yet. Upon their publication, schools will be entitled to a transitional period to complete the re-registration progress. However, the exact time when the Hubei implementation rules will be published and when the relevant authorities will begin accepting re-registration applications remains to be considered and confirmed by relevant government authorities. As a result, the exact timing for our schools to make the election between for-profit schools and non-profit schools remains uncertain.

Contractual Arrangements

Our PRC Legal Adviser has advised us that, the 2016 Decision has no material impact on the Contractual Arrangements. The 2016 Decision does not prohibit the operation of higher education in the PRC through the Contractual Arrangements, and does not prohibit payment of service fees by private schools to their service providers, including the payment of fees pursuant to the Contractual Arrangements. However, the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》), the Foreign Investment Industries Guidance Catalogue (as amended in 2017) (《外商投資產業指導目錄(2017年修訂)》) and other relevant PRC laws and regulations continue to restrict the foreign operation of higher education to the form of Sino-foreign cooperation. Therefore, the Contractual Arrangements remain necessary for the operation of our schools in China.

Re-registration as For-profit or Non-profit Private Schools

Under the 2016 Decision, a private school electing to re-register as a for-profit school must carry out financial settlement procedures, clarify property ownership, pay relevant taxes and fees, and re-apply for registration. The specific registration requirements for existing private schools shall be formulated by the provincial governments. Pursuant to the Henan Implementation Opinion, Private HEIs in Henan Province shall complete the re-registration procedures by the end of year 2022. Despite the issuance of the Henan Implementation Opinions and the Hubei Implementation Opinions, the specific requirements, policies and procedures for re-registration as for-profit or non-profit private schools remain unclear in Henan and Hubei provinces. As such, we are unable to quantify the impact that the 2016 Decision may have on our business operations. For risks associated with the 2016 Decision and relevant new regulations in general, please refer to "Risk Factors — Risks Relating to Our Business and Our Industry — We are subject to uncertainties brought by the 2016 Decision and the MOJ Draft for Comments" of this document. We will closely monitor the progress of the promulgation of the implementation regulations and seek legal advice from our legal advisers from time to time before making any decisions in relation to the 2016 Decision (including any proposed election of status by any of our schools) and will update our Shareholders and investors in this regard by way of disclosure in announcement and/or annual/interim reports, as and when appropriate.

The MOJ Draft for Comments

Overview

On 20 April 2018, the MOE issued the MOE Draft for Comments, namely the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Comments) (《中華人民共和國民辦教育促進法實施條例(修訂草案)(徵求意見稿)》), to seek public comments, and on 10 August 2018, the MOJ issued the MOJ Draft for Comments based on a revised version of the MOE Draft for Comments, namely, the Draft Revision of the Regulations on the Implementation of the Law for Promoting Private Education of the PRC (the Draft for Examination and Approval) (《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)》), to seek public comments. The MOJ Draft for Comments 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 non-profit private school shall enjoy the same tax policies as that enjoyed by a public school and the relevant tax concession, and a for-profit school shall enjoy tax preferential treatments and other preferential policies applied to industries encouraged by the state for development, of which the specific provisions shall be formulated jointly by the administrative department for finance, taxation and other relevant administrative departments of the State Council; 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 give appropriate preferential treatment on charges for the assignment or rental of land, and may permit payment in instalments.

The MOJ Draft for Comments stipulates further provisions of the operation and management of private schools, such as our PRC Operating Schools and Hubei College. 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) a private school shall conduct any connected transactions in a manner that is open, justified and fair and shall establish disclosure mechanisms for such transactions. Any agreement involving material interests or any long-term and recurring agreement entered into between a non-profit private school and its connected party shall be reviewed and audited by the relevant government authorities in terms of necessity, legitimacy and compliance; and (iii) the registered capital of a for-profit private school providing higher diploma education shall be no less than RMB0.2 billion.

Implications on our PRC Operating Schools

Based on our current understanding and interpretation of the MOJ Draft for Comments, (i) there would not be any substantive implications on the legal framework of any of our PRC Operation Schools; and (ii) each of our PRC Operating Schools is expected to be grandfathered with respect to its election to register as a for-profit private school or a non-profit private school on the basis that the MOJ Draft for Comments recognises existing group school sponsoring operations and does not explicitly require private schools currently controlled by such sponsors to elect to register as for-profit private schools or non-profit private schools. We may be required to increase the registered capital of each of our PRC Operating Schools to no less than RMB0.2 billion should we register it as a for-profit private school. As of the Latest Practicable Date, Shangqiu University and Anyang University had a registered capital of RMB80,320,000 and RMB80,000,000, respectively. We consider that the amount required to increase the registered capital of each of the Shangqiu University and Anyang University to RMB0.2 billion is immaterial to the Group as a whole and would not adversely affect the financial position of our Group.

Implications on our expansion strategy

The MOJ Draft for Comments may have certain implications on our expansion strategy through acquisition. Our acquisition may be limited to for-profit private schools only. For a detailed discussion, please refer to "Business — Our Business Strategies — Expand our market coverage and market share".

Implications on Hubei College

According to our current understanding and interpretation of the MOJ Draft for Comments, the MOJ Draft for Comments may have certain implications on Hubei College, being an independent college of Yangtze University, electing to register as a non-profit private school or a for-profit private school in the future. Pursuant to the MOJ Draft for Comments, public schools shall not invest or participate in investing for-profit private schools while public schools are permitted to participate in investing non-profit private schools. As advised by our PRC Legal Adviser, if the Revision of the Implementation on 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 (修訂草案)》) (the "**Revision of the Implementation Rules**") is eventually adopted in the current form of the MOJ Draft for Comments and our acquisition of Hubei College is completed prior to the effective date of the MOJ Draft for Comments and the due date for Hubei College to register as a non-profit private school or a for-profit private school as required by the Education Department of Hubei Province (i.e., 1 September 2020), and if Hubei College chooses to register as a for-profit private school after relevant regulations and rules are promulgated, we may be required to terminate the cooperation with Yangtze University currently in effect and comply with the local implementation rules. Such termination is subject to further negotiations among the parties and MOE approval and we may need to pay certain termination fee. We do not currently have any definitive indication on how much the termination fee will be. There is also no assurance that we will be able to agree on a reasonable termination fee to proceed with the termination (see also "Risk Factors — Risk Relating to Our Business and Our Industry — We may not be able to successfully expand our business through acquisitions" and "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to register Hubei College as a for-profit private school or complete relevant procedures or obtain the government registrations under the current form of the MOJ Draft for Comments".

If the Revision of the Implementation Rules is eventually adopted in the current form of the MOJ Draft for Comments and our acquisition of Hubei College is completed prior to the effective date of the MOJ Draft for Comments and the due date for Hubei College to register as a non-profit private school or a for-profit private school as required by the Education Department of Hubei Province (i.e., 1 September 2020), and if we choose to register Hubei College as a non-profit private school with Yangtze University remaining as one of the school sponsors, we will be required to satisfy certain requirements in accordance with the MOJ Draft for Comments. See "Risk Factors – Risks Relating to Our Business and Our Industry – Hubei College is required to satisfy certain requirements under the current form of the MOJ Draft for Comments if it chooses to register as a non-profit private school, which may subject Hubei College to operational risks". Hubei College currently operates its campus facilities provided by Yangtze University and has planned to build a new campus in Jingzhou that will replace its existing campus. For more details, see "Business — Additional College to Be Acquired by Our Group". As advised by our PRC Legal Adviser, except for the forgoing, there is no substantial legal impediment for Hubei College to comply with other requirements under the MOJ Draft for Comments should it register as a non-profit private school. Our Directors are of the view that, as a practical matter, Hubei College is not expected to encounter any substantial difficulties in complying with the requirements should it choose to register as a non-profit private school according to the current form of the MOJ Draft for Comments, given that Hubei College has definitive plans to relocate its existing campus to the new campus to be constructed in Jingzhou. Furthermore, to give effect to our acquisition of Hubei College, we intend to gradually minimise the extent of Hubei College's reliance on, and affiliation with, Yangtze University with a view to ensuring the Hubei College operates independently from Yangtze University.

Upon the School Sponsor becoming a school sponsor of Hubei College pending the final approval of the MOE and registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure — Acquisition of Hubei College"), we expect to enter into contractual arrangements and consolidate its results of operations into those of our Group.

Scenario analysis of our acquisition of Hubei College

In view of the MOJ Draft for Comments and our acquisition of Hubei College (the "**Acquisition**") pending the change of school sponsor from Oilfield Education to the School Sponsor to be approved by the MOE, we have summarised below the possible scenarios of the Acquisition based on our current understanding and interpretation of the MOJ Draft for Comments:

<table>
<tr><th>Scenario</th><th>Sequence of events</th><th>Outcome</th></tr>
<tr><td>1.</td><td>(1) the Acquisition completes;
(2) the MOJ Draft for Comments becomes effective;
(3) the due date to register as a non-profit private school or a for-profit private school as required by the Education Department of Hubei Province (i.e., 1 September, 2020, the "Due Date");</td><td>On the date the MOJ Draft for Comments becomes effective, Hubei College is expected to be grandfathered with respect to its election to register as a for-profit private school or a non-profit private school. On the Due Date, Hubei College may register as (i) a for-profit private school provided that its collaboration with Yangtze University shall cease subject to MOE approval; or (ii) a non-profit private school.</td></tr>
<tr><td>2.</td><td>(1) the Acquisition completes;
(2) the Due Date;
(3) the MOJ Draft for Comments becomes effective;</td><td rowspan="2">On the Due Date, Hubei College may register as a for-profit private school or a non-profit private school. On the date the MOJ Draft for Comments becomes effective, Hubei College may maintain its registration status as it is expected to be grandfathered; however, if it had registered as a for-profit private school with Yangtze University remaining as one of the school sponsors on the Due Date, it will be required to cease collaboration with Yangtze University subject to MOE approval.</td></tr>
<tr><td>3.</td><td>(1) the Due Date;
(2) the Acquisition completes;
(3) the MOJ Draft for Comments becomes effective;</td></tr>
<tr><td>4.</td><td>(1) the MOJ Draft for Comments becomes effective;
(2) the Acquisition completes;
(3) the Due Date;</td><td>On the Due Date, Hubei College shall register as a for-profit private school and cease collaboration with Yangtze University subject to MOE approval.</td></tr>
<tr><td>5.</td><td>(1) the MOJ Draft for Comments becomes effective;
(2) the Due Date;
(3) the Acquisition completes;</td><td rowspan="2">In order for the Acquisition to continue, Hubei College will need to register as a for-profit private school and cease collaboration with Yangtze University subject to MOE approval, with Oilfield Education remaining as the only registered school sponsor and we will negotiate with Oilfield Education to change the school sponsor from Oilfield Education to the School Sponsor.</td></tr>
<tr><td>6.</td><td>(1) the Due Date;
(2) the MOJ Draft for Comments becomes effective;
(3) the Acquisition completes;</td></tr>
</table>

Our acquisition of Hubei College under the worst case scenario (i.e. scenario 5 or 6 illustrated above) will be subject to uncertainties and may involve complicated and time-consuming processes, including potentially protracted negotiations with each of Yangtze University and Oilfield Education. During such negotiations, we will primarily focus on (i) appropriate termination arrangements with respect to the collaboration with Yangtze University and Oilfield Education's commitment to cooperate with us in obtaining all necessary approvals in relation to such termination arrangements; (ii) Oilfield Education's commitment to using its best endeavours, as the only registered school sponsor of Hubei College after cessation of collaboration with Yangtze University, to facilitate the change of school sponsor to the School Sponsor as soon as possible after the collaboration with Yangtze University has ceased; and (iii) compensation arrangements if Oilfield Education and/or Yangtze University default(s) in its/their obligations or the change of school sponsor is incapable of being consummated.

Current status of the MOJ Draft for Comments

The MOJ required comments from the public on the MOJ Draft for Comments, if any, to be submitted prior to 10 September 2018, but has not provided the timeframe for the promulgation of the implementation rules on the Law for Promoting Private Education of the PRC. As of the date of this document, no implementation rules on the Law for Promoting Private Education of the PRC have been promulgated. Uncertainties exist with respect to the interpretation of the MOJ Draft for Comments and the implementation of the MOJ Draft for Comments by the competent authorities may deviate from our current understanding and interpretation of them. We will pay close attention to the MOJ Draft for Comments and consult with our PRC Legal Adviser for the developments of the MOJ Draft for Comments and other related publications and promulgations.

Special committee to monitor development

As of the Latest Practicable Date, we were not in a position to accurately assess the potential impact of the election of registering as a for-profit private school or non-profit private school for our PRC Operating Schools and Hubei College, and in turn our Group as a whole and make any informed decision in relation to the 2016 Decision and the MOJ Draft for Comments. Therefore, as of the Latest Practicable Date, we had not elected nor decided as to whether our PRC Operation Schools and Hubei College will be registered as for-profit private schools or non-profit private schools. As part of our measures to mitigate any compliance risk in relation to the 2016 Decision, the MOJ Draft for Comments and other relevant developments, including our decision to register our PRC Operating Schools and Hubei College as for-profit private schools or a non-profit private schools in the future, we have established and assigned the responsibility to a special committee (comprising Mr. Hou, our chief executive officer and executive Director, Mr. Cheng Yinxue (程印學), chancellor of Shangqiu University and Mr. He Haipeng (賀海鵬), chancellor of Anyang University) led by Mr. Hou to pay close attention to the developments of the relevant policies and regulations, including the 2016 Decision and the MOJ Draft for Comments and the operations of our PRC Operating Schools and Hubei College and we will promptly consult with our PRC Legal Adviser as and when required. In particular, given that the MOJ Draft for Comments introduced the requirement that public schools shall not invest or participate in investing for-profit private schools, we will closely monitor its development and our expansion strategy of acquiring independent colleges in the future (see also "Business — Our Business Strategies — Expand our market coverage and market share"). We will assess whether the MOJ Draft for Comments or other relevant implementation rules and regulations in the future will present practical challenges or compliance issues to any future acquisition of independent colleges. Such special committee will 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 such special committee 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.

COMPETITION

The educational services market in China is rapidly evolving, highly fragmented and competitive. According to Frost & Sullivan, the number of private universities in China reached 746 in 2017. In 2017, students attending private universities accounted for approximately 22.8% of the total number of university students in China. As we operate in Central China, we face competition primarily from public and private schools in this region, particularly Henan Province, where all of our current colleges are located. Competition in the private higher education industry is primarily based on brand recognition, the scope and quality of education programmes, graduate employment rate, student quality, experience and skills of the management team, and the ability to attract and retain qualified teachers.

We expect the competition in the private education market to persist and intensify. 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 the sections headed "Risk Factors — Risks Relating to Our Business and Our Industry — We face intense competition in the PRC higher education industry, which could lead to adverse pricing pressure, reduced operating margins, loss of market share, departures of qualified employees and increased capital expenditures" and "Industry Overview" in this document for more information.

CUSTOMERS AND SUPPLIERS

Our customers primarily are our students. We did not have any single customer who accounted for more than 5% of our revenue for each of the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018.

Our suppliers primarily comprise suppliers of textbooks, uniforms and teaching equipment, and construction companies for building campus facilities. For the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018, purchases from our five largest suppliers amounted to RMB40.1 million, RMB52.8 million, RMB60.2 million and RMB61.2 million, respectively, which represented 71.0%, 65.9%, 63.0% and 65.1% of our total purchases in the respective periods. During the same periods, purchases from our largest supplier amounted to RMB19.7 million, RMB20.1 million, RMB32.1 million and RMB37.3 million, respectively, which represented 34.8%, 25.1%, 33.6% and 39.7% of our total purchases in the respective periods. Our largest supplier during the Track Record Period is a construction company that we engaged to construct campus facilities. None of our Directors, their respective associates, or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued capital, has 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 two registered trademarks and six domain names in the PRC, that are material to our business. In addition, as of the Latest Practicable Date, we had made seven trademark applications in the PRC and three trademark applications in Hong Kong that are material to our business. See the section headed "Statutory and General Information — B. Further Information about Our Business — 2. Intellectual property rights" in Appendix V to this document for more information.

We carry on our business in the PRC with the tradename "Chunlai" (春來) and will use our best endeavours to protect our use of such tradename. Two brothers of Chairman Hou control and operate certain schools in Henan Province offering primary school and high school education also bearing the name "Chunlai" (春來). We do not have any interest in, and are not involved in the operation of, these schools. Furthermore, these schools do not directly or indirectly compete with us as they are engaged in compulsory education, while we are engaged in higher education. See also the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We may face disputes from time to time relating to the intellectual property rights of third parties" in this document.

"Chunlai" is the first name of Chairman Hou, our chairman and founder. Such tradename is significant to our Group as our school operations were established on, and have been closely associated with, such tradename, particularly in Henan Province. Chairman Hou has procured his two brothers to undertake not to engage in any other businesses under the tradename "Chunlai". With a view to managing any resultant reputation risk, we will display disclaimers on the relevant recruitment materials and information pages as appropriate to clarify that the schools operated by the two brothers of Chairman Hou do not form part of our Group, and the two brothers have also undertaken to do the same with respect to the schools operated by them. We have submitted application to register the "Chunlai" tradename in the PRC (see also "Statutory and General Information – B. Further Information about Our Business – 2. Intellectual property rights" in Appendix V). We, with the assistance of intellectual property advisers, regularly monitor the use of "Chunlai" or similar tradename by other third parties, particularly within the education industry in the PRC, with a view to identifying whether there are other third parties passing off their own services or schools as those operated by us, and other potential intellectual potential infringements. As of the Latest Practicable Date, we were not aware of any infringement that would potentially have a material adverse impact on our operations. As and when appropriate, we will seek the assistance of intellectual property advisers to collect evidence and take legal actions to deter infringements by other third parties.

During the Track Record Period and up to the Latest Practicable Date, we had not been subject to any intellectual property infringement claims that had any material impact on our Group.

AWARDS AND RECOGNITIONS

We have received many awards and recognitions since our establishment in recognition of the quality of education we provide and the outstanding achievements of our students. The following table sets forth some of the awards and recognition we received during the Track Record Period:

Year	Award/accreditation	Awarding organisation	Awarded entity
2017	2016 Model School of Henan Province (河南省2016年度文明學校)	Higher Education Committee of the Henan Provincial Committee of the Communist Party of China and Education Department of Henan Province	Shangqiu University
2017	2017 Exemplary University for High-quality Employment (Golden Candle Award) of Henan Province (河南省"金燭獎"高質量就業示範學校)	Henan Daily Newspaper Group	Anyang University
2015	2015 Outstanding Private School (2015年度優秀民辦學校)	Education Department of Henan Province	Anyang University
2015	2014 Outstanding Educational Institution (2014年度先進辦學單位)	Henan Province Private Education Association	Shangqiu University
2015	2014 Outstanding Educational Institution (2014年度先進辦學單位)	Henan Province Private Education Association	Anyang University
2015	First China "Internet+" University Student Innovation and Entrepreneurship Competition Outstanding Organisation Award (首屆中國"互聯網+"大學生創新創業大賽河南省優秀組織獎)	Education Department, Department of Human Resources and Social Security, Commission of Industry and Information Technology, Finance Department, Commerce Department and Communist Youth League Committee of Henan Province	Shangqiu University
2015	Most Beautiful University Campus in Henan Province (河南省最美大學校園)	Henan Education Press and the journal of Henan Education (Higher Education Edition)	Shangqiu University
2014	2014 Provincial Private Higher Education Brand Name Major Development Unit (2014年全省民辦高等學校品牌專業建設單位)	Education Department of Henan Province	Shangqiu University

EMPLOYEES

As of 31 August 2015, 2016 and 2017 and 28 February 2018, we had 1,762, 1,974, 2,275 and 2,687 employees, respectively. As of 28 February 2018, all of our employees were located in Henan Province. The following table sets forth the total number of employees by function as of 28 February 2018:

Function	Number of employees	% of total
Teachers	1,718[(1)]	63.9
Administrative staff	336	12.5
Ancillary teaching staff[(2)]	260	9.7
Other staff	373	13.9
Total	2,687	100.0

Notes:

(1) Including 1,094 full-time teachers and 624 part-time teachers.

(2) Ancillary teaching staff includes employees providing assistance in academic activities, such as librarians, laboratory assistants and equipment maintenance staff members.

As required by the PRC laws and regulations, we participate in various employee social security insurance plans for our employees that are administered by local governments, including, among others, housing provident fund, pension, medical insurance, maternity insurance, employment injury insurance and unemployment insurance. According to the relevant laws and regulations in the PRC, the amount we are required to contribute for each of our employees under such plans should be calculated based on the employee's actual salary level of previous year, and be subject to a minimum and maximum level as from time to time prescribed by local authorities. During the Track Record Period, we had not made contributions to the social insurance plans and housing provident funds for all of our employees based on their actual salary level. If we were to make contributions based on the actual salary level of our employees during the Track Record Period, we estimate that we would have to make an additional contribution of approximately RMB14.8 million, RMB14.7 million and RMB12.5 million for each of the three years ended 31 August 2017 and approximately RMB8.8 million for the six months ended 28 February 2018. Based on the various written confirmations from, and consultations with, the relevant local competent authorities, we were given to understand that the relevant authorities accepted the basis on which our contributions were made and would not compel us to make supplementary contributions or impose any penalty on us, and our PRC Legal Adviser is of the view that the risk of us being subject to any administrative penalty is remote.

As of the Latest Practicable Date, we had not received any notice from any government authorities objecting the basis on, and the manner in, which our contributions to employee security plans are made or experienced any form of regulatory intervention in relation to our contributions to employee security plans. On the basis of the outcome of the interviews we had with competent authorities and the advice from our PRC Legal Adviser that the risk of administrative penalty is remote, we consider that the non-compliance issues concerning our contributions to employee security plans would not have a material adverse effect on our business, financial condition or results of operations. Furthermore, our Controlling Shareholders have provided an indemnity in favour of us with respect to any loss we may suffer in connection with our contributions to employee security plans (See "E. Other information — 1. Deed of Indemnity" in Appendix V) and our Directors are satisfied that our Controlling Shareholders are financially capable of honouring such indemnity. On the basis of the foregoing, we did not make any relevant provision in our financial statements.

We are committed to be fully compliant with employee security plans and make contributions based on the actual salary level of our employees going forward. 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. We expect to gradually rectify our payment base for all of our employees going forward. We have obtained written confirmations from competent authorities that they do not object to our proposal of gradually adjusting our payment base and will not impose any penalty on us during the rectification process. The authorities have not imposed any deadline for our compliance. Our compliance with employee security plans is in part subject to cooperation from our employees, who may not be receptive and have a different attitude towards such plans. We will use our best endeavours to comply with the requirements in full as soon as practicable and in any event by 1 September 2021. We will seek assistance from our PRC Legal Adviser and confirm with the relevant authorities on our assessment of the adjusted payment base.

With a view to ensuring our full compliance with employee security plans going forward, we have enhanced our internal control measures, including assigning designated personnel (including the managers of finance department and administrative department of each of our colleges) to monitor the status of the contributions to social insurance plans and housing provident funds on a monthly basis in order to ensure that we have made these contributions in full for our employees and on a timely basis in accordance with the applicable laws and regulations. Written records with respect to the status of the contributions to social insurance plans and housing provident funds are properly prepared, maintained and reviewed by the designated personnel on a monthly basis. In addition, we also arrange regular training for our Directors and senior management on the latest development of the relevant laws and regulations. We have designated a member of our senior management, Mr. Jiang Yongqi (蔣永旗), to be in charge of our on-going compliance with employee security plans. As discussed above, we recognise that our full compliance with employee security plans is subject in part to cooperation from our employees, which is primarily the reason why we expect that full compliance is a gradual process to be realistically achieved by September 2021. We endeavour to achieve full compliance with employee security plans while maintaining employee stability and minimising any negative reactions. As part of our enhanced internal control measures, we are continuously strengthening our communication efforts with our employees and where feasible, and we provide for a reasonable transition period for the relevant employees to accept our adjustment of the payment on a case-by-case basis. We closely monitor our recruitment process and have established mandatory procedures to ensure that all new employees will acknowledge and agree to our payment base in strict adherence to the standard prescribed by relevant laws and regulations from time to time. In the extreme circumstances where existing employees refuse to accept our adjustment of the payment base to the required standard despite our repeated communication efforts and education, our enhanced internal control measures provide that the legal department and human resources department will coordinate to terminate the relevant employment and identifying suitable replacement. Our Directors confirm that the above internal control measures have been duly adopted and implemented.

Our Directors are of the view that that our enhanced internal control procedures are adequate and effective in preventing future non-compliance with employee security plans. Our internal control consultant has reviewed our design and implementation of the internal control measures set out above. Based on the foregoing, our internal control consultant concurs with the views of our Directors that: (i) we have properly designed the internal controls for the purpose of preventing non-compliance with employee security plans; and (ii) such internal controls have been effectively implemented, save for the adjustment of payment base that we will implement gradually as set out above.

Each of our Directors (other than our independent non-executive Directors) has confirmed that the non-compliance with employee security plans (i) did not involve any fraud or dishonesty; and (ii) was primarily attributable to his/her unfamiliarity with the relevant requirements and inconsistent implementation or interpretation of the relevant regulations and policies by the local authorities, such that he/she considered that it was acceptable to make the relevant contributions using a payment base acceptable to local authorities. Having considered the relevant facts and circumstances, the fact that we have not experienced any regulatory intervention or material disputes in relation to the non-compliance, our rectification measures taken, our enhanced internal control measures adopted to prevent recurrence of the non-compliance, our Directors are of the view that the non-compliance does not affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to its attention that would lead it to cast doubts on the views of our Directors above.

Each of our colleges has established a workers' union, and its employees may join the workers' unions voluntarily. During the Track Record Period, we did not experience any material labour disputes.

We believe the quality of our education is strongly tied to the quality of our teachers. We have implemented training and recruitment policies in order to uphold the quality of our teachers. See "— Teachers and Teacher Recruitment" above in this section for details of our training and recruitment policies for our teachers and other educational staff.

PROPERTIES

As of the Latest Practicable Date, we operated on ten pieces of land in the PRC with a total site area of approximately 2.2 million sq.m. and buildings with a total GFA of approximately 0.59 million sq.m. All of the above properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules. See the section headed "Property Valuation Report" in Appendix III to this document for more information.

Owned Properties

Land

The following table sets forth a summary of the land used by our colleges as of the Latest Practicable Date:

No.	Land use right owner	Occupier	Description/location	Gross site area (sq.m.)	Permitted use	Our existing use	Expiry date	Land use right certificate
1	Anyang University	Anyang University	Southeast of the intersection of Zhonghua Road and Anlin Highway, Wenfeng District, Anyang, Henan Province (河南省安陽市文峰區中華路與安林高速公路交叉口東南)	609,963.95	Education	Education	No expiration date(1)	Obtained
2	Shangqiu University	Shangqiu University	West of Chenfeng Avenue and south of Changjiang Road (晨風大道西側、長江路南側)	658,770.462	Education	Education	No expiration date(1)	Obtained
3	Shangqiu University	Shangqiu University	West of Huayu Road and south of Changjiang Road (華豫路西側、長江路南側)	33,305.701	Education	Education	No expiration date(1)	Obtained
4	School Sponsor	Shangqiu University	North of Shangyong Road (商永路北側)	37,576	Education	Education	No expiration date(1)	Obtained
5	N/A	Shangqiu University	North of Beihai Road East and east of Chuxing Feed Mill (北海東路以北、楚興飼料廠以東)	14,244	N/A	Education	N/A	Not obtained(2)

No.	Land use right owner	Occupier	Description/location	Gross site area (sq.m.)	Permitted use	Our existing use	Expiry date	Land use right certificate
6	An Independent Third Party[(3)]	Shangqiu University	East of Maxin Village, Pingtai Town (平台鎮馬辛莊東側)	67,380	Industrial	Education	No expiration date[(1)]	Obtained
7	An Independent Third Party[(3)]	Shangqiu University	East of Maxin Village, Pingtai Town (平台鎮馬辛莊東側)	72,284.10	Industrial	Education	No expiration date[(1)]	Obtained
8	N/A	Shangqiu University	East of Shangding Road and south of Changjang Road (商鼎路東側與長江路南側)	101,151.223	N/A	Education	N/A	Not obtained[(4)]
9	Shangqiu University	Shangqiu University Kaifeng Campus	North of Fuxing Road, south of Fifth Avenue and east of Seventh Avenue, Educational Park, Kaifeng new district, Longting District, Kaifeng, Henan Province (河南省開封市龍亭區開封新區職教園區復興大道以北、五大街以西 、七大街以東)	403,736.80	Education	Education	No expiration date[(1)]	Obtained
10	N/A	Shangqiu University Kaifeng Campus	North of Fuxing Road, south of Fifth Avenue and east of Seventh Avenue, Educational Park, Kaifeng new district, Longting District, Kaifeng, Henan Province (河南省開封市龍亭區開封新區職教園區復興大道以北、五大街以西、七大街以東)	206,364.1	N/A	Education	N/A	Not obtained[(4)]
			Total	2,204,776.436				

Notes:

(1) The land use right was acquired through allocation (劃撥). According to applicable laws and regulations in the PRC, any land use right obtained through such means has no expiration date.

(2) Shangqiu University is in the process of applying for the land use right certificate. Based on our consultation with the competent local authority, we were given to understand that the land use planning has already been changed to education, and we would not be subject to any regulatory intervention. Based on our communication with the relevant authority, the relevant authority is in the process of allocating (劃撥) the land to Shangqiu University, subsequent to which we will be able to apply for the land use right certificate. Based on our understanding of the process involved, we conservatively estimate that we will be able to obtain the land use right certificate in early 2019.

(3) Shangqiu University purchased these pieces of land from an Independent Third Party. The applications to change the permitted use to education and the land use right owner to Shangqiu University are being processed. Based on our consultation with the competent local authority, we were given to understand that the land use planning has already been changed to education, and we would not be subject to any regulatory intervention. Based on our communication with the relevant authority, the relevant authority is in the process of allocating (劃撥) the land to Shangqiu University, subsequent to which we will be able to apply for the land use right certificate. Based on our understanding of the process involved, we conservatively estimate that we will be able to obtain the land use right certificate in early 2019.

(4) Shangqiu University is in the process of applying for the land use right certificate. Based on our consultation with the competent local authority, we were given to understand that the relevant authority is in the process of allocating (劃撥) the land to Shangqiu University, subsequent to which we will be able to apply for the land use right certificates. Based on our communication with the relevant authority and our understanding of the process involved, we conservatively estimate that we will be able to obtain the land use right certificate in early 2019.

Buildings

As of the Latest Practicable Date, we owned buildings with a total GFA of approximately 0.59 million sq.m. We have not obtained building ownership certificates for a substantial portion of our buildings primarily because they were not constructed in full compliance with applicable rules and regulations in the PRC. We commenced construction of these buildings on land when the relevant land use right certificates were still under application, as our management believed that it was a practice acceptable to the relevant local authorities and in compliance with local policies. The land use right certificate is a pre-requisite to obtaining construction land use planning permits (建設用地規劃許可), construction planning permits (建設工程規劃許可), construction permits (施工許可) and compliance with construction completion acceptance inspection (竣工驗收), environmental impact acceptance inspection (環評驗收) and fire safety design approval and acceptance inspection (消防設計審核及驗收), which are in turn relevant to obtaining building ownership certificates. For the potential legal consequences of the use of our non-compliant buildings, please refer to "Risk Factors — We are subject to extensive governmental approvals and compliance requirements in relation to the lands, buildings or groups of buildings that we own."

The table below sets out a breakdown of GFA of buildings used by our colleges with and without building ownership certificate:

	GFA of buildings with building ownership certificate (sq.m.)	GFA of buildings without building ownership certificate (sq.m.)
Anyang University	0	207,710.14
Shangqiu University	67,570.59	211,928.64
Shangqiu University Kaifeng Campus	0	102,737.54
Total	67,570.59	525,954.14

Furthermore, as of the Latest Practicable Date, buildings with a total planned GFA of approximately 0.2 million sq.m. were under construction without having obtained the perquisite certificates or permits.

For the reasons set out below, we consider that the non-compliance issues concerning our buildings will not have any material adverse effect on our operations as a whole:

(i) there have not been any material safety incidents directly attributable to the safety of the school buildings and facilities and no regulatory intervention or concerns relating to the school buildings and facilities have been raised by competent authorities;

(ii) we have not encountered any third party claims in relation to the title defects of our properties;

(iii) with the assistance of our PRC Legal Adviser, we have consulted competent authorities with a view to assessing the potential risk of regulatory intervention:

(a) with respect to the relevant buildings used by Anyang University, we have consulted Wenfeng District Branch of Anyang Bureau of Urban-Rural Planning (安陽市城鄉規劃管理局文峰區分局), Anyang High-tech Industrial Development District Office of Construction Project Management (安陽市高新技術開發區建築工程管理處), Anyang Wenfeng District Bureau of Housing, Urban-Rural Development and Environmental Protection (安陽市文峰區住房和城鄉建設環境保護局) and Anyang Public Security Firefighter Division (安陽市公安消防支隊);

(b) with respect to the relevant buildings used by Shangqiu University, we have consulted Shangqiu Bureau of Urban-Rural Planning Shifan District branch (商丘市城鄉規劃局商丘市城鄉一體化示範區分局), Shangqiu Bureau of Housing and Urban-Rural Development (商丘市住房和城鄉建設局), Shangqiu Shifan District Urban-Rural Integration Bureau of Environmental Protection, Housing and Urban-Rural Development (商丘市城鄉一體化示範區環保住建局) and Shangqiu Public Security Firefighter Division (商丘市公安消防支隊); and

(c) with respect to the relevant buildings used by Shangqiu University Kaifeng Campus, we have consulted Kaifeng Bureau of Urban-Rural Planning (開封市城鄉規劃局), Kaifeng Bureau of Housing and Urban-Rural Development (開封市住房和城鄉建設局), Kaifeng Bureau of Environmental Protection (開封市環境保護局) and Kaifeng Public Security Firefighter Division (開封市公安消防支隊);

based on such consultations, we were not notified of any safety concerns regarding our buildings (see also (iv) below), and we were generally given to understand we may apply for compliance with the relevant requirements, we may continue to operate or construct the relevant buildings in their present condition prior to compliance, and there is no practical risk of regulatory intervention. Our PRC Legal Adviser has also confirmed that these consultations were made with competent authorities with respect to the non-compliance issues concerning our buildings;

(iv) our buildings are generally subject to supervision and safety inspections by the local authorities, including the local public safety firefighter division (公安局消防大隊) and housing and urban-rural development bureau (住房和城鄉建設局) and we have not been notified of any material safety issues. Such inspections include:

(a) with respect to the buildings used by Anyang University, the Anyang Public Security Firefighter Division (安陽市公安消防支隊) carries out regular monthly inspections and most recently conducted a spot inspection in October 2017; and the Anyang Wenfeng District Bureau of Housing, Urban-Rural Development and Environmental Protection (安陽市文峰區住房和城鄉建設環境保護局) carried out daily inspection of the construction project and regularly organised meetings and trainings to ensure any potential issues identified are promptly and adequately addressed;

(b) with respect to Shangqiu University, the Shangqiu Public Security Firefighter Division (商丘市公安消防支隊) carries out on-site inspection at least once annually of randomly selected buildings or all buildings comprehensively; and the Shangqiu Shifan District Urban-Rural Integration Bureau of Environmental Protection, Housing and Urban-Rural Development (商丘市城鄉一體化示範區環保住建局) supervised the construction of the buildings from commencement to completion with daily inspection of the construction project and regular qualifications and quality check to ensure any applicable standard is met; and

(c) with respect to Shangqiu University Kaifeng Campus, the Kaifeng Public Security Firefighter Division (開封市公安消防支隊) carries out on-site inspection at least once annually to supervise the rectification of any fire safety issues and eliminate any fire safety concerns; and the Kaifeng New District Construction Quality and Safety Supervision Substation (開封市新區建設工程質量安全監督分站) assumed high-level supervision of the construction project and carried out random on-site inspections of the construction quality during the construction stage; and

(v) with a view to obtaining independent assurances, (a) we engaged a qualified independent consultant to assess the fire safety standard of our buildings, who concluded that the buildings passed all the fire safety assessments conducted; (b) we engaged a qualified independent consultant to assess the environmental impact of our buildings, who concluded that the buildings do not pose any significant impact to the environment; and (c) we engaged a qualified independent consultant to assess the structural integrity and safety of our buildings, who concluded that the safety of our buildings is generally in conformity with the national standards. Based on the assessment reports of these independent consultants, we are satisfied that our buildings are safe for use and comply with the relevant standards, and we do not expect any impediment to complying with the relevant requirements. Our Directors are of the view that these independent consultants were appropriately qualified, experienced and sufficiently resourced to conduct the relevant assessments.

Our school buildings are crucial to our operations and we are committed to providing a safe learning environment to our students. We are proactively liaising with the relevant government authorities with a view to complying with the relevant requirements as soon as practicable. As of the Latest Practicable Date, we were in the process of applying for the relevant construction land use planning permits (建設用地規劃許可) and construction planning permits (建設工程規劃許可) for our non-compliant buildings. The rectification is step by step process and we are generally required to comply with one requirement before applying for the next. While we expect the rectification will be primarily administrative and procedural nature, the process may involve protracted communication with, and coordination among, various government authorities and lengthy and time consuming government administrative procedures that may not be within our control. In view of the extent of the buildings involved, and based on our communication with the relevant government authorities, we conservatively estimate that we will be able to comply with the relevant requirements for substantially all of our non-compliant buildings in early 2019. We will provide periodic updates in our annual and interim reports after the Listing to inform our Shareholders of our rectification progress. We do not expect that the rectification will involve any substantial structural modification to our buildings and, thus do not expect to incur substantial costs. We expect that any costs involved in such rectification will be funded from our operating cash flow. We will closely follow up with the government authorities with respect to our applications and will use our best efforts to cooperate with the government authorities to expedite the process. To ensure that this situation is rectified in a timely manner and if the circumstances require so, we will also engage external legal advisers or other professional advisers to resolve any issue that may arise in the process of the rectification. We currently do not expect to record any material write off on the amount of property, plant and equipment for the purposes of complying with the relevant requirements. We have designated a member of our senior management, Mr. Liu Wei (劉偉), to be in charge of rectification and on-going compliance of matters concerning our land and buildings.

In addition, our schools had passed each of the annual inspections conducted by the relevant education authorities during the Track Record Period. The Henan Provincial Department of Education has confirmed that Anyang University and Shangqiu University have, in every respects, complied with the relevant laws, administrative regulations and policies, as well as the state and provincial regulations on higher education, they had not violated any provisions of any private education related laws and regulations of the MOE, and had passed the annual inspections and other related inspections organized by the competent education authorities.

With a view to ensuring our full compliance with property related laws and regulations in the PRC going forward, we have enhanced our internal control measures, including establishing internal compliance guidelines for our properties and a comprehensive compliance checklist setting out the detailed procedures and prerequisites that have to be completed and/or fulfilled before any construction or operation of the buildings may commence. Such procedure serves to ensure that we will obtain the relevant licenses and permits (including land use right certificates and building ownership certificates) as required by laws and regulations and follow the requisite procedures relating to construction works and completion of buildings.

We provide our Directors, senior management and employees involved in property related matters with continuous training programmes and regular updates on the relevant PRC laws and regulations and enhance their awareness. Our enhanced internal control measures provide that, as and when required, we will engage external legal counsels to verify and provide legal opinions as to the legal status of the properties and/or construction works and engage qualified consultants to carry out independent appraisals on the structure and safety standards of our buildings and facilities, in particular those that begin to show signs of significant wear and tear, have been subject to safety concerns raised by our teachers, students or parents, and/or have been in use for a considerable period of time, with a view to determining whether any renovation, rectification or improvement works are desirable. Our Directors confirm that the above internal control measures have been duly adopted and implemented.

Our Directors are of the view that that our enhanced internal control procedures are adequate and effective in preventing future non-compliance with property related laws and regulations in the PRC. Our internal control consultant has reviewed our design and implementation of the internal control measures set out above. Based on the foregoing, it concurs with the views of our Directors that we have properly designed and implemented the internal controls for the purpose of preventing non-compliance in relation to our properties.

Each of our Directors (other than our independent non-executive Directors) has confirmed that the non-compliance in relation to our properties (i) did not involve any fraud or dishonesty; and (ii) was primarily attributable to his/her unfamiliarity with the relevant requirements and inconsistent implementation or interpretation of the relevant regulations and policies by the local authorities, such that and he/she considered that it was acceptable to the relevant local authorities and in compliance with local policies to commence construction of buildings prior to obtaining the relevant certificates or permits for as long as the safety standard of the buildings is not compromised. Having considered the relevant facts and circumstances, the fact that we have not experienced any regulatory intervention or material disputes or accidents in relation to the non-compliance, positive confirmations from the relevant authorities on our continued use and application for compliance, our on-going rectification measures expected to be substantially completed in early 2019, our enhanced internal control measures adopted to prevent recurrence of the non-compliance, our Directors are of the view that the non-compliance does not affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to its attention that would lead it to cast doubts on the views of our Directors above.

Regulatory requirements relating to the ratio of school site area/building area to the number of students

As advised by our PRC Legal Adviser, our schools and Hubei College are subject to certain requirements in relation to the prescribed ratio of school site area/building area to the number of students enrolled.

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)) promulgated by the MOE in 2004, except for sports and arts schools, the ratio of a higher education institution's teaching and administrative building area to the number of students enrolled should be nine to 16 sq.m. per student enrolled. As advised by our PRC Legal Adviser, such ratio is one of the basic school operating condition indicators (基本辦學條件指標) under the regulation; in the event that one of the basic school operating condition indicators of a college does not meet the relevant regulatory requirement, the college shall receive a yellow card issued by competent authority and its student admission will be subject to certain restrictions; and in the event that a college receives a yellow card for three consecutive years, it shall receive a red card issued by competent government authority and its student admission will be subject to suspension. In addition, except for sports and art schools, the ratio of a higher education institution's site area to the number of students enrolled should be 54 to 59 sq., per student enrolled. As advised by our PRC Legal Adviser, such ratio is one of the monitoring school operating condition indicators (監測辦學條件指標) under the regulation; a school will not be subject to any penalty for failure to meet such indicator. As advised by our PRC Legal Adviser, Shangqiu University and its branch college, Shangqiu University Kaifeng Campus, are treated as a single entity by relevant authorities for purposes of this regulation.

The following table sets forth the (i) ratio of teaching and administrative building area to the number of students enrolled; and (ii) ratio of site area to the number of students enrolled, for each of our schools and Hubei College as of the dates indicated:

	As of 31 August			As of 28 February
	2015	2016	2017	2018
Teaching and administrative building area to number of students				
Our schools				
Anyang University	3.3	3.1	2.6	3.1
Shangqiu University[(1)]	8.1	6.9	6.0	6.1
College to be acquired				
Hubei College	6.1	6.5	7.0	8.0
Site area to the number of students				
Our schools				
Anyang University	53.5	44.3	33.2	31.2
Shangqiu University[(1)]	65.6	67.0	60.6	58.3
College to be acquired				
Hubei College	31.7	33.6	77.5	74.6

Note:

(1) Including Shangqiu University Kaifeng Campus.

As illustrated in the table above, (i) Shangqiu University (together with Shangqiu University Kaifeng Campus) did not comply with the ratio of teaching and administrative building area to the number of students enrolled as of each of the dates indicated; (ii) Anyang University did not comply with both the ratio of teaching and administrative building area to the number of students enrolled and the ratio of site area to the number of students enrolled as of each of the dates indicated; and (iii) Hubei College did not comply with the ratio of teaching and administrative building area to the number of students enrolled as of each of the dates indicated and the ratio of site area to the number of students enrolled as of 31 August 2015 and 31 August 2016. With a view to understanding whether this would result in any adverse effect on our school operations, in April 2018, we, with the assistance of our PRC Legal Adviser, consulted:

(i) an official of the Development Planning Office of Henan Provincial Department of Education (河南省教育廳發展規劃處). During such consultation, we were given to understand that such situation is to a certain extent common in private higher education institutions and as each of Anyang University and Shangqiu University (including Shangqiu University Kaifeng Campus) has been proactively improving the situation, the authority has not issued any yellow or red card to any of Anyang University, Shangqiu University or Shangqiu University Kaifeng Campus and will not impose on each of Anyang University or Shangqiu University (including Shangqiu University Kaifeng Campus) any penalty or limitations on student enrolment or school operations. As advised by our PRC Legal Adviser, the Development Planning Office of Henan Provincial Department of Education (河南省教育廳發展規劃處) is a competent authority and the official consulted had appropriate authority to give the relevant confirmations; and

(ii) an official of the Development Planning Office of Hubei Provincial Department of Education (湖北省教育廳發展規劃處). During such consultation, we were given to understand that Hubei College is still in the process of development and transition, the authority has not issued any yellow or red card to Hubei College and will not impose on Hubei College any penalty or limitations on student enrolment or school operations. As advised by our PRC Legal Adviser, the Development Planning Office of Hubei Provincial Department of Education (湖北省教育廳發展規劃處) is a competent authority and the official consulted had appropriate authority to give the relevant confirmations.

In addition, our colleges had passed all annual inspections conducted by the relevant education authorities during the Track Record Period. Each of our colleges has also obtained confirmation from competent education authorities confirming that there was no record of administrative penalty imposed on the college as a result of any breach of PRC laws and regulations. Our executive Directors have also confirmed that none of our colleges has received any yellow or red card from, or been subject to any form of administrative penalty by, competent authorities in relation to its compliance with any of the above ratios.

Based on the foregoing, our PRC Legal Adviser is of the view that (i) our ratio of teaching and administrative building area to number of students as set out above would not constitute material breach under the standard of relevant PRC laws and regulations of our Group as a whole; and (ii) our ratio of site area to the number of students as set out above would not constitute a non-compliance incident.

We endeavor to continuously improve the quality of our education and the ratio of teaching and administrative building area to number of students and the ratio of site area to the number of students are among the many metrics under consideration. We will monitor and adjust these ratios 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 existing education or profitability. We have also taken these ratios into account when formulating our expansion plans as set out in "— Expansion Plans", which are expected to result in certain improvements to these ratios going forward. We are continuously identifying suitable expansion opportunities with a particular focus on improving the ratio of teaching and administrative building area to number of students. Where appropriate, we will allocate greater proportion of GFA to teaching and administrative buildings and prioritise such construction. We regularly correspond with government authorities to identify and expedite the process of allocating additional land for our expansion plans going forward. We seek to maximise the use of our current premises and identify whether it is feasible to reconfigure existing non-teaching and administrative or idle buildings for the purpose of making available additional teaching and academic facilities to the students, thereby improving such ratio for the benefit of the students.

Each of our Directors (other than our independent non-executive Directors) has confirmed that the non-compliance with the ratio of teaching and administrative building area to number of students (i) did not involve any fraud or dishonesty; (ii) has not resulted in any compromise to the education quality of the relevant schools in any material respects; and (iii) has not interfered with the normal operations of the relevant schools in any material respects. Having considered the relevant facts and circumstances, the fact that we have not encountered any administrative penalty or material disputes in relation to the non-compliance, and the view of our PRC Legal Adviser that it would not constitute a material breach under the standard of relevant PRC laws and regulations of our Group as a whole, our Directors are of the view that such non-compliance (together with any other non-compliance incidents identified in this document) does not affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to its attention that would lead it to cast doubts on the views of our Directors above.

INSURANCE

Our insurance coverage is limited in terms of amount, scope and benefit. As advised by our PRC Legal Adviser, our colleges are not required by PRC law and regulations to purchase school liability insurance, and none of them maintains such insurance. Furthermore, we do not maintain business interruption insurance, product liability insurance or key-man life insurance. We consider our insurance coverage to be in line with what we believe to be customary practice in the PRC. Our Directors believe that our insurance coverage is generally consistent with the industry practice 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 the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — We maintain limited insurance coverage" in this document for more information.

LICENCES AND PERMITS

Our PRC Legal Adviser has advised that during the Track Record Period and up to the Latest Practicable Date, except certain non-compliance matters disclosed in this document, we had obtained all material licences, permits, approvals and certificates necessary to conduct our operations in all material respects from the relevant government authorities in the PRC, and such licences, permits, approvals and certificates remained in full effect for all the colleges we operate currently.

The table below sets forth details of our material licences and permits:

Licence/permit	Holder	Granting authority	Grant date	Expiry date
Private school operating licence	Anyang University	MOE	2016	2019
Private school operating licence	Shangqiu University	MOE	2017	2020

HEALTH AND SAFETY MATTERS

We are dedicated to protecting the health and safety of our students. We have on-site medical staff or health care personnel at each of our colleges to handle routine medical situations involving our students. In certain serious and emergency medical situations, we promptly send our students to local hospitals for treatment. With respect to school safety, we have in place a set of school safety and security measures and a team of security staff at each of our colleges. Unlike other schools, we do not hire a third party property management company to provide security. We believe our staff, who are centrally managed by our Group, provide security more efficiently and reliably than third party management companies. During the Track Record Period and up to the Latest Practicable Date, we did not experience any serious accident, medical situation or safety issue involving our students.

For more information, see the section headed "Risk Factors — Risks Relating to Our Business and Our Industry — Accidents or injuries suffered by our students or our employees on or outside our school campuses or by other personnel on our school campuses may adversely affect our reputation and subject us to liabilities" in this document.

FINANCING ARRANGEMENT

In January 2017, the School Sponsor and Shangqiu University engaged in a one-off financing arrangement devised by a lending bank (the "**Financing Arrangement**"), pursuant to which:

(i) Shangqiu University obtained a loan in the amount of RMB180 million (the "**Loan**") in January 2017, and the proceeds from the Loan were drawn down by Shangqiu University and later remitted to the School Sponsor through affiliates of the School Sponsor;

(ii) in February 2017, the School Sponsor placed a deposit of RMB100 million with the lending bank using a portion of the Loan proceeds, against which a bank acceptance note (承兑匯票) in the amount of RMB95 million (the "**Bank Note**") was issued by the School Sponsor to its affiliate; and

(iii) the Bank Note was subsequently endorsed to two Independent Third Parties introduced by the lending bank. The two Independent Third Parties discounted the endorsed bank notes with another commercial bank in the PRC and remitted an amount of approximately RMB90.3 million to the School Sponsor.

The issuance of the Bank Note as described in (ii) above was not supported by any bona fide underlying transaction and, as advised by our PRC Legal Adviser, was not in compliance with the PRC Negotiable Instruments Law (《中華人民共和國票據法》, the "**Instruments Law**") and certain banking regulations promulgated by the PBOC, including the Measures for the Implementation of the Administration of Negotiable Instruments (票據管理實施辦法), the Measures for Payment and Settlement of Accounts (支付結算辦法) and the Notice of the People's Bank of China on Certain Improvements to the Negotiable Instruments Systems (中國人民銀行關於完善票據業務制度有關問題的通知). We became aware of such non-compliance through our PRC Legal Adviser on 3 February 2018 and settled the RMB95 million due to the lending bank in connection with the issuance of the Bank Note on 9 February 2018.

We accommodated the lending bank's proposal to incorporate the issuance of the Bank Note and the involvement of affiliates in the interest of maintaining our relationship with the bank. With a view to understanding the Financing Arrangement, our PRC Legal Adviser interviewed an assistant general manager of corporate business 2nd division (公司業務二部總經理助理) of the lending bank (the "**Bank Representative**"), who confirmed that he was the responsible officer for the Financing Arrangement and was in a position to confirm matters relating to the Financing Arrangement on behalf of the lending bank. Based on such representation, our PRC Legal Adviser is of the view that the Bank Representative was competent to give confirmations relating to the Financing Arrangement on behalf of the lending bank.

The Bank Representative also confirmed that (i) the Financing Arrangement was a one-off arrangement devised by the lending bank to facilitate its objective of acquiring deposit business concurrently with the Loan while complying with certain bank regulatory requirements, (ii) there is no dispute between the lending bank and us with respect to the Financing Arrangement and (iii) to the knowledge of the Bank Representative, the issuance of the Bank Note is a common method of structuring financing arrangements.

As advised by our PRC Legal Adviser, in the absence of fraudulent purpose, there is no express provision under relevant laws, rules and regulations in the PRC imposing any administrative or criminal liability on us as a result of the issuance of the Bank Note notwithstanding that it was not supported by any bona fide underlying transaction. With a view to assessing whether there is any risk of regulatory intervention on us in relation to the Financing Arrangement, our PRC Legal Adviser interviewed the head of supervision 2nd division (監管二科科長) of the CBRC Shangqiu branch and the head of settlement department (支付結算科科長) of the PBOC Shangqiu branch. As advised by our PRC Legal Adviser, the CBRC Shangqiu branch and the PBOC Shangqiu branch are competent authorities with respect to the operation of the Bank Note and the respective interviewees were in a competent position to give the relevant confirmations. The CBRC Shangqiu branch and the PBOC Shangqiu branch have confirmed that we will not be penalised for the issuance of the Bank Note notwithstanding that it was not supported by any bona fide underlying transaction. Based on such consultations, the rationale of the Financing Arrangement as confirmed by the Bank Representative during the interview and the fact that the amount due to the lending bank of RMB95 million in connection with the issuance of the Bank Note has been fully settled, our PRC Legal Adviser is of the view that the Financing Arrangement did not involve any fraudulent activities as prescribed under Article 102 of the Instruments Law that sets out what constitute bill fraudulent activities (票據欺詐行為), and as such we will not be subject to any administrative or criminal liability in connection with the issuance of the Bank Note.

Furthermore, we confirm that the Bank Note component of the Financing Arrangement was a one-off arrangement and we had not entered into similar arrangements prior to January 2017, nor have we done so since. Subsequent to the Financing Arrangement, we have been able to obtain other borrowings on commercially acceptable terms, including a RMB150 million loan in March 2017, a RMB300 million loan in August 2017 and a RMB200 million loan in November 2017, none of which involved any bank acceptance note or similar trade financing instrument arrangements. Accordingly, we consider that our ability to obtain financing and operate our business as a whole is not contingent on implementing any non-compliant bank acceptance note or other trade financing instrument arrangement similar to the issuance of the Bank Note as part of the Financing Arrangement.

Accordingly, on the basis that the Financing Arrangement will not subject us to any administrative or criminal liability, and our ability to obtain financing is not contingent on non-compliant bank acceptance note or other trade financing instrument arrangements, we do not believe that the Financing Arrangement or the fact that we will not enter into similar arrangements in the future will have any material adverse impact on our operations or financial condition as a whole. The net proceeds made available to us pursuant to the Financing Arrangement amounted to approximately RMB170.3 million. Based on our Directors' estimation taking into account the net proceeds available to us, the interest expense of the Loan and the interest income on the relevant deposit, the overall effective cost of the Financing Arrangement was on par with our other bank borrowings at that time. The Bank Representative also confirmed that the lending bank would have approved and granted the Loan on normal commercial terms with an overall effective cost on par with that of the Financing Arrangement. Therefore, we consider that the Financing Arrangement did not have any material impact on our track record results.

The Financing Arrangement was a one-off arrangement and we have not entered into similar arrangements since January 2017. With a view to ensuring that we will not be a party to the issuance of any bank acceptance notes or similar trade financing instruments that are not in compliance with applicable laws and regulations in the PRC, we have enhanced our internal control measures. The specific key measures implemented include:

Clear policy statement to prohibit non-compliant financing arrangements. We have adopted a written policy statement and procedures in relation to our financing arrangement and notified all of our Directors, management and employees involved in financing activities that the issuance of bank notes or other similar trade finance instruments without any bona fide underlying transaction is not in compliance with relevant PRC laws and regulations and is strictly prohibited. All financing arrangements have to be reviewed and approved by our chief financial officer, Mr. Zhao Zhen. Mr. Zhao will work closely with external PRC legal advisers as and when required to ensure the legality of our financing arrangements. We have also designated the chairman of our audit committee (currently being Mr. Lau, Tsz Man, our independent non-executive Director appropriately qualified under Rules 3.10(2) and 3.21 of the Listing Rules) from time to time to oversee our financial reporting and internal control procedures after the Listing, particularly in relation to our financing activities.

When negotiating and structuring financing arrangements, we will notify our lenders that we have a clear policy statement not to participate in any form of non-compliant bank note or similar trade financing instruments activities, irrespective of the lender's objectives or whether it is a common method of structuring financing arrangement.

Disciplinary actions for non-compliance. We have implemented a policy that subjects employees and management who do not comply with the above measures regarding non-compliant bank note or other trade finance instrument activities to various disciplinary actions, including financial and legal responsibilities. Our audit committee is authorised to decide on the disciplinary actions fairly and equitably.

Issuance of bank notes and other similar trade financing instruments subject to cross-checking and verification of underlying transactions. We have implemented a multi-tier approval procedure for any issuance of bank notes or similar trade finance instruments in the future. Each of our chief executive officer (Mr. Hou), chief financial officer (Mr. Zhao Zhen) and general manager (Mr. Yang Xinzhong) is required to review, cross-check and verify the genuineness of the underlying transactions before approving any issuance of bank notes or similar trade finance instruments.

Training. In addition to attending various internal training sessions, our Directors and senior management obtained advice from our PRC Legal Adviser and Hong Kong legal advisers regarding the relevant PRC regulations on Instruments Law and the obligations of our Company and our Directors under the Listing Rules. We will continue to conduct regular internal training for our employees and management on our compliance policy and engage external professionals, including our Hong Kong legal adviser and PRC Legal Adviser, to conduct training on our ongoing compliance and obligations under the Listing Rules and all other relevant Hong Kong and PRC regulations to ensure awareness and compliance with our policies.

Regular internal review and reporting process. We will engage independent professional advisers for at least 12 months after the Listing to review and monitor our internal control system, particularly with respect to our financing arrangements on a quarterly basis, conduct random checking and report findings to our audit committee for further review.

Our Directors confirm that the above internal control measures have been duly adopted and implemented and are of the view that they are adequate and effective in preventing future non-compliance in relation to the Financing Arrangement. Our internal control consultant has reviewed our design and implementation of the internal control measures set out above. Based on the foregoing, it concurs with the views of our Directors that: (i) we have properly designed the internal controls for the purpose of preventing non-compliance in relation to the Financing Arrangement; and (ii), such internal controls have been effectively implemented, save for the "Regular internal review and reporting process" that is designed to be implemented after the Listing as set out above.

Each of our Directors (other than our independent non-executive Directors) has confirmed that the non-compliance (i) did not involve any fraud, dishonesty or bribery; and (ii) was primarily attributable to his/her unfamiliarity with the Instruments Law, such that he/she was not aware that issuing the Bank Note, even it was to accommodate the lending bank's request, would be a non-compliant transaction. Having considered the facts and circumstances in relation to the Financing Arrangement, the training provided to the relevant Directors and senior management as mentioned above, the Financing Arrangement being only a one-off arrangement devised by the lending bank in January 2017 that did not have any material impact on our operations or track record results, the prompt settlement of the RMB95 million due to the lending bank in connection with the issuance of the Bank Note after becoming aware of the non-compliance, our enhanced internal control measures adopted to prevent recurrence of the non-compliance, our Directors are of the view that the Financing Arrangement does not affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules. Based on the independent due diligence conducted by the Sole Sponsor, nothing has come to its attention that would lead it to cast doubts on the views of our Directors above.

REGULATORY FILINGS

Tax Registrations

As advised by our PRC Legal Adviser, pursuant to the Notice of the Ministry of Finance and State Administration of Taxation on Issues relevant to the Determination and Administration of Tax-free Eligibility of Non-profit Organizations (《財政部、稅務總局關於非營利組織免稅資格認定管理有關問題的通知》) and the Tax Collection and Administration Law (《稅收徵收管理法》), non-profit organizations shall comply with the tax registration requirements within 30 days from the date of obtaining the business licence. As advised by our PRC Legal Adviser, pursuant to the provisions of the Tax Collection and Administration Law (《税收徵收管理法》), in the event that a taxpayer fails to comply with the tax registration requirements within the prescribed time limit, the relevant tax authority may compel corrective measures to be undertaken within a time limit and impose a fine below RMB2,000, or a fine between RMB2,000 and RMB10,000 in severe circumstances.

As advised by our PRC Legal Adviser, each of the School Sponsor, Anyang University, Shangqiu University and Hubei College did not comply with the relevant tax registration requirements within the prescribed time limit as required under applicable laws and regulations in the PRC. On the basis of the tax compliance certificates obtained from the relevant competent tax authorities and the fact that each of the School Sponsor, Anyang University, Shangqiu University and Hubei College was able to rectify such late registration by subsequently complying with the relevant tax registration requirements, our PRC Legal Adviser is of the view that the risk of us being imposed any form of penalty is remote and such late registration would not constitute material non-compliance.

Tax Filings

Each of Shangqiu University, Anyang University and Hubei College had filed tax returns with the relevant State Administration of Taxation Offices (the "**SAT**") and local tax bureaus for ongoing tax assessment purposes (the "**Tax Filings**") during the Track Record Period. We presented the financial information (including revenue, cost and other profit and loss line items) in the Tax Filings as "zero". As advised by our PRC Legal Adviser, a tax payer failing to comply with the tax registration requirements, file tax returns or submit information on tax payment within a prescribed time limit may be required by tax authority to rectify within a time limit, or subject to a fine of RMB2,000 or less. In severe cases, the tax payer may be subject to a fine ranging from RMB2,000 to RMB10,000. Our PRC Legal Adviser is of the view that the risk of any of Shangqiu University, Anyang University and Hubei College being penalised for matters relating to the Tax Filings is remote and would not constitute material non-compliance of our Group as a whole, on the basis that:

(i) *No effect on taxable income and tax assessed*. As each of Shangqiu University, Anyang University and Hubei College enjoys preferential tax treatments under applicable PRC laws and regulations, its tuition and boarding fees are not subject to any taxes in the PRC. Therefore, its taxable income and tax assessed would still have been zero even if the actual financial information of the relevant entities had been presented in the Tax Filings.

(ii) *Written confirmation from tax authorities.* Each of Shangqiu University, Anyang University and Hubei College has obtained a written confirmation from the respective SAT and local tax bureaus confirming that it has no record of non-compliance with respect to tax matters. As advised by our PRC Legal Adviser, such confirmations have been issued by competent authorities.

(iii) *Interviews with tax authorities.* In February 2018, with a view to understanding specifically whether the Tax Filings would have any adverse regulatory implications, our PRC Legal Adviser interviewed the respective SAT and local tax bureaus of Shangqiu University, Anyang University and Hubei College. Such authorities confirmed that the relevant schools have filed tax returns on time and no non-compliance has so far been identified. As advised by our PRC Legal Adviser, such interviews were made with competent officials having the appropriate authority to give the relevant confirmations.

Filing of Financial Statements with the CAB and the EB

As advised by our PRC Legal Adviser, when a private higher education institution is subject to annual inspection, it is required to submit the originals of the financial statements prepared by qualified accountants to the relevant authorities; however, PRC laws and regulations do not expressly provide for the legal consequences for the failure to submit such financial statements during annual inspection. The financial statements of the School Sponsor, Shangqiu University and Anyang University during the Track

Record Period were submitted (提交) to the respective local Civic Affair Bureau (the "**CAB**") and local Education Bureau (the "**EB**"). However, the financial statements were not filed (留檔) in the filing records of the relevant bureaus. Our Directors are of the view that we have complied with the relevant requirements of submitting the required financial statements to the local CAB and EB for the purposes of annual inspections notwithstanding that they were not filed (留檔), on the basis that:

(i) *Annual inspections*. Each of the School Sponsor, Shangqiu University and Anyang University had duly passed annual inspections during the Track Record Period. Our Directors have confirmed that each of the School Sponsor, Shangqiu University and Anyang University had submitted (提交) the required financial statements to the respective local CAB and EB for annual inspections during the Track Record Period and there have not been any regulatory concerns with respect to such financial statements. Our Directors have also confirmed that such financial statements are consistent with the underlying financial statements used in the preparation of the accountants' report of our Group.

(ii) *Interviews with authorities*. With a view to understanding specifically the requirements with respect to the filing (留檔) of the financial statements, our PRC Legal Adviser interviewed the respective CAB and EB of the School Sponsor, Shangqiu University and Anyang University in April 2018. We were given to understand that each of the School Sponsor, Shangqiu University and Anyang University had duly submitted (提交) the required financial statements during annual inspections in compliance with the applicable requirements, but the relevant bureaus did not maintain such financial statements in their filing records of the schools as the bureaus do not provide to the public any retrieval services for financial statements. This explains why even though the financial statements had been submitted (提交) for annual inspections, they were not filed (留檔) with the CAB or EB. As advised by our PRC Legal Adviser, such interviews were made with competent officials having the appropriate authority to give the relevant confirmations.

LEGAL PROCEEDINGS AND COMPLIANCE

During the Track Record Period and up to the Latest Practicable Date, we did not experience any material or systemic 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.

From time to time, we are 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 operations or financial condition. Our Directors have confirmed that no member of our Group is currently engaged in any material litigation, arbitration or administrative proceeding.

See "— Employees", "— Properties", "— Financing Arrangement" and "— Our Teachers" in this section for a description of certain legal matters relating to (i) our contributions to employee social security insurance plans (ii) title defects of our land and buildings and our compliance with the ratio of teaching and administrative building area to the number of students; (iii) our one-off financing arrangement devised by a lending bank involving the issuance of a bank note in February 2017; and (iv) our compliance with the teacher-to-student ratio, all of which we consider would not, individually or collectively, have a material adverse effect on our business, financial condition or results of operations for reasons described therein. Our Controlling Shareholders have provided an indemnity in favour of us with respect to any loss we may suffer in connection with these matters (See "E. Other information – 1. Deed of Indemnity" in Appendix V) and our Directors are satisfied that our Controlling Shareholders are financially capable of honouring such indemnity.

INTERNAL CONTROL AND RISK MANAGEMENT

Internal Control

We have engaged an independent internal control consultant to conduct an assessment of our internal control system. The internal control consultant has conducted long-form review procedures on our internal control system in certain aspects, including revenue, purchase, fixed assets management, human resources, financial management and information technology. The internal control consultant conducted its work in July to August 2017 and provided a number of findings and recommendations in its report. The internal control findings identified by the internal control consultant did not result in any material misstatement to our consolidated financial information prepared in accordance with IFRS during the Track Record Period as set out in Appendix IA to this document after certain appropriate adjustments were made to address those internal control deficiencies. We have subsequently taken remedial actions in response to such findings and recommendations. The internal control consultant performed follow-up procedures on our internal control system with regard to those actions taken by us and reported further commentary in November 2017. As of the Latest Practicable Date, we confirm that there were no material internal control findings outstanding.

We have established an internal control department and each of our colleges will designate personnel to monitor our on-going compliance with the relevant PRC laws and regulations that govern our business operations and oversee the implementation of any necessary measures. In addition, we plan to provide our Directors, senior management (including the principals and vice principals of our colleges) and employees involved with continuing training programmes 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. Mr. Jiang Yongqi, our head of human resources, is responsible for ensuring our overall on-going compliance.

We have also specifically enhanced our internal control measures with a view to ensuring the construction and use of our properties (see also "— Properties" in this section), our contributions to employee security plans (see also "— Employees" in this section) and our financing arrangements (see also "— Financing Arrangement" in this section) will comply with the applicable laws and regulations in the PRC.

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, among others, changes in general market conditions and perceptions of private education, changes in the regulatory environment in the PRC education industry, our ability to offer quality education to our students, our ability to increase student enrolment and/or raising tuition rates, our potential expansion into other regions, availability of financing to fund our expansion and business operations and competition from other school operators that offer similar quality of education and have similar scale. See the section headed "Risk Factors" in this document for disclosures on various risks we face.

To properly manage these risks, we have established the following risk management structures and measures:

- our Board of Directors is responsible and has the general power to manage the operations of our colleges, and is in charge of managing the overall risks of our Group. It is responsible for considering, reviewing and approving any significant business decision involving material risk exposures, such as our decision to expand our school network into new geographic areas, to raise our tuition fees, and to enter into cooperative business relationships with third parties to establish new schools;
- we maintain insurance coverage, which we believe is in line with customary practice in the PRC education industry; and
- we have made arrangements with our lenders to ensure that we will be able to obtain credit to support for our business operation and expansion.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN INVESTMENT IN EDUCATION

Catalogue of Industries for Guiding Foreign Investment (Amended in 2017)

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (Amended in 2017) (外商投資產業指導目錄(2017年修訂)), the "Foreign Investment Catalogue") which was amended and promulgated by the NDRC and the MOFCOM on 28 June 2017 and became effective on 28 July 2017, it published the list for the establishment of any foreign invested enterprise operating in industries where the PRC government does implement special entry administration measures which has been replaced by the Foreign Investment Access Special Management Measures (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單) (2018年版)》) which was jointly promulgated by the NDRC and MOFCOM on 28 June 2018, and became effective on 28 July 2018 (the "Negative List"). Pursuant to the Negative List, higher education are still restricted industries for foreign investors, and foreign investments are only allowed to invest in higher education in the form of Sino-foreign cooperative educational institution and the domestic party shall play a dominant role in the cooperation, which means the principal or other chief executive officer of the schools shall be a PRC national and the representative 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. Sino-foreign cooperation in operating schools is specifically governed by the Regulation on Operating Sino-foreign Schools of the PRC (《中華人民共和國中外合作辦學條例》), which was promulgated by the State Council on 18 July 2003 and became effective on 1 September 2003 and amended on 18 July 2013 and the Law for Promoting Private Education of the PRC (《中華人民共和國民辦教育促進法》) which was amended on 7 November 2016 and will become effective on 1 September 2017, 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 were issued by the MOE on 2 June 2004 and became effective on 1 July 2004.

The Regulation on Operating Sino-foreign Schools and its Implementing Rules apply to the activities of educational institutions established in the PRC jointly by foreign educational institutions and Chinese educational institutions, the students of which are to be recruited primarily from PRC citizens and encourage substantial cooperation between overseas educational organisations with relevant qualifications and experience in providing high-quality education, and PRC educational organisations 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 organisation must be a foreign educational institution with relevant qualification and experience at the same level and in the same category of education. However, based on the current understanding and knowledge, it is uncertain as to what type of information (including the length and type of experience) a foreign investor must provide to the competent PRC government authority to demonstrate that it meets the qualification requirement. Any PRC-foreign cooperative school and cooperation programme shall be approved by the relevant education authorities and obtain an Operation Permit for Sino-foreign Cooperation School, and a Sino-foreign cooperative school established without the above approval or permit may be prohibited 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 programme established without such approval or permit may also be banned and be ordered to refund the fees collected from its students.

On 18 June 2012, the MOE issued 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 (《關於鼓勵和引導民間資本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 PRC-foreign education institute shall be less than 50%.

Draft New Foreign Investment Law

On 19 January 2015, the MOFCOM published the Draft FIL. At the same time, the MOFCOM published the Explanatory Notes, which contains important information about the Draft FIL, including its drafting philosophy and principles, main content, plans to transition to the new legal regime and treatment of business in the PRC controlled by FIEs, primarily through contractual arrangements. The Draft FIL is intended to replace the current foreign investment legal regime consisting of three laws: the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, as well as detailed implementation rules. The Draft FIL proposes significant changes to the PRC foreign investment legal regime and introduced the concept of "actual control" determined by the identity of the ultimate natural person or enterprise that controls the domestic enterprise. If an enterprise is actually controlled by a foreign investor through contractual arrangements, such enterprise may be regarded as a FIE. Such FIE is restricted or prohibited from investment in certain industries listed on the negative list unless permission from the competent authority in the PRC is obtained. The Draft FIL also provides that any FIE operating in industries on the negative list will require entry clearance and other approvals that are not required for PRC domestic entities. As a result of these requirements, certain FIE's operating in industries on the negative list may not be able to continue to conduct their operations through contractual arrangements.

Pursuant to the Draft FIL, as far as new VIE structures are concerned, if the domestic enterprise under the VIE structure is controlled by Chinese nationals, the domestic enterprise may be treated as a Chinese investor and therefore, the VIE structures may be regarded as legal. On the contrary, if the domestic enterprise is controlled by foreign investors, the domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore, the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the negative list and the domestic enterprise does not apply for and obtain the necessary permissions.

The Draft FIL stipulates restriction of foreign investment in certain industry sectors. The negative list in the Draft FIL classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively. Foreign investors are not allowed to invest in any sectors set out in the Catalogue of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalogue of Prohibitions, unless otherwise specified by the State Council. Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions, provide that the foreign investors are required to fulfil certain conditions and apply for permission before making such investment.

Notwithstanding that the Explanatory Notes do not provide a clear direction in dealing with VIE structures existing before the Draft FIL becoming effective, which is still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with foreign-invested enterprises with existing VIE structures that conduct business in an industry falling in the "negative list":

(a) requiring them to make a declaration to the competent authority that the actual control is vested with Chinese investors, then the VIE structures may be retained for its operation;

(b) requiring them to apply to the competent authority for certification of its actual control vested with Chinese investors and upon verification by the competent authority, the VIE structures may be retained for its operation; and

(c) requiring them to apply to the competent authority for permission and the competent authority together with the relevant departments shall make a decision after taking into account the actual control of the foreign-invested enterprise and other factors.

The Draft FIL introduces the concepts of "control" and "actual control". Under Article 18 of the Draft FIL, the term "control" means a status whereby any of the following conditions is met in respect of an enterprise:

(i) holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;

(ii) holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies, or (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board; or

(iii) having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters.

In respect of "actual control", the Draft FIL looks at the identity of the ultimate natural person or enterprise that controls the foreign-invested enterprise. "Actual control" refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Article 19 of the Draft FIL defined "actual controllers" as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises. Where foreign investors and foreign-invested enterprises circumvent the provisions of the Draft FIL by entrusted holding, trust, multi-level re-investment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalogue of Prohibitions, or make investments in sectors specified in the Catalogue of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 (Investments in Sectors Specified in the Catalogue of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft FIL, as the case may be.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft FIL, including making investments in sectors specified in the Catalogue of Prohibitions, or in sectors specified in the Catalogue of Restrictions without authorisation, or evading the performance of the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities of foreign investment of the people's governments of provinces, autonomous regions and municipalities directly under the Central Government at the place where the investments are made shall order them to make rectifications to cease the implementation of such investments, dispose of equity or other assets within a prescribed time limit, or confiscate illegal gains, or impose certain fines.

Where foreign investors or foreign-invested enterprises are in violation of the provisions of the Draft FIL, including failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, and if the circumstances are extremely serious, a fine shall be imposed on the foreign investors or foreign-invested enterprises and the directly responsible person-in-charge and other persons liable shall be sentenced to fixed-term imprisonment of not more than one year or criminal detention.

REGULATIONS ON PRIVATE EDUCATION IN THE PRC

Education Law of the PRC

On 18 March 1995, the National People's Congress of the PRC (全國人民代表大會, the "NPC") enacted the Education Law of the PRC (the "Education Law"), which was amended on 27 August 2009. The Education Law sets forth provisions relating to the fundamental education systems of the PRC, including a school education system comprising kindergarten 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 formulates plans for the development of education, establishes and operates schools and other educational institution. Furthermore, it provides that in principle, enterprises, social organisations and individuals are encouraged to establish and operate schools and other types of educational institutions in accordance with PRC laws and regulations. Meanwhile, no organisation or individual may establish or operate a school or any other educational institution for profit-making purposes. The Education Law also stipulates that some basic conditions shall be fulfilled for the establishment of a school or any other educational institution, and the establishment, modification or termination of a school or any other educational institution shall, in accordance with the relevant PRC laws and regulations, go through the procedures of examination, verification, approval, registration or filing. On 27 December 2015, the Education Law was amended (the "amended Education Law"), which became effective on 1 June 2016. The amended Education Law repudiates paragraph III of Article 25 of the old law, which prohibits any organisation or individual from establishing or operating a school or any other educational institution for profit-making purposes. Accordingly, the amended Education Law allows the establishment or operation of schools for profit-making purposes. Nevertheless, schools and other educational institutions sponsored wholly or partially by government financial funds and donated assets are prohibited from being established as for-profit organisations.

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 1 September 2003 and was amended on 29 June 2013, 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》) became effective on 1 April 2004. Under these regulations, "private schools" are defined as schools established by social organisations or individuals using non-government funds. The establishment of a private school shall meet the local need for educational development and the requirements of the Education Law and the relevant laws and regulations. The standards for the establishment of private schools shall conform to those for the establishment of public schools of the same grade and category. In addition, private schools providing academic qualifications education, kindergarten education, education for self-study examination 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 labour and social welfare at or above the county level. A duly approved private school will be granted a Permit for Operating a Private School (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 privately run non-enterprise institution (民辦非企業單位). Each of our PRC Operating Schools has obtained the Permit for Operating a Private School and has been registered with the relevant local counterpart of the MCA.

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. The operations of a private school are highly regulated. For example, a private school shall establish an executive council, the board of directors or any other form of the decision-making body and such decision-making body shall meet at least once a year. Teachers employed by a private school shall have the qualifications specified for teachers and meet the conditions as provided for in the Teachers Law of the PRC (《中華人民共和國教師法》) and the other relevant laws and regulations, and there shall 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. Each of our colleges provides diplomas or certificates to students. In line with relevant regulations, all of our courses required for PRC diplomas are taught by teachers that are certified by the relevant city education bureaus after undergoing systematic training and passing standardised tests in the subject they teach.

The Amendment to the Law for Promoting Private Education

The 2016 Decision, namely the Decision of the Standing Committee of the National People's Congress on Amending the Law for Promoting Private Education of the PRC (《全國人民代表大會常務委員關於修改<中華人民共和國民辦教育促進法>的決定》) was promulgated by Order No. 55 of the President of the PRC on 7 November 2016 and became effective on 1 September 2017.

Pursuant to the Education Law of the PRC and the Higher Education Law of the PRC before the 2016 Decision comes into force, no organisation or individual may establish or operate a school or any other education institution for profit-making purposes and according to the aforementioned provisions, no private schools shall be established for profit-making purposes. Pursuant to the Implementation Rules, private schools are classified into three categories, namely, (i) schools whose sponsors make donations to the establishment of the schools, (ii) schools whose sponsors do not require reasonable returns and (iii) schools whose sponsors require reasonable returns.

Prior to the 2016 Decision, amendments to the Education Law of the PRC and the Higher Education Law of the PRC were made by the Standing Committee of the National People's Congress on 27 December 2015, which became effective on 1 June 2016. The amended Education Law and Higher Education Law (as defined below) repudiate the provisions that prohibit any organisation or individual from establishing or operating a school for profit-making purposes. The 2016 Decision further establishes a new classification system for private schools to be classified by whether they are established and operated for profit-making purposes. Under the 2016 Decision, sponsors of private school may choose to establish non-profit or for-profit private schools at their own discretion. Nonetheless, school sponsors are not allowed to establish for-profit private schools that are engaged in compulsory education. In other words, the schools engaged in compulsory education should retain their non-profit status under the 2016 Decision.

The following table sets forth the key differences between a for-profit private school and a non-profit private school under the 2016 Decision:

	For-profit private school	Non-profit private school
Receipt of operating profits	Sponsors are entitled to retain the operating profits and proceeds from the school and the operation surplus may be allocated to the sponsors in accordance with the provisions of the PRC Company Law and other relevant laws and regulations.	Sponsors are not entitled to any distribution of operating profits or proceeds from school and all operation surplus shall be used for the operation of the school.
Licenses and registration	Private school operating license, business license and other registrations required to go through by a corporate legal person in the PRC.	Private school operating license and registration certificate as a private non-enterprise entity.
Fees to be charged	The school is entitled to set its own tuition fees and other miscellaneous fees without the need to seek prior approvals from or report to the relevant government authorities.	The fees charged by the school shall be regulated by the provincial, autonomous regional or municipal governments.
Tax treatment	Taxation policies are still unclear as more specific provisions are yet to be introduced.	Same preferential tax treatment as public schools.
Land	The school may acquire the required land use rights by purchasing them from the government.	The school may acquire the required land use rights in the form of allocation by the government as a preferential treatment.
Government support	The people's governments at or above the county level may support the school by subscribing to the school's services, provision of student loans and scholarships, and leases or transfers of unused state assets.	The school will also enjoy the support from the people's governments available to a for-profit private school. In addition, the people's governments may further take such measures as government subsidies, bonus funds and incentives for donation in support of the school.
Liquidation	The remaining assets of the school after liquidation shall be distributed to the sponsors in accordance with the PRC Company Law.	The remaining assets of the school after liquidation shall be applied to the operation of other non-profit private schools.

In addition, the 2016 Decision provides that, where an organisation or individual establishes or operates a private school without authorisation, 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 imposed a penalty 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.

Under the 2016 Decision, by choosing to be registered as non-profit private schools, private schools established prior to the publication date of the 2016 Decision shall revise their articles of association in accordance with the 2016 Decision and can maintain their status quo, and upon liquidation of these private schools in the future, their sponsors may apply for reasonable compensations or receive awards that are to be paid from the residual property of their private schools. The remaining assets shall continue to be used for the operation of non-profit schools. Private schools that choose to be registered as for-profit private schools, on the other hand, shall perform a financial liquidation procedure so as to authenticate various parties' property rights, pay taxes and fees accrued thereto, re-register as for-profit institutions and continue their operation of private schools. Specific measures relating to conversion into for-profit and non-profit private schools will be formulated by the people's governments of provinces, autonomous regions and municipalities directly under the Central Government where the schools are located.

On 29 December 2016, the State Council issued the Several Opinions of the State Council on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《國務院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》) (the "State Council Opinions"), which require, among other things, to relax access to the operation of private schools and encourage social forces to enter the education industry. The State Council Opinions also provide that each level of the 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. The State Council Opinions further require each level of the people's government to improve its local policies on governmental support to for-profit and non-profit private schools by way of, among others, preferential tax treatments. The State Council Opinions further provide that private schools shall apply at least 5% of their tuition income as scholarship and financial aids to their students.

On 30 December 2016, the MOE, the MCA, the SAIC, the Ministry of Human Resources and Social Welfare and the State Commission Office of Public Sectors Reform jointly issued the Implementation Rules on the Classification Registration of Private Schools (《民辦學校分類登記實施細則》) (the "**Classification Registration Rules**"), reflecting the new classification system for private schools as set out in the 2016 Decision. Pursuant to the Classification Registration Rules, if a private school established before promulgation of the 2016 Decision chooses to register as a non-profit school, it shall amend its articles of association, continue its operation and complete the new registration process. If such private school chooses to register as a for-profit school, it shall conduct financial liquidation process, have the property rights of its assets such as lands, school buildings and net balance being authenticated by relevant governmental authorities, pay up relevant taxes, apply for a new Permit for Operating a Private School, re-register as for-profit schools and continue its operation. Specific provisions regarding the above registrations are yet to be introduced by the people's government at the provincial level in most of cities.

On 30 December 2016, the MOE, the SAIC and the Ministry of Human Resources and Social Welfare jointly issued the Implementation Rules on the Supervision and Administration of For-profit Private Schools (《營利性民辦學校監督管理實施細則》), pursuant to which the establishment, division, merger and other material changes of a for-profit private school shall first be reported by the board of directors of the relevant school to the relevant authorities and approved by relevant approving organs, which may include the education authorities, the authorities in charge of labour and social welfare and the people's government at the provincial level, and subsequently be registered with the competent branch of the SAIC.

Besides the 2016 Decision and the above rules and regulations, the details of the operation requirement of non-profit schools and for-profit schools will further be provided in implementation regulations that are yet to be introduced (the "Implementation Regulations"), all of which will affect the decisions we may make in response to the 2016 Decision and the impact on our business model brought by the 2016 Decision:

- the amendment to the Implementation Rules for the Law for Promoting Private Education of the PRC;
- the local regulations relating to legal person registration of for-profit and non-profit private schools; and
- the specific measures to be formulated and promulgated by the competent authorities responsible for the administration of private schools in the province(s) in which our schools are located, including but not limited to the specific measures for re-registration as for-profit schools, the specific requirements for authenticating various parties' property rights and payment of taxes and fees of for-profit private schools, taxation policies for for-profit private schools, measures for the collection of non-profit private schools' fees.

Sponsor's Interests

According to PRC laws and regulations, entities and individuals who establish private schools are commonly referred to as "sponsors" rather than "owners" or "shareholders". The economic substance of "sponsorship" with respect of private schools is substantially similar to that of ownership in terms of legal, regulatory and tax matters. Private education is treated as a public welfare undertaking under the regulations. Nonetheless, prior to the 2016 Decision coming into effect, sponsors of a private school may choose to require "reasonable returns" from the annual net balance of the school after deduction of costs for school operations, donations received, government subsidies (if any), the reserved development fund and other expenses as required by the regulations. Under the 2016 Decision, private schools shall elect to be re-registered as non-profit or for-profit status within the period prescribed by the provincial implementation rules, during which the schools may maintain the status quo. Upon such re-registration becoming effective, sponsors of private school will no longer be required to indicate whether they require "reasonable returns" or not.

Prior to the 2016 Decision becoming effective, all of our schools were private schools whose sponsor does not require reasonable returns.

Prior to the 2016 Decision becoming effective, at the end of each fiscal year, every private school is required to allocate a certain amount to its development fund for the construction or maintenance of the school or procurement or upgrade of educational equipment. In the case of a private school whose sponsor requires reasonable returns, this amount shall be no less than 25% of the annual net income of the school, while in the case of a private school whose sponsor does not require reasonable returns, this amount shall be equal to no less than 25% of the annual increase in the net assets of the school, if any. Under the 2016 Decision, whether private schools shall continue to allocate the above development fund is subject to amendment of the Implementing Rules of the Law for Promoting Private Education.

The sponsor of a private school has the obligation 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 assets of the school and the school has independent legal person status. In addition, subject to the schools constitutional documents the sponsor of a private school has the right to exercise ultimate control over the school by becoming the member of (if sponsor is individual) and controlling the composition of the school's decision-making body. Specifically, the sponsor has control over the private school's constitutional documents and has the right to elect and replace the majority of 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.

Pursuant to the 2016 Decision, sponsors of for-profit private schools are entitled to retain the profits and proceeds from the schools and the operation surplus may be allocated to the sponsors pursuant to the PRC Company Law (as defined below) and other relevant laws and regulations. Sponsors of non-profit private schools are not entitled to any distribution of profits or revenue from the non-profit schools they operate and all operation surpluses of the schools shall be used for the operation of the schools.

Implementation Opinions of Henan Government on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education

On 2 February 2018, Henan Municipal Government promulgated the Implementation Opinions of Henan Government on Encouraging the Operation of Education by Social Forces and Promoting the Healthy Development of Private Education (《河南省人民政府關於鼓勵社會力量興辦教育進一步促進民辦教育健康發展的實施意見》) (the "**Henan Implementation Opinions**"). Pursuant to the Henan Implementation Opinions, school sponsors of the private schools are allowed to register and operate the schools as for-profit private schools or non-profit private schools. The higher education institutions in Henan Province shall complete the re-registration procedures by the end of year 2022. The Henan Implementation Opinions also provide that the tuition fees of non-profit schools shall be subject to government restrictions and will gradually become subject to market adjustments; while for-profit schools are entitled to formulate their own standard of tuition fees at their discretion with reference to market conditions. However, once the standard of tuition fees is formulated for a particular school year, the private schools shall not increase the standard of tuition fees or charge additional fees during the same school year.

Implementation Opinions of Hubei Government on Promoting the Healthy Development of Private Education

On December 20, 2017, Hubei Municipal Government promulgated the Implementation Opinions of Hubei Government on Promoting the Healthy Development of Private Education (《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 "**Hubei Implementation Opinions**"). The Hubei Implementation Opinions aims to promote the healthy development of private education and puts forward the overall requirements of private education. It details the rules for the classification administration of for-profit private schools and non-profit private schools, improves the financial support and tax preferential policies and so on.

It enhances the new classification system for private schools as set out in the 2016 Decision and the Classification Registration Rules. Schools in Hubei Province shall finish the re-registration procedure before 1 September 2020 in principle.

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

Pursuant to 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》), which was promulgated by the NDRC, the MOE and the Ministry of Labour 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 2 March 2005, and the Implementation Rules for the Law for Promoting Private Education and the Henan Province Interim Measures for the Management of the Collection of Private Education Fees (《河南省民辦學校收費暫行管理辦法》) which became effective on 1 August 2005, the types and amounts of fees charged by a private school providing academic qualifications education shall be examined and verified by the education authorities or the labour and social welfare authorities and approved by the governmental pricing authority, and the school shall obtain the Fee Charge Permit (《收費許可證》). A private school that provides non-academic qualifications education shall file its pricing information with the governmental pricing authority and publicly discloses such information. If a school raises its tuition levels without obtaining the proper approval or making the relevant filing with the relevant government pricing authorities, the school would be required to return the additional tuition fees obtained through the raise and become liable for compensation of any losses caused to the students in accordance with the relevant PRC laws. However the governmental pricing authorities in Henan province, where all our colleges are located, have in practice stopped using the Fee Charge Permits in their daily administration. As a result, all of our colleges do not have Fee Charge Permits. All our colleges have also obtained certification from the competent governmental pricing authorities certifying that each of our colleges is in compliance with the regulations regarding the collection of tuition.

According to the Notice on the Cancellation of the Fee Charge Permit System and Strengthening the Supervision (《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》, "Circular 36"), which was issued jointly by the NDRC and the Ministry of Finance on 9 January 2015, the Fee Charge Permit certificate issuance and annual review system shall be cancelled nationwide from 1 January 2016. According to the Forward Notice on the Cancellation of the Fee Charge Permit System and Strengthening the Supervision (《關於轉發<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 Fee Charge Permit annual review shall be cancelled in Henan Province from 1 January 2015. Furthermore Fee Charge Permit certificates shall not be issued in Henan Province and all issued Fee Charge Permits shall become automatically invalid from 1 April 2015.

On 11 June 2015, the People's Government of Henan Province (河南省政府) published the Opinions of the People's Government of Henan Province on Further Deepening Price Reform (《河南省人民政府關於進一步深化價格改革的意見》, the "Price Reform Opinions"). The Price Reform Opinions aim to further reform the pricing of public utilities and public services in Henan Province. Among other things, the Price Reform Opinions provide that: (i) the government control over the education related fees for part-time postgraduate educational services shall be reduced; (ii) the government control over the education related fees for privately-run formal education shall be reduced gradually; and (iii) the record-filling requirement for the fees charged by privately-run kindergartens shall be abolished. The Price Reform Opinions also encourage the social community to run education businesses on their own.

Pursuant to the Notice on the Filing System of the Tuition Fees of Private Higher Education Institution and the Related Issues (《湖北省物價局、湖北省教育廳關於我省民辦普通高等學校學費標準備案及有關問題的通知》(鄂價費[2014]44號)), which was promulgated jointly by Hubei Province Price Bureau and Hubei Provincial Department of Education on 14 May 2014 and became effective on 1 September 2014, the level of tuition fees, boarding fees and service fees charged by private schools or any adjustments thereto shall be filed with competent education and pricing authorities.

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 24 April 2015 and became effective on 1 October 2015, collective canteens of schools and kindergartens shall obtain licences in accordance with the laws and strictly abide by the laws, regulations and food safety standards. Schools and kindergartens should only order meals from off-site providers that have obtained the relevant food production licences and should conduct regular inspections on the meal provided.

In accordance with the Regulation on Hygiene Administration of School Canteens and Collective Dining of Students (《學校食堂與學生集體用餐衛生管理規定》), which was promulgated on 20 September 2002 and became effective on 1 November 2002, hygiene administration of school canteens and collective dining of students should (a) follow a policy of precaution in the first place, and (b) observe the principles of being supervised and instructed by hygiene administrative department, being managed and inspected by education administrative department, and being executed by school. School canteens should keep the environment inside and outside clean and tidy, and strictly supervise the process of food procurement. Staff members and management personnel of canteens should master the basic requirements of food hygiene. The principal shall be responsible for the food safety of the school canteen, and full-time or part-time food hygiene management personnel shall be appointed.

According to the Circular on Strengthening Hygiene and Epidemic Prevention and Food Hygiene and Safety of Private Schools (《關於加強民辦學校衛生防疫與食品安全工作的通知》), which was promulgated on 29 April 2006, private schools should pay high attention to and strengthen the school hygiene and epidemic prevention and the food hygiene and safety.

Industry and Delivery Entity of Collective Dining (《餐飲業和集體用餐配送單位衛生規範》), and should strictly comply with the hygiene operation norms. In order to ensure the hygiene and safety of food and drink of teachers and students, schools should (a) establish a system of procurement of canteen supplies from designated suppliers, (b) establish a system of demanding for certificate and keeping record during procurement, (c) establish a system of retention of food for check-up and record, and (d) examine the situation of hygiene and safety of drinking water.

Pursuant to the Circular on Further Strengthening Food Safety of School Canteens (《關於進一步加強學校食堂食品安全工作的通知》) issued on 11 August 2011, school canteens are comprehensively required to carry out food safety self-inspection. Local food and drug administration at all levels are required to comprehensively strengthen supervision and inspection on food safety of school canteens before commencement of each term, and, before the commencement of every spring term and every autumn term, should consider school canteens as key point of supervision and strengthen the supervision and inspection. School food safety responsibility system should be comprehensively carried out.

According to the Regulation on Catering Food Safety Supervision and Management of School Canteens of Henan Province (《河南學校食堂餐飲食品安全監督管理辦法》), which was promulgated on 2 March 2015 and became effective on the same day, and the Regulation on Catering Food Safety Supervision and Management of School Canteens of Hubei Province (《湖北省學校食堂餐飲食品安全監督管理辦法》), which was promulgated on 17 April 2015 and became effective on the same day, subject to delegate management of the school canteens, the entrusted operators of the canteens are required to have a business licence and other related qualifications, and operate and manage catering services in strict accordance with related laws and regulations on food safety.

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

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 then amended on December 27, 2015 and became effective on June 1, 2016, higher education includes education for academic qualifications and education for non-academic qualifications. Higher education institutions are universities, independent colleges, and specialised 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 Central Government,then report to the administrative department for education under the State Council for record. The establishment of other higher education organisations shall be subject to examination and approval by the administrative department for education under the people's governments of provinces, autonomous regions and municipalities directly under the 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 organisations. 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. Specialised 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 programme. Other higher education organisations 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.

Further, 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 was amended on November 10, 2015, pursuant to which the conditions for running non-state-operated colleges and universities shall conform to the establishment standards as prescribed by the state and the basic indicators for running regular colleges and universities. The investors of a non-state-operated college or university shall, under the Non-State-operated Education Promotion Law and the Regulation for the Implementation thereof, timely and fully perform the capital contribution obligation. No non-state-operated college or university may engage in educational and teaching activities in any place other than that as specified in the licence for running non-state-operated education, or establish any branch, or rent or lend to others its licence for running non-state-operated education. The president of a non-state-operated 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 not be over 70 years old. The term of office of a president shall be 4 years in principle.

Regulations on the Operation of Independent Colleges

According to Measures for the Establishment and Administration of Independent Colleges (獨立學院設置與管理辦法), which was promulgated on February 22, 2008 and amended on November 10, 2015 and became effective on the same day, Independent Colleges refer to the colleges engaging in undergraduate diploma education and set up by the cooperation of colleges or universities engaging in undergraduate and graduate diploma education and social organisation and individuals except for the state organs with non-state financial funds.

A social organisation applying to be the school sponsor of an independent college shall be qualified as a legal person, with its registered capital no less than RMB50 million, its total assets no less than RMB0.3 billion, net assets no less than RMB120 million and its asset-liability ratio no more than 60%. Common colleges and social organisations who intend to engage in the set-up of an independent college shall enter into a cooperative agreement which contains the independent college's education aim, its cultivation goal, each party's investment sum and method of investment, the rights and obligations of each party, the methods for solving disputes, and other appropriate content. An application for the establishment of an independent college shall be subject to the approval of the MOE in accordance with the same procedures for the set-up of the colleges and universities engaging in undergraduate diploma education.

An independent college shall establish an executive council, a board of directors and other forms of decision-making bodies. The executive council or the board of directors shall be organised by the representative of the colleges or universities and social organisations who are school sponsors of the independent colleges, the president, the representatives of the faculty and staff. No less than 2/5 of the members of the executive council or the board of the directors shall be the representative of the colleges or universities. The executive council or the board of directors shall consist of at least five persons, with one acting as the director-general of the executive council or chairman of the board of directors. Their names shall be reported to the examination and approval organ for record.

The executive council, the board of directors or a decision-making body of other forms for an independent colleges hall hold a meeting at least twice each year. Upon the proposal of 1/3 or more of the component members, the executive council, the board of directors or a decision-making body of other forms may convene a temporary meeting. The quorum attendance of the meeting of the executive council, the board of directors or a decision-making body of other forms shall be more than half of the executives or directors of an independent college. Material matters such as the appointment or dismissal of the president, the modification of the articles of association of the independent college, the preparation of development plans, the review and approval of the budget and final accounts and other material matters specified in the articles of association of an independent college shall be subject to the resolution of the executive council, the board of directors or a decision-making body of other forms passed by 2/3 or more of its component members.

An independent college shall grant the certificate of graduation with the name of the college on it to students who have completed the required study with qualified performance. And furthermore, an independent college that obtains the appropriate qualification for conferring degrees after it is examined and approved in accordance with the relevant regulations is permitted to grant a bachelor's degree certificate to the students who satisfy the required conditions.

Where an independent college makes utilisation of the management resources, teachers, curriculums and other education resources of the colleges and universities who act as its school sponsors, the payment made by the independent college to its school sponsors is permitted to be deemed and calculated as the running cost of the independent college in accordance with the cooperation agreement among the school sponsors and/or the relevant PRC regulations. And the school sponsors of an independent college may require to have reasonable gains from the balance of the college which is calculated by deducting the running costs, drawing the reserved development funds and other necessary expenses in accordance with PRC regulations from the income of the independent college.

According to the Opinions of the MOE to Establishment of Ordinary Tertiary Schools of Eleventh Five-year (《教育部關於"十一五"期間普通高等學校設置工作的意見》), the conversion of an independent college into a private higher education institution shall conform with the procedure for establishment of a higher education institution.

The Higher Education Law of the PRC and Interim Provisions on Establishment of Ordinary Undergraduate Schools (《普通本科學校設置暫行規定》) provides for the procedure of the establishment of an ordinary undergraduate school, which Shangqiu University and Anyang University have followed in its conversion process. As required by the procedure, the board of directors of Shangqiu University and

Anyang University have filed an application for conversion into a private higher education institution with the Henan Provincial Government and the MOE for conversion and the MOE has released such approval to the Henan Provincial Government. Each of Shangqiu University and Anyang University has obtained the new Permit for Operating a Private School (民辦學校辦學許可證) and Registration Certificate for a Privately Run Non-Enterprise Institution (民辦非企業單位登記證).

Regulations on Establishment of Majors in Colleges and Universities

According to the Provisions on the Establishment of Undergraduate Majors in Colleges and Universities (《普通高等學校本科專業設置管理規定》) and the Colleges and Universities Majors Directory (2012)(《普通高等學校本科專業目錄(2012年)》) (the "College and University Majors Directory"), which were issued on September 14, 2012, colleges and universities are allowed to establish undergraduate majors through the following three ways: (i) the establishment of the undergraduate majors (except State-controlled distribution majors) included in the Colleges and Universities Undergraduate Majors Directory (2012) shall be filed with the MOE; (ii) the establishment of majors not included in the Colleges and Universities Undergraduate Majors Directory (2012) is subject to the approval by the MOE; and (iii) the establishment of the State-controlled distribution undergraduate majors is subject to the approval by the MOE.

Outline of China's National Plan for Medium-and Long-Term Education Reform and Development (2010-2020)

On July 8, 2010, the PRC central government promulgated the Outline of China's National Plan for Medium-and Long-Term Education Reform and Development (2010-2020) (國家中長期教育改革和發展規劃綱要), (2010-2020) which for the first time announced the policy that the government will implement a reform to divide private education entities into two categories: (1) For-profit private education entities and (2) not-for-profit private education entities. On October 24, 2010, the General Office of the State Council (國務院辦公廳) issued the Notices on the National Education System Innovation Pilot (關於開展國家教育體制改革試點的通知, "Pilot Notice"). Following the Pilot Notice, the MOE submitted to the State Council A Series of Suggested Amendments to Varies of Educational Laws (教育法律一攬子修訂建議草案(送審稿), the "Drafted Amendments") which were published by the legislation office of the State Council on September 5, 2013. The Standing Committee of the PRC National People's Congress, or the NPC Standing Committee, published Package Amendments to Education Laws (Draft) (教育法律一攬子修正案(草案), the"Package Amendments") on September 7, 2015. Under the Pilot Notice and Drafted Amendments and the Package Amendments, the PRC government plans to implement a for-profit and not-for-profit classification management system for private schools.

Decision on Amending Four Inbound Investment Laws

On 3 September 2016, the Standing Committee of the National People's Congress of the PRC (全國人大常務委員會) published the Decision of the Standing Committee of the National People's Congress on Revising Four Laws Including the "Law of the People's Republic of China on Wholly Foreign-Owned Enterprises" (《全國人大常務委員會關於修改<中華人民共和國外資企業法>等四部法律的決定》, the "Decision") which came into effect on 1 October 2016. The Decision revises the current foreign investment legal regime consisting of four laws: the Wholly Foreign-Owned Enterprise Law (《中華人民共和國外資企業法》), the Sino-Foreign Equity Joint Venture Enterprise Law (《中華人民共和國中外合資企業法》), the Sino-Foreign Cooperative Joint Venture Enterprise Law (《中華人民共和國中外合作經營企業法》) and the Law on the Protection of Investment of Taiwan Compatriots (《中華人民共和國台灣同胞投資保護法》).

The Decision makes significant changes of examination and approval of foreign investments, in areas where the PRC government does not implement special entry administration measures, will be replaced with the new record-filing approach. The Decision means that the establishment of any foreign invested enterprise operating in industries where the PRC government does implement special entry administration measures, or, industries on the "Negative List", will still require entry clearance and other approvals that are not required for PRC domestic entities. On 8 October 2016, the NDRC and the MOFCOM published the No. 22 Announcement of 2016 (《中華人民共和國國家發展和改革委員會和中華人民共和國商務部2016年第22號公告》) (the "Announcement"). Pursuant to the Announcement, the State Council approved that the categories of the industries for which the PRC government will implement special entry administration measures and still require entry clearance and other approvals under the Decision (i.e., the "Negative List"), should be consistent with the Catalogue of Industries for Guiding Foreign Investment (2015 Revision) (《外商投資產業指導目錄(2015年修訂)》). The details about Negative List refer to the "Catalogue of Industries for Guiding Foreign Investment (Amended in 2017)" section.

PRC LAWS AND REGULATIONS RELATING TO 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 16 March 2007 and became effective on 1 October 2007, educational, medical and health and other public welfare facilities and other properties of institutions and social groups with the aim of benefiting the public such as schools, kindergartens and hospitals are not allowed to be mortgaged. As advised by our PRC Legal Adviser, educational facilities in our colleges cannot be mortgaged.

According to the Property Law, transferable fund units and equity, property rights in intellectual property rights of transferable exclusive trademark rights, patent rights, copyrights, accounts receivable and other property rights as stipulated by any law or administrative regulation to be pledgeable may be pledged. As advised by our PRC Legal Adviser, as no law or administrative regulation stipulates that a sponsor's right is pledgeable, the pledge of a sponsor's right in a private school will not be accepted by the MOE or MCA.

LEGAL REGULATIONS OVER INTELLECTUAL PROPERTY IN THE PRC

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 30 August 2013 and with effect from 1 May 2014, registered trademarks refer to trademarks that have been approved and registered by the Trademark Office of the State Administration for Industry & Commerce (國家工商行政管理總局商標局), which include commodity trademarks, service trademarks, collective marks and certification marks. The trademark registrant shall enjoy an exclusive right to use the trademark, which shall be protected by law.

Domain Name

Pursuant to the Administrative Measures for Internet Domain Names (《互聯網域名管理辦法》), which was promulgated by the Ministry of Industry and Information Technology of the PRC on 24 August 2017 and with effect from 1 November 2017, domain name registration services shall be subject to the principle of "first come, first served". The domain names registered or used by an organisation or individual shall not contain any contents prohibited by laws and administrative regulations. A domain name registration applicant shall provide the domain name registration service agency with truthful, accurate and complete identity information on the domain name holder.

PRC LAWS AND REGULATIONS RELATING TO LABOUR PROTECTION

According to the Labour Law of the PRC (《中華人民共和國勞動法》), the "Labour Law"), which was promulgated by the Standing Committee of the NPC on 5 July 1994 and became effective on 1 January 1995 and was amended on 27 August 2009, an employer shall establish a comprehensive management system to safeguard the rights of its employees, including developing and improving its labour safety and health system, stringently implementing national protocols and standards on labour safety and health, conducting labour safety and health education for workers, guarding against labour accidents and reducing occupational hazards. Labour safety and health facilities must comply with relevant national standards. An employer must provide employees with the necessary labour protection equipment that comply with labour safety and health conditions stipulated under national regulations, as well as provide regular health check for workers that engage in operations with occupational hazards. Labourers who engage in special operations shall have received specialised 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 Labour Contract Law (《勞動合同法》), which was promulgated by the Standing Committee of the NPC on 29 June 2007 and became effective on 1 January 2008, and was amended on 28 December 2012, and the Implementation Regulations on Labour Contract Law (《勞動合同法實施條例》), which was promulgated and became effective on 18 September 2008, regulate employer and employee relations and contain specific provisions on the terms of the labour contract. Labour contracts must be made in writing. An employer and an employee may enter into a fixed-term labour contract, an un-fixed term labour contract, or a labour contract that concludes upon the completion of certain work assignments, after reaching due negotiations. An employer may legally terminate a labour contract and dismiss its employees after reaching agreement upon due negotiations with the employee or by fulfilling the statutory conditions. Labour contracts concluded prior to the enactment of the Labour Law and subsisting within the validity period thereof shall continue to be honoured.

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 Social Insurance Law (No.35 of the President) (《社會保險法》), which was promulgated on 28 October 2010 and became effective on 1 July 2011, has included 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 the 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條例》), which was promulgated by the Ministry of Human Resources and Social Security on 6 September 2011 and became effective on 15 October 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 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 supervise and examine 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》), which was promulgated and became effective on 3 April 1999, and was amended on 24 March 2002, employers are required to contribute, on behalf of their employees, to housing provident funds.

The employer shall process housing provident fund payment and deposit registrations with the housing provident fund administration centre. The employer shall timely pay up and deposit housing provident fund contributions in full amount, any employer who violates the above regulations shall be fined and ordered to make good the deficit within a designed 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 these regulations and fail to pay up housing provident fund contributions in full amount as due, the housing provident fund administration centre 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 with such order after the expiry of such period.

PRC LAWS AND REGULATIONS RELATING TO TAX

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 16 March 2007 and became effective from 1 January 2008, and the Implementation Rules to the EIT Law (《中華人民共和國企業所得稅法實施條例》), which was promulgated on 6 December 2007 and became effective from 1 January 2008 by the State Council, enterprises are classified as either resident enterprises or non-resident enterprises. The income tax rate for resident enterprises, including both domestic and foreign-invested enterprises shall typically be 25% commencing from 1 January 2008. An enterprise established outside China with its "de facto management bodies" located inside China is considered as a "resident enterprise", which means it can be treated as domestic enterprise for enterprise income tax purposes. A nonresident 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 enterprise income tax on its income deriving from inside China at the reduced rate of enterprise income tax 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》), "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》), "Circular 3"), schools shall be exempt from enterprise income tax 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 enterprise income tax 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 and its implementation rules, a private school that does not require reasonable returns enjoys the same preferential tax treatment as public schools, whereas the preferential tax treatment policies applicable to private schools that require reasonable returns are separately formulated by the relevant authorities under the PRC State Council. All of our colleges elected to be schools whose sponsor does not require reasonable return.

According to the 2016 Decision, private schools will be entitled to preferential tax treatments, among which non-profit private schools will be entitled to the same preferential tax treatment as public schools and taxation policies for for-profit private schools under the 2016 Decision are yet to be introduced. Therefore, the preferential tax treatment of our schools under the 2016 Decision will be subject to (i) the decision we make to operate our colleges as for-profit or non-profit schools, and (ii) the tax treatment of the for-profit schools which should be stipulated in the Implementation Regulations that are to be introduced.

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稅避免雙重徵稅和防止偷漏稅的安排》), the "Double Tax Avoidance Arrangement") on 21 August 2006. According to the Double Tax Avoidance Arrangement, if the beneficiary of the dividends is a Hong Kong resident enterprise, which directly holds no less than 25% equity interests in the aforesaid enterprise, the tax levied shall be 5% of the distributed dividends. The 10% withholding tax rate applies to dividends paid by a PRC company to a Hong Kong resident if such Hong Kong resident holds less than 25% of the equity interests in the PRC company.

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》) 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") and became effective on 20 February 2009, all of the following requirements shall be satisfied in order for a Chinese resident company to enjoy the preferential tax rates provided under the tax agreements: (i) such a fiscal resident who obtains dividends should be a company as provided in the tax agreement; (ii) owner's equity interests and voting shares of the Chinese resident company directly owned by such a fiscal resident reaches a specified percentage; and (iii) the equity interests of the Chinese resident company directly owned by such a fiscal resident, at any time during the 12 months prior to the obtainment of the dividends, reach a percentage specified in the tax agreement.

Pursuant to the Administrative Measures for Tax Agreements Treatment for Non-resident Taxpayers (《非居民納稅人享受稅收協定待遇管理辦法》), which became effective on 1 November 2015, a non-resident taxpayer meeting conditions for enjoying the tax agreement treatment may be entitled to the tax agreement treatment itself/himself when filing a tax return or making a withholding declaration through a withholding agent, subject to the subsequent administration by the tax authorities.

Business Tax

According to the Provisional Regulations on Business Tax (《營業稅暫行條例》), which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994 and amended on 10 November 2008, and the Detailed Implementing Rules on the Temporary Regulations on Business Tax (《營業稅暫行條例實施細則》), which was promulgated by the MOF and the SAT and came into effect on 25 December 1993, amended on 15 December 2008 and 28 October 2011, business tax is imposed on the income derived from the furnishing of specified services and transfer of immovable property or intangible property at rates ranging from 3% to 20%, depending on the activity.

According to Circular 39, Circular 3 and the Provisional Regulations of the PRC on Business Tax, kindergartens and educational services provided by schools and other educational institutions shall be exempt from business tax.

Value-added Tax

According to the Temporary Regulations on Value-added Tax (《增值稅暫行條例》), which was promulgated by the State Council on 13 December 1993, came into effect on 1 January 1994, and was amended on 10 November 2008 and 6 February 2016, and the Detailed Implementing Rules of the Temporary Regulations on Value-added Tax (《增值稅暫行條例實施細則》), which was promulgated by the MOF and came into effect on 25 December 1993, and was amended on 15 December 2008 and 28 October 2011, all taxpayers selling goods, providing processing, repairing or replacement services or importing goods within the PRC shall pay value-added tax.

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 and came into effect on 1 January 2012, the State began to launch taxation reforms in a gradual manner. The collection of value added tax in lieu of business tax items was implemented on a trial basis and has not been implemented in education consulting service industries. According to the Circular on Comprehensively Promoting the Pilot Programme 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》,"Circular 36"), which was promulgated on 23 March 2016 and became effective from 1 May 2016, education services provided by schools engaged in diploma education shall be exempted from VAT. "Circular 36" stipulates that income from the provision of education services that is exempted from VAT refers to the income from the provision of degree education services for student enrolled within the officially prescribed admission plans, specifically including: income from tuitions, accommodation fees, textbook fees, exercise-book fees, and exam entry fees that are examined and approved by the relevant government authorities and charged according to the prescribed standards, as well as income from boarding fees for catering services provided by school canteens. Except for the aforesaid income, income from the sponsorship fees and school-selection fees charged by schools in any name is not 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 exempted from house property tax and urban land use tax. Schools and kindergartens which expropriate arable land upon approval shall be exempted from arable land use tax. Schools and educational institutions established by any enterprises, government affiliated institutions, social groups or other social organisations 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 labour of the relevant people's government at the county level or above which has also issued the relevant school running licence, shall be exempted from deed tax on their ownerships of land and houses used for teaching activities.

PRC LAWS AND REGULATIONS RELATING TO COMPANIES

The establishment, operation and management of corporate entities in the PRC are governed by the Company Law of the PRC (《中華人民共和國公司法》), the "PRC Company Law"), which was promulgated on 29 December 1993 and amended on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013. Under the PRC Company Law, companies are generally classified into two categories: limited liability companies and limited companies by shares. The PRC Company Law also applies to foreign-invested limited liability companies but where other relevant laws regarding foreign investment have provided otherwise, such other laws shall prevail.

The latest amendment to the PRC Company Law took effect from 1 March 2014, pursuant to which there is no longer a prescribed timeframe for the shareholders to make full capital contribution to a company, except otherwise provided in other relevant laws, administrative regulations and State Council decisions. Instead, shareholders are only required to state the capital amount that they commit to subscribe in the articles of association of the company. Further, the initial payment of a company's registered capital is no longer subject to a minimum amount requirement and the business licence of a company will not show its paid-up capital. In addition, shareholders' contribution of the registered capital is no longer required to be verified by capital verification agencies.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN EXCHANGE

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"). These were promulgated by the State Council of the PRC on 29 January 1996 and with effect from 1 April 1996 and were amended on 14 January 1997 and 5 August 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 direct investment, loan or investment in securities outside China, unless the prior approval of the SAFE or its local counterparts is obtained.

Under the Foreign Exchange Administration Rules, foreign-invested enterprises in the PRC may, without the approval of SAFE, make a payment from their foreign exchange accounts at designated foreign exchange banks for paying dividends with 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 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 SAFE or its local counterparts and approval form or filling with the relevant PRC government authorities (if necessary).

According 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》), "Circular 37"), which was promulgated on 14 July 2014 and with effect from the same day, the domestic resident shall be required to register with the local branch of SAFE for foreign exchange registration of overseas investments before contributing the domestic and overseas lawful assets or interests to a SPV, and to update such registration in the event of any change of basic information of the registered SPV or major change in the SPV's capital, including increases and decreases of capital, share transfers, share swaps, mergers or divisions. The SPV is defined as an "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 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》), "Circular 13"), which was promulgated on 13 February 2015 and implemented on 1 June 2015, 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, and the Circular 13 also simplifies some procedures relating to foreign exchange for direct investments.

On 30 March 2015, the SAFE promulgated the Circular on Reforming the Management Approach regarding the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises (《國家外匯管理局關於改革外商投資企業外匯資本金結匯管理方式的通知》, "Circular 19"), which came into effect from 1 June 2015. According to Circular 19, the foreign exchange capital of foreign-invested enterprises shall be subject to the Discretional Foreign Exchange Settlement ("Discretional Foreign Exchange Settlement"). The Discretional Foreign Exchange Settlement refers to the foreign exchange capital in the capital account of a foreign-invested enterprise for which the rights and interests of monetary contribution has been confirmed by the local foreign exchange bureau (or the book-entry registration of monetary contribution by the banks) can be settled at the banks based on the actual operational needs of the foreign-invested enterprise. The proportion of Discretional Foreign Exchange Settlement of the foreign exchange capital of a foreign-invested enterprise is temporarily determined to be 100%. The Renminbi converted from the foreign exchange capital will be kept in a designated account and if a foreign invested enterprise needs to make further payment from such account, it still needs to provide supporting documents and go through the review process with the banks.

Furthermore, Circular 19 stipulates that the use of capital by foreign-invested enterprises shall follow the principles of authenticity and self-use within the business scope of enterprises. The capital of a foreign-invested enterprise and capital in Renminbi obtained by the foreign-invested enterprise from foreign exchange settlement shall not be used for the following purposes:

1. directly or indirectly used for the payment beyond the business scope of the enterprises or the payment as prohibited by relevant laws and regulations;
2. directly or indirectly used for investment in securities unless otherwise provided by the relevant laws and regulations;
3. directly or indirectly used for granting the entrust loans in Renminbi (unless permitted by the scope of business), repaying the inter-enterprise borrowings (including advances by the third party) or repaying the bank loans in Renminbi that have been sub-lent to the third party; and
4. directly or indirectly used for expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

SAFE issued the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《國家外匯管理局關於改革和規範資本項目結匯管理政策的通知》, or "Circular 16"), on 9 June 2016, which became effective simultaneously. Pursuant to Circular 16, enterprises registered in the PRC may also convert their foreign debts from foreign currency to Renminbi on self-discretionary basis. Circular 16 provides an integrated standard for conversion of foreign exchange under capital account items (including but not limited to foreign currency capital and foreign debts) on self-discretionary basis which applies to all enterprises registered in the PRC. Circular 16 reiterates the principle that Renminbi converted from foreign currency-denominated capital of a company may not be directly or indirectly used for purposes beyond its business scope or prohibited by PRC laws or regulations, while such converted Renminbi shall not be provided as loans to its non-affiliated entities.

As Circular 16 is newly issued and SAFE has not provided detailed guidelines with respect to its interpretation or implementations, it is uncertain how these rules will be interpreted and implemented.

Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors (Revised in 2009)

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/her, acquires a domestic company which is related to or connected with it/him/her, approval from the MOFCOM is required.

BACKGROUND TO THE CONTRACTUAL ARRANGEMENTS

We currently conduct our private education business through our consolidated affiliated entities in the PRC because PRC laws and regulations, or the implementation of those laws and regulations by the relevant government authorities, generally prohibit or restrict foreign ownership in the private education industry in the PRC. Currently, PRC laws and regulations restrict the operation of higher education institutions to Sino-foreign cooperative joint venture ownership, in addition to imposing a qualification requirement on the foreign owners. Further, government approvals in respect of Sino-foreign cooperative joint venture ownership in the private education sector have, with very limited exceptions, been withheld in practice.

As a result of the restrictions imposed by PRC laws and regulations, our Company is unable to own or hold any direct sponsor interest or equity interest (as the case may be) in our consolidated affiliated entities. Accordingly, the term "ownership" or the related concept, as applied to our Company in this document, as the case may be, refers to an economic interest in the assets or businesses through the Contractual Arrangements without holding any sponsor interest or equity interest (as the case may be) in our consolidated affiliated entities. The Contractual Arrangements, through which we are able to exercise control over and derive the economic benefits from our consolidated affiliated entities, have been narrowly tailored to achieve our business purpose and minimise the potential conflict with relevant PRC laws and regulations.

PRC LAWS AND REGULATIONS RELATING TO FOREIGN OWNERSHIP IN THE HIGHER EDUCATION INDUSTRY

Pursuant to the Implementation Opinions on Encouraging and Guiding Private Fund's Entry into the Education Sector and Promoting Healthy Development of Private Education (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) promulgated by the MOE on 18 June 2012 (the "**Implementation Opinions**"), foreign-invested companies that engage in educational activities in the PRC should comply with the Foreign Investment Industries Guidance Catalogue (as amended in 2017) (《外商資產業指導目錄》 (2017年修訂)) (the "**Foreign Investment Catalogue**").

Pursuant to Foreign Investment Catalogue, the provision of higher education in the PRC falls within the "restricted" category. In particular, such catalogue explicitly restricts higher education institutions to Sino-foreign cooperation, which means that foreign investors may only operate higher education institutions through cooperating with PRC incorporated entities that are in compliance with the Sino Foreign Regulation. In addition, such catalogue 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 or education institutions shall be a PRC national; and (b) the representative 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 school (the "**Foreign Control Restriction**"). On 28 June 2018, the NDRC and MOFCOM jointly promulgated the Foreign Investment Access Special Management Measures (Negative List) (2018 Version) (《外商投資准入特別管理措施(負面清單) (2018年版)》), which became effective on 28 July 2018 and replaced the "restricted" and "prohibited" category in the Foreign Investment Catalogue. Under the Negative List, the restriction on foreign investments in higher education remain unchanged.

In relation to the interpretation of Sino-foreign cooperation, pursuant to the Regulation on Sino Foreign Cooperation in Operating Schools (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 18 July 2013 (the "**Sino-Foreign Regulation**"), the foreign investor in a Sino-foreign joint venture school for PRC students at higher education institutions (a "**Sino-Foreign Cooperative Joint Venture Private School**") must be a foreign educational institution with relevant qualification and high quality of education (the "**Qualification Requirement**"). Furthermore, pursuant to the Implementation Opinions, the foreign portion of the total investment in a Sino-Foreign Cooperative Joint Venture Private School should be below 50% (the "**Foreign Ownership Restriction**") and the establishment of these schools is subject to approval of education authorities at the provincial or national level.

On the basis that (a) the principals and other chief executive officers of our PRC Operating Schools and Hubei College are PRC nationals; and (b) the representatives or the directors of our PRC Operating Schools and Hubei College are appointed by PRC entities, our PRC Legal Adviser is of the view that our PRC Operating Schools and Hubei College are in full compliance with the Foreign Control Restriction as stipulated above.

Our PRC Legal Adviser has advised that it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate to the relevant education authority that it meets the Qualification Requirement.

Sino-Foreign Cooperative Joint Venture Private Schools in Henan Province

With the assistance of our PRC Legal Adviser, we consulted a principal staff member (主任科員) of the International Cooperation and Exchange Office of the Education Department of Henan Province (河南省教育廳國際合作交流處), being the competent authority to confirm matters relating to our operations and the Sino-Foreign Cooperative Joint Venture Private Schools generally in Henan Province, on 19 January 2018 and 17 April 2018. Based on such consultations, we were given to understand that:

1. the Foreign Ownership Restriction applies to Sino-Foreign Cooperative Joint Venture Private Schools in Henan Province;
2. approvals granted previously for the six Sino-Foreign Cooperative Joint Venture Private Schools in Henan Province (all of which are not independent legal entities) were due to specific policy and historical reasons at the relevant time and our Group would not be granted such approval under the current policies;
3. it currently does not intend to approve any Sino-Foreign Cooperative Joint Venture Private Schools in Henan Province in the foreseeable future due to policy reasons;
4. Sino-Foreign cooperation in operating schools must strictly abide by the Sino-Foreign Regulation and its implementation rules and the cooperating parties must be qualified education institutions that cannot be an enterprise or a company;
5. our current cooperation with Unitar International University (see – Plan to comply with the Qualification Requirement below) may fulfil the Qualification Requirement for foreign investors should there be any policy of introducing foreign education investors in the future; and
6. the execution and the performance of the Contractual Arrangements do not require any prior filing or approval.

Our PRC Legal Adviser is of the view that the International Cooperation and Exchange Office of the Education Department of Henan Province is a competent authority to provide the confirmations for the following reasons:

1. according to the official website of the Education Department of Henan Province, the International Cooperation and Exchange Office serves as an internal office responsible for, among other things, organisation and guidance of international exchange and joint ventures in education; and
2. according to the Interim Measures on the Acceptance and Evaluation of Sino-Foreign Cooperative Institutions and Projects in Henan Province, the International Cooperation and Exchange Office is the unit designated for managing the establishment and holding of Sino-foreign cooperative educational institutions and projects in Henan Province.

Our PRC Legal Adviser is also of the view that the principal staff member (主任科員) of the International Cooperation and Exchange Office of the Education Department of Henan Province (河南省教育廳國際合作交流處) has the appropriate authority on the basis that the principal staff member has authoritative understanding of the PRC laws and regulations regarding Sino-Foreign cooperative education and its actual implementation in Henan Province and by virtue of his position to give the confirmations mentioned above.

As of the Latest Practicable Date, except for the six Sino-Foreign Cooperative Joint Venture Private Schools in Henan Province (all of which are not independent legal entities) that were approved by the MOE, we were not aware of any applications in respect of Sino-Foreign Joint Venture Schools, whether private or public, submitted for approval with the relevant authority in Henan Province. See the section headed "Regulations – Regulations on Private Education in the PRC" for further details of the laws and regulations applicable to private schools in the PRC.

Based on the foregoing, our Directors consider that it is not practicable for us to seek to apply to reorganise any of our PRC Operating Schools (all of which are independent legal entities) as a Sino-Foreign Cooperative Joint Venture Private School.

Notwithstanding the above, we are committed to working towards meeting the Qualification Requirement. We have adopted a specific plan and will continue to commit genuine efforts and financial resources to do so. We will communicate with the relevant education authorities on a regular basis following the Listing to understand any regulatory developments, including whether there will be any change in policy for approving Sino-Foreign Cooperative Joint Venture Private Schools in Henan Province, and assess whether we are qualified to meet the Qualification Requirement, with a view to unwinding the Contractual Arrangements wholly or partially as and when practicable and permissible under the prevailing PRC laws and regulations. See the paragraphs headed "— PRC Laws and Regulations Relating to Foreign Ownership in the Higher Education Industry — Circumstances in which we will unwind the Contractual Arrangements" and "— PRC Laws and Regulations Relating to Foreign Ownership in the Higher Education Industry — Plan to comply with the Qualification Requirement" in this section for further details.

Due to the regulatory restrictions stated above, our PRC Operating Schools are in the form of a domestic private school and we do not hold any direct sponsor interest in, but rather control by way of the Contractual Arrangements with, such schools.

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any governing bodies in relation to the Contractual Arrangements. The consolidated financial results of our consolidated affiliated entities, which are engaged in the provision of education services, are consolidated into those of our Group. Our PRC Legal Adviser has opined that each of our consolidated affiliated entities has been legally established and the Contractual Arrangements in relation to the operation of schools are valid, legal and binding and do not contravene PRC laws and regulations. According to our PRC Legal Adviser, under PRC laws and regulations, failure to meet the Qualification Requirement and the adoption of the Contractual Arrangements to operate our PRC Operating Schools do not render our education business as illegal operations in the PRC.

Sino-Foreign Cooperative Joint Venture Private Schools in Hubei Province

As of the Latest Practicable Date, the application for the School Sponsor to become a school sponsor of Hubei College is pending the final approval of the MOE and registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure — Acquisition of Hubei College"). Upon completion of these procedures, we expect to acquire effective control of Hubei College through contractual arrangements and consolidate its results of operations into those of our Group. In anticipation of Hubei College becoming one of our PRC Operating Schools in the future, we have assessed the local policy environment and implementation in Hubei Province.

With the assistance of our PRC Legal Adviser, we consulted a deputy director (副處長) of the Development Planning Office of the Education Department of Hubei Province (湖北省教育廳發展規劃處), an authority in charge of the approval and examination of private high schools in Hubei Province as advised by our PRC Legal Adviser, in January 2018 with a view to understanding the Sino-Foreign Cooperative Joint Venture Private Schools generally in Hubei Province. Based on such consultation, we were given to understand that:

- in approving the establishment of Sino-Foreign Cooperative Joint Venture Private Schools in Hubei Province, the political and economic background of the foreign cooperating parties must be assessed, who must also possess good education qualifications, the specific criteria of which has not been set for Hubei Province;
- the cooperating parties of all the Sino-Foreign Cooperative Joint Venture Private Schools in Hubei Province are qualified education institutions, and none of them is a company or enterprise;
- a cooperating partner being a company or enterprise applying for the establishment of a Sino-Foreign Cooperative Joint Venture Private School in Hubei Province would be difficult and such approval would not normally be granted; and
- none of the four Sino-Foreign Cooperative Joint Venture Private Schools in Hubei Province that were approved by the MOE are independent legal entities.

Our PRC Legal Adviser made an anonymous telephone enquiry with an official of the Foreign Cooperation and Exchange Office of the Education Department of Hubei Province (湖北省教育廳對外合作交流處), a competent authority with respect to Sino-Foreign Cooperative Joint Venture Private Schools in Hubei Province as advised by our PRC Legal Adviser, in April 2018 with a view to understanding the approval of Sino-Foreign Cooperative Joint Venture Private Schools in Hubei Province. Based on such enquiry, we were given to understand that:

- MOE has the authority to approve the establishment of Sino-Foreign Cooperative Joint Venture Private Schools in Hubei Province;
- in recent years, the approval of any Sino-Foreign Cooperative Joint Venture Private Schools in Hubei Province is difficult to obtain, and even more difficult for a Sino-Foreign Corporate Joint Venture Private School that is an independent legal entity;
- there has not been any Sino-Foreign Cooperative Joint Venture Private School that is an independent legal entity in Hubei Province in recent years; and
- the foreign party in any Sino-Foreign Cooperative Joint Venture Private Schools in Hubei Province must be an education institute with equivalent standing and cannot be a company or enterprise, the specific criteria of which has not been set.

Our PRC Legal Adviser is of the view that the Development Planning Office of the Education Department of Hubei Province (湖北省教育廳發展規劃處) and the Foreign Cooperation and Exchange Office of the Education Department of Hubei Province (湖北省教育廳對外合作交流處), are competent authorities to provide the confirmations on the basis that, according to the official website of the Education Department of Hubei Province, the Development Planning Office is responsible for, among other things, the application and approval of the establishment of vocational education and above schools, the centralized management and comprehensive coordination of private higher education, and the Foreign Cooperation and Exchange Office serves as an internal office responsible for, among other things, management of Sino-foreign cooperative education, and the officials consulted have the appropriate authority to give such confirmations on the basis that they have authoritative understanding of the PRC laws and regulations with respect to the approval of Sino-foreign cooperative education institutions.

In July 2018, our PRC Legal Adviser consulted a Program Officer (項目官員) of the Division of Cross-border Education Partnership and Management, Department of International Cooperation and Exchanges of MOE (教育部國際合作與交流司涉外辦學和監管處). Based on such consultation, we were given to understand that:

- The domestic and foreign cooperating parties of a Sino-Foreign Cooperative Joint Venture Private School must be equally qualified educational institutions that cannot be an enterprise or a company;
- as a matter of policy, there exists great difficulty for a foreign education institution, being the foreign investor, to obtain the approval for the establishment of Sino-Foreign Cooperative Joint Venture Private Schools, and, under our current circumstances, our Group would not be granted approval to set up any Sino-Foreign Cooperative Joint Venture Private School;
- our current cooperation with Unitar International University (see also "– Plan to comply with the Qualification Requirement" below) may fulfil the Qualification Requirement for foreign investors should there be any policy of introducing foreign education investors in the future; and
- the foregoing policies are applicable to the application for the establishment of Sino-Foreign Cooperative Joint Venture Private Schools in all parts of the PRC, including Henan Province and Hubei Province.

Our PRC Legal Adviser is of the view that the Division of International Cooperation and Exchanges of MOE (教育部國際合作與交流司) is a competent authority to give such confirmations on the basis that, according to the official website of the MOE, it is responsible for, among other things, the macro management of Sino-foreign cooperative education activities held in China, accepting applications for undergraduate and above Sino-foreign cooperative education projects and institutions, the supervision and evaluation of Sino-foreign cooperative education activities and the construction of quality assurance system, and the official consulted has the appropriate authority to give such confirmations on the basis that she has authoritative understanding of the PRC laws and regulations with respect to the approval of Sino-foreign cooperative education institutions.

As of the Latest Practicable Date, except for four Sino-Foreign Cooperative Joint Venture Private Schools in Hubei Province (all of which are not independent legal entities) that were approved by the MOE, we were not aware of any applications in respect of Sino-Foreign joint venture schools, whether private or public, submitted for approval with the relevant authority in Hubei Province.

Accordingly, our Directors consider that it is not practicable for us to seek to apply to reorganise Hubei College as a Sino-Foreign Cooperative Joint Venture Private School.

Circumstances in which we will unwind the Contractual Arrangements

Under the Sino-Foreign Regulation, foreign investment in higher education institutions in the PRC is required to be in the form of cooperation between domestic educational institutions and foreign educational institutions and, subject to the Foreign Ownership Restriction and the Foreign Control Restriction, foreign investors can only hold less than 50% interest in a Sino-Foreign Cooperative Joint Venture Private School, and not less than 50% of the governing body of the higher education institution must be appointed by Chinese investors.

In the event that the Qualification Requirement is removed or we are able to meet the Qualification Requirement but (a) the Foreign Ownership Restriction and the Foreign Control Restriction remain; (b) the Foreign Ownership Restriction remains and the Foreign Control Restriction is removed; (c) the Foreign Ownership Restriction is removed and the Foreign Control Restriction remains; or (d) both the Foreign Ownership Restriction and the Foreign Control Restriction are removed, as permitted by the applicable PRC laws and regulations at the relevant time:

1. in circumstance (a), we will partially unwind the Contractual Arrangements and directly hold sponsor interest of less than 50% in the relevant school (such as a 49.99% sponsor 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 Cooperative Joint Venture Private 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, our Company will still rely on the Contractual Arrangements to establish control over the schools. Our Company will also acquire rights to appoint members to the board of directors of the school 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;
2. in circumstance (b), we will partially unwind the Contractual Arrangements and directly hold sponsor interest of less than 50% in the relevant school (such as a 49.99% sponsor 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 Cooperative Joint Venture Private 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 to the board of directors of the school;
3. in circumstance (c), notwithstanding we will be able to hold a majority interest in Sino-Foreign Cooperative Joint Venture Private Schools, the Sino-Foreign Regulation still dictates that there be a domestic interest in the school and we will not be eligible to operate the schools by ourselves. Under such circumstances, we will acquire rights to appoint members to the board of directors of the school 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 directly hold the maximum percentage of sponsor interests permitted by the relevant laws and regulations in the relevant schools, subject to the approval of relevant government authorities. We will continue to control the remaining minority domestic interests that our Company intends to consolidate pursuant to the Contractual Arrangements; and
4. in circumstance (d), our Company will be allowed to directly hold 100% of the sponsor interests in our schools and our Company will fully unwind the Contractual Arrangements and directly hold all sponsor interests in the schools. Our Company will also acquire rights to appoint all members to the board of directors of the schools.

In addition, we have decided 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), WFOE will exercise the call option(s) under the Exclusive Call Option Agreements in full to unwind the Contractual Arrangements so that we are able to directly operate our PRC Operating Schools without using the Contractual Arrangements or include only the domestic interests under the Contractual Arrangements.

Upon the School Sponsor becoming a school sponsor of Hubei College pending the final approval of the MOE and registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure — Acquisition of Hubei College"), we expect to acquire effective control of Hubei

College through contractual arrangements (the "**Hubei College Contractual Arrangements**") that are substantially similar to the Contractual Arrangements and consolidate its results of operations into those of our Group.

As advised by our PRC Legal Adviser, provided that (i) the Hubei College Contractual Arrangements have been entered into involving, among other things, the WFOE as the service provider to Hubei College; (ii) the Revision of the Implementation on 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 (修訂草案)》is eventually adopted in the current form of the MOJ Draft for Comments and Hubei College is registered as a non-profit private school thereunder; and (iii) if the Hubei College Contractual Arrangements are subsequently fully or partially unwound upon the Qualification Requirement being met and the Foreign Ownership Restriction and/or the Foreign Control Restriction being removed, our Company may indirectly hold all or part of the interests in Hubei College. As advised by our PRC Legal Adviser, under such circumstance, our Company and/or the WFOE and Hubei College will still be able to enter into new service agreements similar to those under the Hubei College Contractual Arrangements amongst themselves and fulfill their respective obligations thereunder, provided that (i) the services provided by the WFOE are within its business scope under PRC laws and regulations; (ii) the services Hubei College receives are regarded as for the purpose of college operation under PRC laws and regulations and (iii) the services between WFOE and Hubei College are conducted in a manner that is open, justified and fair and in compliance with the relevant requirements of connected transactions. On the basis of the foregoing, our PRC Legal Adviser is of the view that (i) such service agreements under the aforesaid circumstance shall be valid, legal and binding under the existing PRC laws and regulations; and (ii) as a result of the fulfilment of the obligations under such service agreements, our Company and/or the WFOE will still able to receive service fees as the consideration of their services rendered to Hubei College under the existing PRC laws and regulations and will not constitute a circumvention of PRC laws and regulations.

Plan to comply with the Qualification Requirement

We are implementing a business plan with a view to expanding our education operations overseas. We believe that such business plan represents our commitment and a meaningful endeavour to demonstrate compliance with the Qualification Requirement.

In February 2018, we entered into a cooperation agreement with Unitar International University ("**Unitar**"), a private university in Malaysia accredited by the Malaysian Qualifications Agency, with respect to our cooperation in international higher education, including, in particular:

(i) selecting and recruiting suitable students (including high school graduates, vocational college graduates and undergraduates) in the PRC to pursue higher education (including undergraduate and postgraduate studies) at Unitar. Unitar shall not refuse to admit students that fulfil the minimum criteria (such as the minimum score under the International English Language Testing System) under the cooperation;

(ii) providing us with information and other support in the acquisition or joint establishment of universities in Malaysia;

(iii) international exchange programmes for students;

(iv) organising training programmes (such as bilingual teaching programmes) and facilitating academic exchange among teachers and staff;

(v) mutual promotion of schools, activities and functions and organising visits by prospective students and their parents;

(vi) secondment of teachers and management staff if necessary;

(vii) sharing of expertise related to education and training; and

(viii) exploring the feasibility of mutual academic credit recognition and transfer, curriculum transition, joint academic programmes, conferences and seminars, international research projects and other academic cooperation programmes.

We are also in the process of communicating or negotiating with certain experienced and reputational overseas education service providers in various forms of potential cooperation, including but not limited to expanding our school network abroad. We will keep our Shareholders informed should we make any substantial progress in reaching cooperation agreements with these overseas education service providers.

Our subsidiary in Hong Kong, Chunlai (Hong Kong), will serve as the main control hub of our overseas business and will be responsible for, among other things:

1. negotiating and executing contracts for international business cooperation, such as contracts for cooperation with foreign education institutions in organising international classes or courses;
2. investing in or acquiring overseas education businesses as and when appropriate;
3. holding our overseas intellectual property rights and licensing them to our international partners; and
4. recruiting and employing overseas education business professionals and advisers outside of PRC.

Our PRC Legal Adviser is of the view that, while Sino-foreign cooperative schools are to be jointly established by both foreign and domestic qualified educational institutions, it is currently uncertain as to what specific criteria must be met by a foreign investor (such as length of experience and form and extent of ownership in the foreign jurisdiction) in order to demonstrate that it meets the Qualification Requirement.

Based on the steps that we have undertaken as mentioned above, our PRC Legal Adviser is of the view that we have taken all reasonable steps towards fulfilling the Qualification Requirement. We expect to incur approximately RMB5 million as initial set up costs for establishing our cooperation platform with Unitar in fulfilling the Qualification Requirement as set out above. We are in the process of establishing such cooperation platform, and our total costs incurred up to the Latest Practicable Date amounted to approximately RMB1.3 million. We will disclose our progress in the implementation of our overseas expansion plans and updates to the Qualification Requirement in our annual and interim reports to inform the public investors after the Listing as and when appropriate.

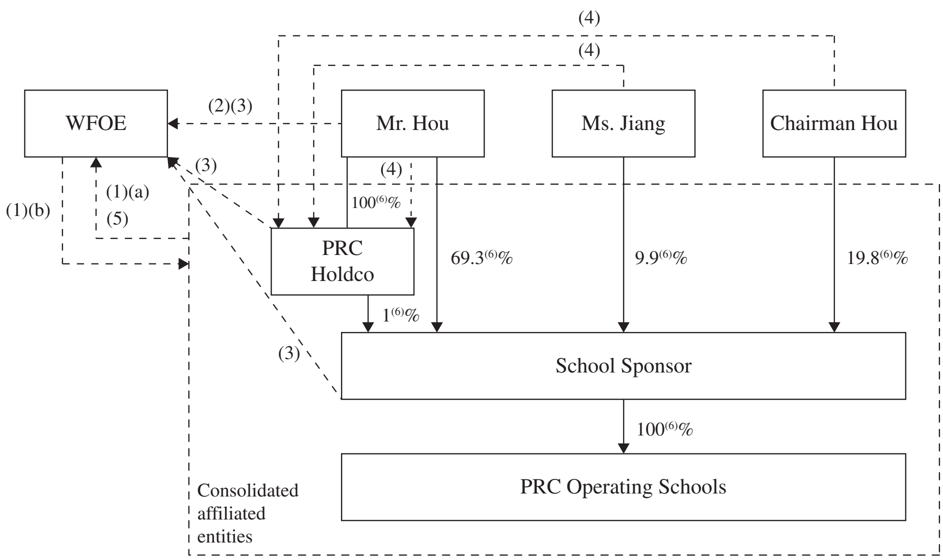
We undertake to the Stock Exchange that we will:

1. under the guidance of our PRC Legal Adviser, continue to keep ourselves updated with regard to all relevant regulatory developments and guidance relating to the Qualification Requirement; and
2. provide periodic updates in our annual and interim reports after the 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 to international capital markets and maintaining effective control over all of our operations, on 22 February 2018, our wholly-owned subsidiary, WFOE, entered into various agreements that together constitute the Contractual Arrangements with, among others, our consolidated affiliated entities, under which substantially all economic benefits arising from the businesses of our consolidated affiliated entities are transferred to WFOE to the extent permitted under the PRC laws and regulations by means of service fees payable by our consolidated affiliated entities to WFOE.

The following simplified diagram illustrates the key aspects of the Contractual Arrangements:



Notes:

"——▶" denotes direct legal ownership in equity interest/sponsor interest

"– – – –" denotes the Contractual Arrangements (see the sub-section headed "Summary of the material terms of the Contractual Arrangements" in this section)

"[– – – –]" denotes our consolidated affiliated entities

(1) (a) Payment of services fees to WFOE and (b) provision of exclusive technical and management consultancy services to our consolidated affiliated entities

(2) Pledge of Mr. Hou's equity interest in the PRC Holdco in favour of WFOE

(3) Irrevocable power of attorney in favour of WFOE

(4) Irrevocable power of attorney in favour of the PRC Holdco

(5) Pledge of receivables of the PRC Operating Schools and any proceeds from the transfer of sponsor interests in favour of WFOE

(6) WFOE has exclusive option to acquire all or part of the equity interests or sponsor interests (as the case may be)

Powers of Attorney

Each of our PRC Operating Schools and the School Sponsor is a private non-enterprise entity (民辦非企業單位). As advised by our PRC Legal Adviser, under PRC laws and regulations, entities or individuals who establish a private non-enterprise entity are generally referred to as "sponsors" rather than "owners" or "shareholders", and the economic substance of "sponsor interest" with respect to a private non-enterprise entity is substantially similar to that of "ownership" from the legal, regulatory and tax perspectives. The sponsor interest of each of our PRC Operating Schools (which was held as to 100% by the School Sponsor as of the Latest Practicable Date) and the School Sponsor (which was held as to 69.3% by Mr. Hou, as to 19.8% by Chairman Hou (founder of our Group, father of Mr. Hou and spouse of Ms. Jiang) as to 9.9% by Ms. Jiang, and as to 1% by the PRC Holdco) is not capable of being pledged as security similar to that of the Equity Pledge Agreement (as defined below) in favour of WFOE under PRC laws. With a view to ensuring the PRC Holdco has effective control over the sponsor interests of the other consolidated affiliated entities, which is ultimately provided to WFOE as part of the Contractual Arrangements, we have devised a series of powers of attorney (the "**Powers of Attorney**"):

- Mr. Hou, Chairman Hou and Ms. Jiang executed an irrevocable power of attorney dated 22 February 2018 appointing the PRC Holdco, or any person designated by the PRC Holdco, as their attorney-in-fact to exercise all their rights as sponsors of the School Sponsor at the discretion of the PRC Holdco (or its designated third party) (the "**School Sponsor POA**");
- the PRC Holdco executed an irrevocable power of attorney dated 22 February 2018 appointing WFOE, or any person designated by WFOE, as its attorney-in-fact to exercise all its rights as sponsor of the School Sponsor and the rights granted to him pursuant to the School Sponsor POA at the discretion of WFOE (or its designated third party);

- Mr. Hou executed an irrevocable power of attorney dated 22 February 2018 appointing WFOE, or any person designated by WFOE, as his attorney-in-fact to exercise all his rights in shareholders' meetings and directors' meetings of the PRC Holdco at the discretion of WFOE (or its designated third party); and
- the School Sponsor executed an irrevocable power of attorney dated 22 February 2018 appointing WFOE, or any person designated by WFOE, as its attorney-in-fact to exercise all its rights as sponsors of the PRC Operating Schools at the discretion of WFOE (or its designated third party)

Through the Powers of Attorney, WFOE has effectively acquired the ability to exercise control over the School Sponsor through exercising the sponsor's rights held by Mr. Hou, Chairman Hou and Ms. Jiang, and in turn, controls the composition of the board of directors of the School Sponsor and directs the management of the PRC Operating Schools. As advised by our PRC Legal Adviser, the Powers of Attorney are valid, legal and binding on the parties under PRC laws.

Exclusive Management Consultancy and Business Cooperation Agreement

Pursuant to the exclusive management consultancy and business cooperation agreement dated 22 February 2018 entered into by and between WFOE, Mr. Hou, the PRC Holdco, the School Sponsor and the PRC Operating Schools (the "**Exclusive Management Consultancy and Business Cooperation Agreement**"), WFOE has the exclusive right to provide, or designate any third party to provide each of our consolidated affiliated entities with corporate management and educational services, intellectual property licensing services as well as technical and business support services. Such services include the provision of advisory services and recommendations on asset and business operation, debt disposal, material contracts (including negotiations, execution and performance of the same), and mergers and acquisitions, educational software, course materials and research and development, employee on-the-job management training, technology development, transfer and consulting services, public relation services, market survey, research and consulting services, market development and planning services, human resources and internal information management, network development, upgrade and ordinary maintenance services, sales of proprietary products, software, trademark, domain name and know-how and/or the use of related intellectual property rights, and other additional services as the parties may mutually agree from time to time. Without WFOE's prior written consent, none of our consolidated affiliated entities may accept services covered by the Exclusive Management Consultancy and Business Cooperation Agreement from any third party. WFOE shall own all intellectual property rights arising out of the performance of these agreements. Our consolidated affiliated entities have agreed to pay the entirety of their total income (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld).

Pursuant to the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written approval from WFOE, each of our consolidated affiliated entities shall not enter into any transaction (save as those transactions entered into in the ordinary course of business) that may affect its assets, obligations, rights or operation, including but not limited to (i) the provision of any security or guarantee in favour of any third party or the creation of any encumbrances in relation to its assets; (ii) the entering into of any loan or debt obligations in favour of any third party; and (iii) in relation to any third party the disposal, acquisition or otherwise dealing of any assets (including but not limited to intellectual properties) with a value higher than RMB500,000.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written consent of WFOE, none of the consolidated affiliated entities shall change or remove the members of its board of directors who are appointed by WFOE in accordance with the relevant articles of association of our consolidated affiliated entities. WFOE also has the right to appoint the school principals, general managers, financial controllers and other senior managers of our consolidated affiliated entities. WFOE has absolute control over the distribution of dividends or any other amounts by our consolidated affiliated entities.

Exclusive Call Option Agreement

Pursuant to the exclusive call option agreement dated 22 February 2018 entered into by and between WFOE, Mr. Hou, Chairman Hou, Ms. Jiang, the School Sponsor and the PRC Holdco (the "**Exclusive Call Option Agreement**"), WFOE (or its designated third party) was unconditionally and irrevocably granted an exclusive option to purchase all or part of the equity interests or sponsor interests (as the case may be) in any of the PRC Holdco, the School Sponsor, and the PRC Operating Schools (i.e. the consolidated affiliated entities), for the minimum amount of consideration permitted by applicable PRC laws and regulations, under circumstances in which WFOE (or its designated third party) is permitted under PRC laws and regulations to own all or part of the equity interests or sponsor interests (as the case may be) of any of the consolidated affiliated entities. Where the purchase price is required by the relevant PRC laws and regulations to be an amount other than nil consideration, such amount of purchase price received shall be returned to the PRC Holdco or begifted to WFOE (or its designated third party). We have the sole discretion to decide when to exercise the option, and whether to exercise the option in part or in full. The key factor for us to decide whether to exercise the option is whether the current regulatory restrictions on foreign investment in or control of the educational business will be removed in the future, the likelihood of which we were not in a position to know or comment on as of the Latest Practicable Date.

In order to prevent the leakage of the assets and value pursuant to the Exclusive Call Option Agreement, none of the assets of the consolidated affiliated entities are to be sold, transferred or otherwise disposed of without the written consent of WFOE. In addition, under the Exclusive Call Option Agreement, no transfer of, or encumbrance over, the equity interests or sponsor interests (as the case may be) in the consolidated affiliated entities is permitted without WFOE's prior written consent.

Any profit distribution or dividend from the consolidated affiliated entities must be immediately transferred or paid (subject to the relevant tax payment being made under applicable laws and regulations) to WFOE (or its designated party). If WFOE exercises its option, all or any part of the equity interests or sponsor interests (as the case may be) in the consolidated affiliated entities subject to such option would be transferred to WFOE and benefits of ownership in equity interests or sponsor interests (as the case may be) would flow to WFOE and its shareholders.

Equity Pledge Agreement

Each of our PRC Operating Schools and the School Sponsor is a private non-enterprise entity (民辦非企業單位). As advised by our PRC Legal Adviser, under PRC laws and regulations, entities or individuals who establish a private non-enterprise entity are generally referred to as "sponsors" rather than "owners" or "shareholders", and the economic substance of "sponsor interest" with respect to a private non-enterprise entity is substantially similar to that of "ownership" from the legal, regulatory and tax perspectives. The sponsor interest of each of our PRC Operating Schools (which was held as to 100% by the School Sponsor as of the Latest Practicable Date) and the School Sponsor (which was held as to 69.3% by Mr. Hou, as to 19.8% by Chairman Hou (founder of our Group, father of Mr. Hou and spouse of Ms. Jiang) as to 9.9% by Ms. Jiang, and as to 1% by the PRC Holdco) is not capable of being pledged as security similar to that of the Equity Pledge Agreement (as defined below) in favour of WFOE under PRC laws. We have implemented equity pledge arrangement in relation to the equity interest of the PRC Holdco. Pursuant to the equity pledge agreement dated 22 February 2018 entered into by and between WFOE, Mr. Hou and the PRC Holdco (the "**Equity Pledge Agreement**"), Mr. Hou unconditionally and irrevocably pledged all of the equity interests in the PRC Holdco in favour of WFOE to guarantee the performance of the obligations of Mr. Hou, the PRC Holdco, the School Sponsor and the PRC Operating Schools under the Contractual Arrangements. Under the Equity Pledge Agreement, Mr. Hou has agreed that, without the prior written consent of WFOE, he will not transfer or dispose the pledged equity interests or create or allow any third party to create any encumbrance on the pledged equity interests that would prejudice the interest of WFOE.

The Equity Pledge Agreement is required to be registered under the relevant laws and regulations in the PRC. We have completed the registration of the Equity Pledge Agreement with the relevant PRC authorities on 28 February 2018. The Equity Pledge Agreement shall remain valid until (i) the satisfaction of all the contractual obligations of Mr. Hou, Ms. Jiang, Chairman Hou, the PRC Holdco, the School Sponsor and the PRC Operating Schools in full under the Exclusive Management Consultancy and Business Cooperation Agreement, Exclusive Call Option Agreement and the Powers of Attorney, or (ii) the nullification or termination of the Exclusive Management Consultancy and Business Cooperation Agreement, the Exclusive Call Option Agreement and the Powers of Attorney, whichever is later.

Under the Contractual Arrangements, there is no equity pledge arrangement over the sponsor interests in the School Sponsor and our PRC Operating Schools. As advised by our PRC Legal Adviser, any pledge of such sponsor interests cannot be registered and is unenforceable under PRC laws and regulations.

In view of this, we have implemented various alternative measures with a view to securing control over our PRC Operating Schools at a level no less than that under a contractual arrangement with an enterprise being the school sponsor, the equity interest of which is subject to equity pledge arrangement. In particular, we have implemented a receivables pledge arrangement (see "— Receivables Pledge Agreement" below), pursuant to which we have been granted a security interest over the principal revenue streams from our PRC Operating Schools and proceeds from the sale or transfer of the sponsor interests in our PRC Operating Schools by the School Sponsor.

Furthermore, according to the Private High School Administrative Approval Manual (民辦高等學校行政工作許可手冊), any transfer of the sponsor interest in a school would require: (a) two thirds approval from the school's board of directors; (b) execution of the transfer documents and adoption of amended school articles with the authorisation seal; and (c) assets supporting materials and original school registration documents with the authorisation seal. Accordingly, our Company will take the following measures to ensure the sponsor interests in our PRC Operating Schools may not be transferred without our consent:

- as discussed above, pursuant to the Powers of Attorney, WFOE has acquired effective control over the sponsor interests in the School Sponsor, and WFOE may delegate its rights under these powers of attorney to its designated persons. WFOE intends to delegate such rights to our independent non-executive Directors to enable them to oversee matters relating to our interests in our consolidated affiliated entities. WFOE, together with our independent non-executive Directors, as attorney-in-fact is effectively entrusted with the control over the composition of the school boards and the exercise of the voting powers of the sponsors. With such arrangement, we are effectively in a position to control the votes required for the transfer of the sponsor interests, oversee and deal with the relevant sponsor interests as we see fit and prevent any unauthorised transfer. We will also provide our independent non-executive Directors with full access to the affairs of our consolidated affiliated entities with a view to facilitating their oversight. Since our independent non-executive Directors will become attorneys-in-fact pursuant to such arrangement, they have the authority to intervene in the matters concerning our consolidated affiliated entities as and when necessary. We intend to adopt internal control procedures providing for how WFOE and our independent non-executive Directors may exercise their authority with respect to various matters concerning our consolidated affiliated entities. In particular, any matters concerning the sponsor interests (including transfer or sale) of our consolidated affiliated etntities will require approval from our independent non-executive Directors. Each of our independent non-executive Directors has also confirmed that he/she is independent from the influence of Mr. Hou, Chairman Hou and/or Ms. Jiang and will be able to exercise independent judgement in the best interests of our Company and our Shareholders as a whole with respect to the sponsor interests in, and any conflicts of interest relating to, our consolidated affiliated entities, and has undertaken to monitor the effectiveness of such internal procedures and ensure that they are properly implemented and executed to safeguard our Company from any unauthorised transfer of sponsor interests; and

- we will secure possession of all school seals and chops and the original registration documents of our PRC Operating Schools, which are, according to the Private High School Administrative Approval Manual (民辦高等學校行政工作許可手冊), mandatory for effecting the transfer of sponsor interest at the MOE. We intend to adopt internal control procedures with respect to the custody and use of these items under the scrutiny of our independent non-executive Directors, pursuant to which these items will not be made available to the School Sponsor, Mr. Hou, Chairman Hou or Ms. Jiang without proper approval. Such measures will include arranging for the company seals of the School Sponsor and our PRC Operating Schools to be kept in the safe custody of the finance department of 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 for proper purpose under our supervision and authorisation.

Based on the above, our Directors are of the view that the alternative measures allow us to control our PRC Operating Schools and offer us protection at a level no less than that under contractual arrangements with an enterprise being the school sponsor, the equity interest of which is subject to equity pledge arrangement.

Receivables Pledge Agreement

Pursuant to the receivables pledge agreement entered into by and between WFOE, the School Sponsor and the PRC Operating Schools dated 22 February 2018 (the "**Receivables Pledge Agreement**"), WFOE was unconditionally and irrevocably granted security interests over (i) the receivables from the schools' boarding and tuition fees, (ii) the rental income from the schools' properties, (iii) the receivables arising from services provided by the schools and (iv) any proceeds from the sale or transfer of the sponsor interests in any of the Schools by the School Sponsor, as security for performance of the PRC Holdco, the School Sponsor and the PRC Operating Schools under the Contractual Arrangements. Pursuant to the Receivables Pledge Agreement, without the prior written consent of WFOE, the School Sponsor and the PRC Operating Schools shall not transfer the receivables or create further pledges or encumbrances over the pledged interests in the receivables.

WFOE shall have the right to enforce the Receivables Pledge Agreement upon the occurrence of any of the events of default summarised below:

(a) any representations or warranties or information given by the School Sponsor under the Contractual Arrangements is, in any respects, inconsistent, inaccurate, untrue or is no longer accurate or true;

(b) any failure of the School Sponsor to comply with its obligations under the Contractual Arrangements; or

(c) any provision in the Contractual Arrangements becomes or is being deemed unlawful or ineffective.

We have completed the registration of the Receivables Pledge Agreement with the Credit Reference Centre of the People's Bank of China (中國人民銀行徵信中心) in March 2018 as required by the Receivables Pledge Registration Measures (《應收賬款質押登記辦法》) promulgated by the People's Bank of China.

Disputes Resolution

In the event of any dispute with respect to the interpretation or performance of the provisions, each of the Exclusive Management Consultancy and Business Cooperation Agreement, Exclusive Call Option Agreement and Equity Pledge Agreement stipulates that the parties shall negotiate in good faith to resolve the dispute. In the event the parties fail to reach an agreement on the resolution of such a dispute, any party may submit the relevant dispute to the China International Economic and Trade Arbitration Commission for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, the PRC and the language used during arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties.

The disputes resolution clause of each of the Contractual Arrangements also provides that the arbitral tribunal may award remedies over the shares or land assets of our consolidated affiliated entities, injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of the consolidated affiliated entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of our Company) and the PRC (being the place of establishment of our consolidated affiliated entities) also have jurisdiction over the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our consolidated affiliated entities.

However, our PRC Legal Adviser has advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our consolidated affiliated entities pursuant to current PRC laws. In addition, interim remedies or enforcement orders granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable under the current PRC laws.

Our PRC Legal Adviser has advised us that the practical consequences for our Group arising from the possible non-enforceability of provisions in the agreements underlying the Contractual Arrangements are as follows:

1. should WFOE intend to seek interim remedies in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances, WFOE may either seek (i) the interim remedies available from a PRC arbitral tribunal described below, or (ii) the interim remedies before a PRC court pursuant to Articles 100 and 101 of the PRC Civil Procedure Law and Article 28 of the PRC Arbitration Law, rather than before any courts in Hong Kong or the Cayman Islands;
2. under current PRC laws, the remedies that arbitral tribunals, including the China International Economic and Trade Arbitration Commission, are empowered to award are limited to the following:
   - cessation of infringements;
   - removal of obstacles;
   - elimination of dangers;
   - return of property;
   - restoration of original condition;
   - repair, reworking or replacement;
   - compensation for losses;
   - payment of breach of contract damages;
   - elimination of ill effects and rehabilitation of reputation; and
   - extension of apology.
3. as the remedies that the China International Economic and Trade Arbitration Commission is empowered to award do not include injunctive reliefs or winding up orders, under PRC laws, WFOE can only seek similar but not identical remedies, such as cessation of infringements or return of property, from the China International Economic and Trade Arbitration Commission. Alternatively, WFOE may seek similar remedies from a competent court, such as interim measures (e.g., asset preservation) over the assets or shares of our consolidated affiliated entities and winding up orders against the consolidated affiliated entities under appropriate circumstances; and
4. even if the abovementioned provisions may not be enforceable under current PRC laws, our PRC Legal Adviser has confirmed that the remaining provisions of the disputes resolution clauses are legal, valid and binding on the parties to the agreements under the Contractual Arrangements.

Succession

The provisions set out in the Contractual Arrangements are also binding on the successors of the parties to the agreements, as if each of the successors were a signing party to the Contractual Arrangements. Although our Contractual Arrangements do not specify the identities of the relevant successors, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the Contractual Arrangements. In case of a breach, WFOE or our Company can enforce its right against the successors under the Contractual Arrangements. Further, pursuant to the Powers of Attorney, in the event of death or any other event which causes the inability of a grantor to perform the relevant day-to-day obligations, the successor of such grantor is to inherit any of the rights and obligations of such grantor subject to him or her being bound by the provisions of the Powers of Attorney.

Therefore, our PRC Legal Adviser is of the view that (i) the Contractual Arrangements provide protection to our Group even in the event of death of a party to the agreements; and (ii) the death of a party to the agreements would not affect the validity of the Contractual Arrangements, and WFOE or our Company can enforce its rights under the Contractual Arrangements against the relevant successors.

Conflicts of Interests

To ensure our effective control over our consolidated affiliated entities, we have implemented measures to minimise the potential conflicts of interest between our Company on one hand and Mr. Hou, Chairman Hou and Ms. Jiang on the other hand. Pursuant to the Exclusive Call Option Agreement, WFOE (or its designated third party) was granted an exclusive option to purchase part or all of the equity interests or sponsor interests (as the case may be) in the consolidated affiliated entities to the extent we are permitted to own such equity interests or sponsor interests (as the case may be) under PRC laws and regulations. Under the irrevocable Powers of Attorney, WFOE, or any person designated by WFOE (excluding Mr. Hou, Chairman Hou and Ms. Jiang and other non-independent persons or persons who may give rise to conflicts of interests) may exercise all the rights in relation to the equity interests or sponsor interests (as the case may be) in the consolidated affiliated entities.

In addition, Mr. Hou, Chairman Hou and Ms. Jiang have undertaken that for as long as the Contractual Arrangements remain effective, unless otherwise agreed by us in writing, (i) they will not create encumbrance over, dispose of or deal with their respective interests in the consolidated affiliated entities; and (ii) they will not, directly or indirectly (either on their own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business that is or may potentially be in competition with the businesses conducted by the consolidated affiliated entities from time to time.

As of the Latest Practicable Date, Mr. Hou's marital status was single. Mr. Hou undertakes to our Group to use his best endeavours to procure his future spouse to execute an irrevocable undertaking whereby she will expressly and irrevocably (i) acknowledge the entry into of the Contractual Arrangements by Mr. Hou; (ii) undertake that she will not take any actions that will conflict with the purpose and intention of the Contractual Arrangements; (iii) confirm and agree that any equity interests or sponsor interests held by Mr. Hou in our consolidated affiliated entities do not fall within the scope of their community properties; and (iv) confirm that her consent and approval will not be required for any aspects of the Contractual Arrangements, including any amendments thereto or the termination thereof. As Chairman Hou and Ms. Jiang are husband and wife and are already parties to the applicable agreements under the Contractual Arrangements, no such spouse's undertaking is necessary to protect our interests in our consolidated affiliated entities in the event of their divorce. Provided the future spouse of Mr. Hou will provide an undertaking in substantially the same form as set out above, our Directors are satisfied that it will be sufficient to avoid any practical difficulties in enforcing the Contractual Arrangement in the event of a divorce between Mr. Hou and his future spouse.

Based on the above, 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 as described above and that these measures are sufficient to protect our Group's interest in the consolidated affiliated entities.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provides that our Company or WFOE is obligated to share the losses of our consolidated affiliated entities or provide financial support to our consolidated affiliated entities. Further, the PRC Holdco is a limited liability company and 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 WFOE, as the primary beneficiary of our consolidated affiliated entities, is not required to share the losses of our consolidated affiliated entities or provide financial support to our consolidated affiliated entities. Despite the foregoing, given that our Group conducts its businesses in the PRC through our consolidated affiliated entities that hold the requisite PRC licences and approvals, and that our consolidated affiliated entities' financial condition and results of operations are consolidated into our Company's consolidated financial statements 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 consolidated affiliated entities suffer losses. Therefore, the provisions in the Contractual Arrangements are tailored so as to limit, to the greatest extent possible, the potential adverse effect on WFOE and our Company resulting from any loss suffered by our consolidated affiliated entities.

For instance, as provided in the Exclusive Call Option Agreement, none of the assets of our consolidated affiliated entities are to be sold, transferred or otherwise disposed of without our written consent. In addition, under the Exclusive Call Option Agreement, no transfer of, or encumbrance over, the equity interests or sponsor interests (as the case may be) in the consolidated affiliated entities is permitted without our prior written consent.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, without the prior written consent of WFOE, our consolidated affiliated entities shall not change or remove the members of the boards of directors who are appointed by WFOE in accordance with the memorandum and articles of association of each of our consolidated affiliated entities. WFOE also has the right to appoint the school principals, financial controllers and other senior managers of our consolidated affiliated entities. WFOE has absolute control over the distribution of dividends or any other amounts to the shareholders of our consolidated affiliated entities. WFOE also has the right to periodically receive or inspect the accounts of our consolidated affiliated entities and the financial results of our consolidated affiliated entities can be consolidated into our Group's financial information as if they were our Group's subsidiaries.

Liquidation

According to the Exclusive Management Consultancy and Business Cooperation Agreement and the Exclusive Call Option Agreement, a committee designated by WFOE will be established as the liquidation committee upon the winding up of our consolidated affiliated entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, all of the remaining assets and residual interests of consolidated affiliated entities shall be transferred to WFOE after such liquidation to the extent permissible under PRC laws.

Insurance

We do not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Our Confirmation

As of the Latest Practicable Date, we had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through our consolidated affiliated entities under the Contractual Arrangements.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Based on the above, our PRC Legal Adviser is of the opinion that the Contractual Arrangements are narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations and that:

1. each of WFOE and our consolidated affiliated entities is a duly incorporated and validly existing entity in the PRC, and their respective establishment is valid, effective and complies with the relevant PRC laws in all material aspects and each of WFOE, our consolidated affiliated entities, Mr. Hou, Ms. Jiang and Chairman Hou has obtained all necessary approvals and authorisations (including, if applicable, board and shareholders approval) to execute and perform the Contractual Arrangements;

2. as of the date of issuing their legal opinion, no PRC laws and regulations explicitly prohibit contractual arrangements in the private education industry in the PRC and except for dispute resolution, none of the content or the execution of the Contractual Arrangements violates any provisions of PRC laws. Parties to each of the agreements are entitled to execute the agreements and perform their respective obligations thereunder. Each of the agreements is binding on the parties thereto and none of them would be deemed as "concealment of illegal intentions with a lawful form" and void under the PRC Contract Law;

3. none of the Contractual Arrangements violates any provisions of the articles of association of our consolidated affiliated entities or WFOE;

4. each of the Contractual Arrangements is binding on the assignees or successors of the parties thereto. In the event of bankruptcy of any of our consolidated affiliated entities, WFOE or our Company is entitled to enforce its rights against the assignees or successors of any of the shareholder or sponsor of our consolidated affiliated entities;

5. the parties to each of the Contractual Arrangements are not required to obtain any approvals or authorisations from the PRC governmental authorities, except that the Exclusive Call Option Agreement is subject to approval by the MOFCOM or its branch, and registration with the local administration bureau for industry and commerce upon the exercise by our Company of our rights under the Exclusive Call Option Agreement to acquire all or part of the equity interests or sponsor interests (as the case may be) in any of the PRC Holdco, the School Sponsor and the PRC Operating Schools and the Receivables Pledge Agreement and the Equity Pledge Agreement should be filed and registered with the relevant authorities. On 8 August 2006, six PRC governmental and regulatory agencies, including the MOFCOM and the CSRC, promulgated the M&A Rules, a regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on 8 September 2006 and was revised on 22 June 2009. Pursuant to the M&A Rules, the acquisition of a PRC domestic enterprise by a Foreign Investor (as defined in the M&A Rules) is subject to approval by, and registration with, the relevant PRC regulatory authorities. In the event that we exercise our rights under the Exclusive Call Option Agreement to acquire all or part of the equity interests or sponsor interests (as the case may be) in the PRC Holdco, the School Sponsor and/or the PRC Operating Schools, we may be required to obtain the approval of relevant PRC regulatory authorities pursuant to the M&A Rules;

6. neither WFOE nor our Company is obligated to share the losses of our consolidated affiliated entities or provide financial support to our consolidated affiliated entities. Each of our consolidated affiliated entities is a limited liability company, school or private non-enterprise entity and is solely liable for its own debts and losses attributable to the assets and properties owned by it;

7. each of the Contractual Arrangements is valid, legal and binding under PRC laws, except for the following provisions regarding disputes resolution and the liquidating committee:

   (i) the Contractual Arrangements provide that any dispute shall be submitted to the China International Economic and Trade Arbitration Centre for arbitration, in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, the PRC. They also provide that the arbitrator may award interim remedies over the shares or land assets of our consolidated affiliated entities or injunctive relief (e.g. for the conduct of business or to compel the transfer of assets) or order the winding up of our consolidated affiliated entities; and the courts of Hong Kong, the Cayman Islands (being the place of incorporation of the Company) and the PRC (being the place of incorporation of our consolidated affiliated entities) also have jurisdiction for the grant and/or enforcement of the arbitral award and the interim remedies against the shares or properties of our consolidated affiliated entities. However, our PRC Legal Adviser has advised that the tribunal has no power to grant such injunctive relief, nor will it be able to order the winding up of our consolidated affiliated entities pursuant to the current PRC laws. In addition, interim remedies or enforcement order granted by overseas courts such as those of Hong Kong and the Cayman Islands may not be recognisable or enforceable in the PRC; and

   (ii) the Contractual Arrangements provide that a committee designated by WFOE be appointed as the liquidation committee upon the winding up of our consolidated affiliated entities to manage their assets. However, in the event of a mandatory liquidation required by PRC laws or bankruptcy liquidation, these provisions may not be enforceable under PRC Laws.

Our Directors are of the view that the Contractual Arrangements are narrowly tailored because the Contractual Arrangements are used for the purpose of enabling our Group to control our consolidated affiliated entities that engage in the operation of higher education institutions. Current PRC laws and regulations restrict higher education institutions to Sino-foreign ownership, impose the Qualification Requirement on the foreign owners and require government approval in respect of Sino-foreign ownership, which are currently impracticable for us to meet or obtain.

Our PRC Operating Schools are currently held indirectly and directly through the PRC Holdco and the School Sponsor, all of which are special vehicles established to hold the colleges and do not carry out any other business. As advised by our PRC Legal Adviser, sponsors cannot pledge their interests in their schools or private non-enterprise entities and any purported pledge of such interests (if any) would be unenforceable under the PRC laws and regulations. Accordingly, it is necessary and in our best interest for WFOE to adopt the current structure of the Contractual Arrangements to maintain our control over our consolidated affiliated entities.

Our PRC Legal Adviser further advises that WFOE's right to receive the service fees from our consolidated affiliated entities does not contravene any PRC laws or regulations and that the payment of service fees under the Contractual Arrangements would not be deemed as part of the distribution of returns or profits to the sponsors of our schools or our private non-enterprise entity. The service fees are paid by the PRC Holdco, the School Sponsor and the PRC Operating Schools (i.e., the consolidated affiliated entities) as consideration for obtaining services provided by WFOE. The services provided by WFOE include, among other things, providing educational software and course materials, employee training, technology development, transfer and consultation services, public relation services, market surveys, and trademark and know-how licensing, in each case as required by the consolidated affiliated entities in their ordinary course of business. According to our PRC Legal Adviser, no current PRC laws or regulations restrict or prohibit WFOE's contractual rights to receive service fees from our consolidated affiliated entities (which include the PRC Holdco, the School Sponsor and the PRC Operating Schools) for the services rendered under the Contractual Arrangements irrespective of whether the PRC Operating Schools are being operated as schools of which the sponsors require "reasonable returns" or schools of which the sponsors do not require "reasonable returns" or for-profit schools or non-profit schools.

With the assistance of our PRC Legal Adviser, we consulted an official of the International Cooperation and Exchange Office of the Education Department of Henan Province (河南省教育廳國際合作交流處), being the competent authority to confirm matters relating to our PRC Operating Schools in Henan Province, on 19 January 2018. Based on such consultation, we were given to understand that the payment of service fees is made on the basis of the service relationship between WFOE and our PRC Operating Schools, which will not be regarded as "reasonable returns" being distributed to the sponsors of the PRC Operating Schools.

We have been advised by our PRC Legal Adviser, however, that there are substantial uncertainties regarding the interpretation and application of current and future PRC laws and regulations. Accordingly, there can be no assurance that the PRC regulatory authorities will not in the future take a view that is contrary to the above opinion of our PRC Legal Adviser. We have been further advised by our PRC Legal Adviser that if the PRC government finds that the Contractual Arrangements do not comply with PRC government restrictions on foreign investment in the education business, we could be subject to severe penalties, which could include:

1. revoking the business and operating licences of WFOE and our consolidated affiliated entities;
2. restricting or prohibiting related party transactions between WFOE and our consolidated affiliated entities;
3. imposing fines or other requirements with which we, WFOE and our consolidated affiliated entities may find it difficult or impossible to comply;
4. requiring us, WFOE and our consolidated affiliated entities to restructure the relevant ownership structure or operations; and
5. restricting or prohibiting the use of any proceeds from the Global Offering to finance our business and operations in the PRC.

The imposition of any of these penalties could have a material adverse effect on our ability to conduct our business. See the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements".

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of our Consolidated Affiliated Entities

Under the Exclusive Management Consultancy and Business Cooperation Agreement, it was agreed that, in consideration of the services provided by WFOE, each of the consolidated affiliated entities will pay services fees to WFOE. The services fees, subject to WFOE's adjustment, are equal to the entirety of the total income of the consolidated affiliated entities (net of costs, expenses, taxes and payments required by the relevant laws and regulations to be reserved or withheld). WFOE may adjust the services fees at its discretion and allow the consolidated affiliated entities to retain sufficient working capital to carry out any growth plans. WFOE also has the right to periodically receive or inspect the accounts of the consolidated affiliated entities. Accordingly, WFOE has the ability, at its sole discretion, to extract substantially all of the economic benefits of the consolidated affiliated entities through the Exclusive Management Consultancy and Business Cooperation Agreement.

In addition, under the Exclusive Management Consultancy and Business Cooperation Agreement, WFOE has absolute contractual control over the distribution of dividends or any other amounts by the consolidated affiliated entities as WFOE's prior written consent is required before any distribution can be made. Any profit distribution or dividend from the consolidated affiliated entities, must be immediately paid or transferred (subject to the relevant tax payment being made under the relevant laws and regulations) to our Company.

As a result of these Contractual Arrangements, our Company has obtained control of the consolidated affiliated entities through WFOE and, at our Company's sole discretion, can receive substantially all of the economic interest returns generated by the consolidated affiliated entities. Accordingly, the consolidated affiliated entities' results of operations, assets and liabilities, and cash flows are consolidated into our Company's financial statements. In this regard, our Directors consider that our Company can consolidate the financial results of the consolidated affiliated entities into our Group's financial information as if they were our Company's subsidiaries. The basis of consolidating the results of the consolidated affiliated entities is disclosed in note 3 to the Accountants' Report set out in Appendix IA.

DEVELOPMENT IN PRC LEGISLATION ON FOREIGN INVESTMENT

Draft New Foreign Investment Law

The MOFCOM published a discussion draft of the proposed Foreign Investment Law (中華人民共和國外國投資法) (the "**Draft FIL**") in January 2015 aiming to, upon its enactment, replace the major existing laws and regulations governing foreign investment in the PRC. The MOFCOM has solicited comments on this draft and substantial uncertainties exist with respect to its final form, enactment timetable, interpretation and implementation. The Draft FIL, if enacted as proposed, may materially impact the entire legal framework regulating foreign investments in the PRC.

Among other things, the Draft FIL purports to introduce the principle of "actual control" in determining whether a company is considered a foreign invested enterprise, or an foreign invested entity ("FIE"). The Draft FIL specifically provides that entities established in the PRC but "controlled" by foreign investors will be treated as FIEs, whereas an entity organised in a foreign jurisdiction, but cleared by the authority in charge of foreign investment as "controlled" by PRC entities and/or citizens, would nonetheless be treated as a PRC domestic entity for investment in the "restricted category" on the "negative list" to be issued, subject to the examination of the relevant authority in charge of foreign investment. For these purposes, "control" is broadly defined in the draft law to cover any of the following summarised categories:

- holding directly or indirectly 50% or more of the equity interest, assets, voting rights or similar equity interest of the subject entity;
- holding directly or indirectly less than 50% of the equity interest, assets, voting rights or similar equity interest of the subject entity but (a) having the power to directly or indirectly appoint or otherwise secure at least 50% of the seats on the board or other equivalent decision making bodies, (b) having the power to secure its nominated person to acquire at least 50% of the seats on the board or other equivalent decision making bodies, or (c) having the voting power to exert material influence over decision-making bodies, such as the shareholders' meeting or the board; or
- having the power to exert decisive influence, via contractual or trust arrangements, over the subject entity's operations, financial, staffing and technology matters. In respect of "actual control", the Draft FIL looks at the identity of the ultimate natural person or enterprise that controls the FIE. "Actual control" refers to the power or position to control an enterprise through investment arrangements, contractual arrangements or other rights and decision-making arrangements. Article 19 of the Draft FIL defines "actual controllers" as the natural persons or enterprises that directly or indirectly control foreign investors or foreign-invested enterprises.

The "variable interest entity" structure, or VIE structure, has been adopted by many PRC-based companies, and has been adopted by our Company in the form of the Contractual Arrangements, to establish control of our consolidated affiliated entities by WFOE, through which we operate our education business in PRC. Under the Draft FIL, variable interest entities that are controlled via contractual arrangements would also be deemed as FIEs, if they are ultimately "controlled" by foreign investors. For companies with a VIE structure in an industry category that is in the "restricted category" on the "negative list" it is possible that the existing VIE structure may be deemed legitimate only if the ultimate controlling person(s) is/are of PRC nationality (either PRC state-owned enterprises or agencies, or PRC citizens). Conversely, if the actual controlling person(s) is/are of foreign nationalities, then the variable interest entities will be treated as FIEs and any operation in the industry category on the "negative list" without market entry clearance may be considered as illegal.

Pursuant to the Draft FIL, as far as the new VIE structures are concerned, if a domestic enterprise under the VIE structure is controlled by Chinese nationals, such domestic enterprise may be treated as a Chinese investor and therefore the VIE structures may be regarded as legal. On the contrary, if the domestic enterprise is controlled by foreign investors, such domestic enterprise may be treated as a foreign-investor or foreign-invested enterprise, and therefore the operation of such domestic enterprise through VIE structures may be regarded as illegal if the domestic enterprise operates in a sector which is on the "negative list" and the domestic enterprise does not apply for and obtain the necessary permission.

The Draft FIL stipulates restriction of foreign investment in certain industry sectors. The "negative list" sets out in the Draft FIL classified the relevant prohibited and restricted industries into the Catalogue of Prohibitions and the Catalogue of Restrictions, respectively.

Foreign investors are not allowed to invest in any sector set out in the Catalogue of Prohibitions. Where any foreign investor directly or indirectly holds shares, equities, properties or other interests or voting rights in any domestic enterprise, such domestic enterprise is not allowed to invest in any sector set out in the Catalogue of Prohibitions, unless otherwise specified by the State Council.

Foreign investors are allowed to invest in sectors set out in the Catalogue of Restrictions, provided that the foreign investors are required to fulfil certain conditions and apply for permission before making such investment.

Notwithstanding that the accompanying explanatory notes to the Draft FIL (the "**Explanatory Notes**") do not provide a clear direction in dealing with VIE structures existing before the Draft FIL becoming effective, which were still pending for further study as of the Latest Practicable Date, the Explanatory Notes contemplate three possible approaches in dealing with FIEs with existing VIE structures and conducting business in an industry falling in the "negative list":

1. requiring them to make a declaration to the competent authority that the actual control is vested with Chinese investors, after which the VIE structures may be retained;
2. requiring them to apply to the competent authority for certification that their actual control is vested with Chinese investors and, upon verification by the competent authority, the VIE structures may be retained; and
3. requiring them to apply to the competent authority for permission to continue to use the VIE structure. The competent authority together with the relevant departments will then make a decision after taking into account the actual control of the FIE and other factors.

Where foreign investors and FIEs circumvent the provisions of the Draft FIL by entrusted holding, trust, multilevel re-investment, leasing, contracting, financing arrangements, protocol control, overseas transaction or otherwise, make investments in sectors specified in the Catalogue of Prohibitions, make investments in sectors specified in the Catalogue of Restrictions without permission or violate the information reporting obligations specified therein, the penalty shall be imposed in accordance with Article 144 of (Investments in Sectors Specified in the Catalogue of Prohibitions), Article 145 (Violation of Provisions on Access Permission), Article 147 (Administrative Legal Liability for Violating the Information Reporting Obligation) or Article 148 (Criminal Legal Liability for Violating the Information Reporting Obligation) of the Draft FIL, as the case may be.

If foreign investors make investments in the sectors specified in the Catalogue of Prohibitions, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the Central Government at the place where the investments are made shall order them to cease the implementation of the investments, dispose of any equity or other assets within a prescribed time limit, confiscate any illegal gains and impose a fine of not less than RMB100,000 but not more than RMB1 million or of not more than 10% of illegal investments.

If foreign investors or FIEs are in violation of the provisions of the Draft FIL, including by way of failing to perform on schedule, or evading the performance of, the information reporting obligation, or concealing the truth or providing false or misleading information, the competent authorities for foreign investment in the province, autonomous region and/or municipality directly under the Central Government at the place where the investments are made shall order them to make rectifications within a prescribed time limit, if they fail to make rectifications within the prescribed time limit, or the circumstances are serious, a fine of not less than RMB50,000 but not more than RMB500,000 or of not more than 5% of the investments shall be imposed.

Potential impact on our Company if the Contractual Arrangements are not treated as domestic investment

If the Draft FIL is promulgated in the current draft form, on the basis that (i) Mr. Hou, who is of Chinese nationality, will control an aggregate of 75% of the issued share capital of our Company upon completion of the Global Offering (assuming the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme); (ii) our Company through WFOE exercises effective control over our consolidated affiliated entities pursuant to the Contractual Arrangements, our PRC Legal Adviser is of the view that we can apply for the recognition of the Contractual Arrangements as a domestic investment and it is likely that the Contractual Arrangements will be considered as legal.

If the operation of our colleges is no longer on the "negative list" and we can legally operate the education business under PRC Laws, WFOE will exercise the call option under the Exclusive Call Option Agreement to acquire the equity interest of in the PRC Holdco and unwind the Contractual Arrangements subject to re-approval by the relevant authorities.

If the operation of our colleges is on the "negative list" and the Draft FIL as finally enacted is refined or deviates from the current draft, depending on the treatment of existing VIE structures, the Contractual Arrangements may be regarded as invalid and illegal. As a result, we will not be able to operate our colleges through the Contractual Arrangements and would lose our rights to receive the economic benefits of our consolidated affiliated entities. As a result, the financial results of our consolidated affiliated entities would no longer be consolidated into our Group's financial results and we would have to de-recognise their assets and liabilities according to the relevant accounting standards. An investment loss would be recognised as a result of such derecognition.

Nevertheless, considering that a number of existing entities engaged in the education industry, some of which have obtained listing status abroad, are operating under contractual arrangements, our Directors are of the view that it is unlikely, if the Draft FIL is promulgated, that the relevant authorities will take retrospective effect to require the relevant enterprises to remove the contractual arrangements. Our PRC Legal Adviser believes that the PRC government is likely to take a relatively cautious attitude towards the supervision of foreign investments and the enactment of laws and regulations impacting them, and make decisions according to different situations in practice.

Further, our PRC Legal Adviser is of the view that: (i) assuming that the Draft FIL is eventually enacted, the Contractual Arrangements shall not be restricted or prohibited by the PRC laws and regulations and shall remain valid, legal and binding on parties given that the current draft of the Foreign Investment Law (if enacted) will not have any conceivable difference in terms of substance to the current foreign investment restrictions or prohibitions applicable to the Business; (ii) based on the previous consultation with the responsible officer of the Education Department of Henan Province who confirmed that the execution of the Contractual Arrangements is not restricted or prohibited by PRC laws and regulations and does not require approval from the education authorities, the same treatment is expected to apply when the Draft FIL is enacted; and (iii) the 2016 Decision does not create any additional legal impediment for us to operating our business through the Contractual Arrangements. Based on the view above, our Directors are of the view that our Company will be able to continue to control and operate, and can extract the economic benefits from our colleges through the Contractual Arrangements (or an adjusted version of the Contractual Arrangements if required) should the education industry (to which our business belong to) fall within the "Negative List". Should the Contractual Arrangements be regarded as invalid and illegal when the Draft FIL is promulgated, which according to our PRC Legal Adviser is an extremely remote scenario, we will use our best efforts to apply for approvals to own the schools in the form of direct beneficial ownership to the extent permissible under the PRC laws and regulations.

However, there are uncertainties as to the definition of control that may be adopted in the Draft FIL as finally enacted, and the relevant government authorities will have a broad discretion in interpreting the law and may ultimately take a view that is inconsistent with our PRC Legal Adviser's understanding. See the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements" for further details of the risks we face relating to our Contractual Arrangements. In any event, our Company will take reasonable steps in good faith to seek compliance with the enacted version of the Foreign Investment Law, if and when it comes into force.

Potential measures to maintain control over and receive economic benefits from our consolidated affiliated entities

As mentioned above, our PRC Legal Adviser is of the view that the Contractual Arrangements are likely to be deemed as a domestic investment if the Draft FIL were to become effective in its current form and content.

To ensure the Contractual Arrangements are likely to continue to be viewed as a domestic investment so that our Group can maintain control over our consolidated affiliated entities and receive all economic benefits derived from our consolidated affiliated entities, Mr. Hou has given an undertaking (the "**Undertaking**") to our Company, and our Company has agreed with the Stock Exchange to enforce such Undertaking, that during the subsistence of the Contractual Arrangements, Mr. Hou will use his best efforts to do and procure our Company to do all such possible acts which are necessary to give effect to the Contractual Arrangements and/or to enable the continuation of business operations of our consolidated affiliated entities as a result of any impact due to the promulgation and implementation of the New Foreign Investment Law and other future laws and regulations relating to foreign investment and in particular:

1. Mr. Hou maintaining his Chinese nationality and citizenship while he remains as our Controlling Shareholder; and

2. in the event of any transfer or disposal by Mr. Hou of a shareholding that may result in the transferee(s) acquiring "control" over the Company (as defined in the Draft FIL or the New Foreign Investment Law (as enacted), as the case may be), he will (as may be relevant) (a) procure that the transferee(s) provide an undertaking on substantially the same terms and conditions as the Undertaking and (b) demonstrate to the reasonable satisfaction of our Company and the Stock Exchange that the Contractual Arrangements will continue to be viewed as a domestic investment under the Draft FIL or the New Foreign Investment Law (as enacted), as the case may be.

The Undertaking will become effective from the Listing Date and will remain effective until the earlier of the occurrence of the following events: (i) Mr. Hou ceasing to be our Controlling Shareholder; (ii) Mr. Hou ceasing to be an actual controller of any of our PRC Operating Schools; (iii) compliance with the relevant requirements under the New Foreign Investment Law or applicable foreign investment laws (together with, if any, all subsequent amendments or updates, as promulgated) as finally enacted is not required and the Stock Exchange has consented to this; (iv) compliance with the Undertaking is no longer required, as advised by the Stock Exchange; or (v) the Stock Exchange and any applicable Chinese regulatory departments have consented to such termination. To the extent that only part of the Undertaking above is no longer required as a result of any of the events in (iii), (iv) or (v) of the preceding sentence occurring, only such part of the Undertaking that is no longer required shall cease to be effective. To the extent that the Undertaking (or any part thereof) is no longer effective, our Company will issue an announcement as soon as practicable.

Taking into account that Mr. Hou can only transfer his interests in our Company in circumstances where the transfer is in compliance with the New Foreign Investment Law as finally enacted, such arrangement will ensure that the control of our Company will at all times be in accordance with the requirements of the New Foreign Investment Law as finally enacted. For the avoidance of doubt, as advised by our PRC Legal Adviser, there are no legal restrictions under the current PRC laws and regulations for Mr. Hou to transfer his interests in our Company.

Based on the view of our PRC Legal Adviser and the aforesaid Undertaking given by Mr. Hou, our Directors and the Sole Sponsor are of the view that (i) the Contractual Arrangements are likely to be deemed as a domestic investment and to be permitted to continue in the event that the New Foreign Investment Law is finally enacted; and (ii) our Group can maintain control over our consolidated affiliated entities and receive all economic benefits derived from our consolidated affiliated entities.

Notwithstanding the above, there may be uncertainties that the above measures to maintain control over and receive the economic benefit from our consolidated affiliated entities alone may not be effective in ensuring compliance with the New Foreign Investment Law together with, if any, all its subsequent amendments or updates, as promulgated (if and when it becomes effective). In the event that 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. See the section headed "Risk Factors — Risks Relating to Our Contractual Arrangements".

Decision on Amending Four Inbound Investment Laws

On 3 September 2016, the Standing Committee of the National People's Congress of the PRC (全國人大常委委員會) published the Decision of the Standing Committee of the National People's Congress on Revising Four Laws Including the "Law of the People's Republic of China on Wholly Foreign-Owned Enterprises" (《全國人大常委會關於修改<中華人民共和國外資企業法>第四部法律的決定》, the "**Decision**") which came into effect on 1 October 2016 and seeks to revise the current foreign investment legal regime. See the section headed "Regulations — Regulations on Private Education in the PRC — Decision on Amending Four Inbound Investment Laws" for further details.

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:

1. 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;
2. our Board will review the overall performance of and compliance with the Contractual Arrangements at least once a year;
3. our Company will disclose the overall performance and compliance with the Contractual Arrangements in our annual reports;
4. our Directors undertake to provide periodic updates in our annual reports regarding the qualification requirement as stipulated under the paragraph headed "— Background to the Contractual Arrangements" in this section and the latest development of the Draft FIL as disclosed under the paragraph headed "— Development in PRC Legislation on Foreign Investment" in this section, including the latest relevant regulatory development as well as our plan and progress in acquiring the relevant experience to meet the qualification requirement; and
5. our Company will engage external legal advisers or other professional advisers, if necessary, to assist the Board to review the implementation of the Contractual Arrangements, review the legal compliance of WFOE and our consolidated affiliated entities to deal with specific issues or matters arising from the Contractual Arrangements.

In addition, we believe that our Directors are able to perform their roles in our Group independently and we are capable of managing our business independently after the Listing under the following measures:

1. the decision-making mechanism of the Board as set out in the Articles 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;
2. each of our Directors is aware of his or her fiduciary duties as a Director that requires, among other things, that he or she acts for the benefits and in the best interests of our Company;
3. we have appointed three independent non-executive Directors, comprising half 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
4. we will disclose in accordance with the requirements under the Listing Rules regarding decisions on matters reviewed by the Board (including independent non-executive Directors) relating to any business or interest of each Director and his or her 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.

CONTROLLING SHAREHOLDERS

Immediately after the completion of the Global Offering (assuming that the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme), our ultimate Controlling Shareholder, Mr. Hou, will, through his control over Chunlai Investment, be interested in an aggregate of 75% of the issued share capital of our Company. Mr. Hou, our ultimate Controlling Shareholder, is one of our executive Directors and our chief executive officer. For further background of Mr. Hou, see the section headed "Directors and Senior Management" in this document.

Competition

Each of our Controlling Shareholders confirms that as of the Latest Practicable Date, he or it did not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

As of the Latest Practicable Date, certain relatives (as defined in Rule 14A.21(1)(a) of the Listing Rules) of Mr. Hou operated and held interests in a primary school, a junior high school, a senior high school and a preparatory school, all of which were located in Henan Province. Our Directors consider that the business activities of these schools are clearly delineated from those of our Group and there is no competition between these schools (being engaged in compulsory education) and our Group (being engaged in higher education) primarily because of the distinction in student age groups and education level.

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying on our business independently from our Controlling Shareholders and their respective close associates after the Listing.

Management Independence

Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. Mr. Hou, our Controlling Shareholder, is one of our executive Directors. Mr. Hou is also the son of Chairman Hou (our non-executive Director and chairman of our Board) and Ms. Jiang (our executive Director).

Each of our Directors is aware of his fiduciary duties as a director that require, among other things, that he or she acts for the benefit and in the interests of our Company and does not allow any conflict between his or her duties as our Director and his or her personal interests. 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 towards 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 and their respective close associates following the completion of the Global Offering.

Operational Independence

We have sufficient capital, facilities and employees to operate our business independently from our Controlling Shareholders. We also have independent access to our customers and suppliers and an independent management team to operate our business. To the best knowledge of our Directors, all our suppliers are Independent Third Parties. Our Directors are satisfied that we will be able to function and operate independently from our Controlling Shareholders and their close associates.

Financial Independence

We have an independent internal control and accounting systems. We also have an independent finance department responsible for discharging the treasury function. We are capable of obtaining financing from third parties, if necessary, without reliance on our Controlling Shareholders.

As of the Latest Practicable Date, certain of our loans were secured by personal guarantees provided by Mr. Hou, Chairman Hou and/or Ms. Jiang. The relevant lenders are processing our applications to replace such personal guarantees with corporate guarantees to be given by certain members of our Group, and such personal guarantees will be released prior to the Listing.

Based on the above, our Directors are of the view that they and our senior management are capable of carrying on our business independently of, and do not place undue reliance on our Controlling Shareholders and their respective close associates after the Listing.

CORPORATE GOVERNANCE MEASURES

Our Directors recognise the importance of good corporate governance in protecting our Shareholders' interests. We have adopted the following measures to safeguard good corporate governance standards and to avoid potential conflict of interests between our Group and our Controlling Shareholders:

(a) under the Articles, where a Shareholders' meeting is to be held for considering proposed transactions in which any of our Controlling Shareholders or any of their associates has a material interest, the relevant Controlling Shareholders or their associate will not vote on the relevant resolutions;

(b) our Company has established internal control mechanisms to identify connected transactions. Upon the Listing, if our Company enters into connected transactions with our Controlling Shareholders or any of their associates, our Company will comply with the applicable Listing Rules;

(c) the independent non-executive Directors will review, on an annual basis, whether there are any conflicts of interests between the Group and our Controlling Shareholders (the "**Annual Review**") and provide impartial and professional advice to protect the interests of our minority Shareholders;

(d) our Controlling Shareholders will undertake to provide all information necessary, including all relevant financial, operational and market information and any other necessary information as required by the independent non-executive Directors for the Annual Review;

(e) our Company will disclose decisions on matters reviewed by the independent non-executive Directors either in its annual reports or by way of announcements as required by the Listing Rules;

(f) where our Directors reasonably request the advice of independent professionals, such as financial advisers, the appointment of such independent professionals will be made at our Company's expenses; and

(g) we have appointed Somerley Capital Limited as our compliance adviser to provide advice and guidance to us in respect of compliance with the applicable laws and regulations, as well as the Listing Rules, including various requirements relating to corporate governance.

Based on the above, our Directors are satisfied that sufficient corporate governance measures have been put in place to manage conflicts of interest that may arise between our Group and our Controlling Shareholders, and to protect our minority Shareholders' interests after the Listing.

CONTINUING CONNECTED TRANSACTIONS

We have entered into the following continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the Listing, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

Transactions	Applicable Listing Rules	Waiver sought	Proposed annual cap for the year ending 31 August 2018	2019	2020
			(in RMB)	(in RMB)	(in RMB)
Non-exempt continuing connected transactions					
Contractual Arrangements	14A.34, 14A.35, 14A.36, 14A.49, 14A.53 to 59 and 14A.71	Requirements as to announcement, circular, shareholders approval and annual cap	N/A	N/A	N/A

NON-EXEMPT CONTINUING CONNECTED TRANSACTION

Background

As disclosed in the section headed "Contractual Arrangements" in this document, due to regulatory restrictions on foreign ownership in our colleges in the PRC, we conduct a substantial portion of our business through our consolidated affiliated entities in the PRC. We do not hold any equity interests in our consolidated affiliated entities. Rather, through the Contractual Arrangements, we effectively control these consolidated affiliated entities and are able to derive substantially all of their economic benefits, and expect to continue to do so. The Contractual Arrangements among WFOE, Mr. Hou, Chairman Hou, Ms. Jiang and our consolidated affiliated entities enable us to (i) receive substantially all of the economic benefits from our consolidated affiliated entities in consideration for the services provided by WFOE; (ii) exercise effective control over our consolidated affiliated entities; and (iii) hold an exclusive option to purchase all or part of the equity interests or sponsor interests (as the case maybe) in our consolidated affiliated entities when and to the extent permitted by PRC laws.

Please refer to the section headed "Contractual Arrangements" for detailed terms of the agreements constituting the Contractual 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 constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Name	Connected relationship
Mr. Hou	Mr. Hou is our executive Director and our Controlling 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 therein are fundamental to our Group's legal structure and business, that such transactions have been and will 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. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing transactions, contracts and agreements to be entered into, among others, by of our PRC Operating Schools, the PRC Holdco, the School Sponsor 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, among others, 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 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 and (ii) the requirement of setting an annual cap for the transactions under the Contractual Arrangements under Rule 14A.53 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 (including with respect to any fees payable to WFOE thereunder) 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 the consolidated affiliated entities through (i) our Group's option (if and when so allowed under the applicable PRC laws) to acquire, all or part of the entire equity interests in the consolidated affiliated entities for nil consideration or the minimum amount of consideration permitted by applicable PRC laws and regulations, (ii) the business structure under which the profit generated by the consolidated affiliated entities is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by the consolidated affiliated entities under the Exclusive Service Agreements and Business Cooperation Agreements, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of the consolidated affiliated entities.

(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 the one hand, and the consolidated 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 (including branch 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 executive 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 on-going basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with the 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 and accounts 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 and that the profit generated by the consolidated affiliated entities has been substantially retained by the WFOE, (ii) no dividends or other distributions have been made by the consolidated affiliated entities to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and the consolidated affiliated entities during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous to our Shareholders, so far as our Group is concerned and in the interests of the Shareholders as a whole.
- Our Company's auditor will carry out review 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 the consolidated affiliated entities to the holders of its equity interests 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", the consolidated affiliated entities will be treated as our Company's subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of the consolidated affiliated entities and its associates will be treated as connected persons of our Company (excluding for this purpose, the consolidated affiliated entities), and transactions between these connected persons and our Group (including for this purpose, the consolidated affiliated entities), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.
- The consolidated affiliated entities will undertake that, for so long as the Shares are listed on the Stock Exchange, the consolidated affiliated entities will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

New transactions amongst our PRC Operating Schools, the PRC Holdco, the School Sponsor and/or any member of our Group

Given (i) that the financial results of our PRC Operating Schools, the PRC Holdco and the School Sponsor will be consolidated into those of our Group; and (ii) the relationship amongst our PRC Operating Schools, the PRC Holdco, the School Sponsor and our Group under the Contractual Arrangements, all agreements other than the Contractual Arrangements that may be entered into amongst each of our PRC Operating Schools, the PRC Holdco, our School Sponsor and/or any member of our Group in the future will be exempted from the "continuing connected transactions" provisions of the Listing Rules.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has obtained necessary representations and confirmations from our Company and our Directors and has participated in the due diligence and discussions with our management and our PRC Legal Adviser. Based on the above, the Sole Sponsor is of the view that (a) the Contractual Arrangements and the transactions contemplated therein are fundamental to our Group's legal structure and business, that such transactions have been and will 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; and (b) 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 the consolidated affiliated entities can be effectively controlled by WFOE, (ii) WFOE can obtain the economic benefits derived from the consolidated affiliated entities, and (iii) any possible leakages of assets and values of the consolidated affiliated entities can be prevented, on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

Our Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors:

Name	Age	Position	Date of joining our Group	Date of appointment as a Director	Roles and responsibilities	Relationship with other Directors/ senior management
Mr. Hou Chunlai (侯春來)	49	Non-executive Director and chairman of our Board	October 2004	12 February 2018	Overseeing the corporate development and strategic planning	Spouse of Ms. Jiang Shuqin, father of Mr. Hou Junyu and cousin of spouse of Mr. Wan Peng
Mr. Hou Junyu (侯俊宇)	27	Executive Director and chief executive officer	August 2012	15 November 2017	Strategic development, overall operational management and major decision making	Son of Mr. Hou Chunlai and Ms. Jiang Shuqin
Ms. Jiang Shuqin (蔣淑琴)	52	Executive Director	October 2004	12 February 2018	Strategic development, daily management and overseeing financial operations	Spouse of Mr. Hou Chunlai, mother of Mr. Hou Junyu, sister-in-law of Mr. Yang Xinzhong and cousin of Mr. Jiang Yongqi
Dr. Jin Xiaobin (金曉斌)	63	Independent non-executive Director	August 2018	31 August 2018	Supervising and providing independent judgement to our Board	N/A
Ms. Fok, Pui Ming Joanna (霍珮鳴)	39	Independent non-executive Director	August 2018	31 August 2018	Supervising and providing independent judgement to our Board	N/A
Mr. Lau, Tsz Man (劉子文)	35	Independent non-executive Director	August 2018	31 August 2018	Supervising and providing independent judgement to our Board	N/A

Executive Directors

Mr. Hou Junyu (侯俊宇), aged 27, was appointed as an executive Director of the Company on 15 November 2017 and the chief executive officer of the Company on 12 February 2018. Mr. Hou has served as the vice chairman of the Board and chief executive officer of the School Sponsor since February 2014 and leads the day-to-day operation of the Group as well as spearheading the Group's key decisions. Since August 2012, Mr. Hou has been the associate dean of Shangqiu University, where he was responsible for managing human resources, finance and student affairs. From February 2013, he has also served as the associate dean of Anyang University, where he is responsible for student admissions and enrolment, human resources and the academy's financial affairs.

Mr. Hou attended secondary school education in the PRC and studied undergraduate course in business management and economics in the University of Sussex from October 2008 to June 2012. Mr. Hou returned to the PRC in 2012 with a view to taking up the management of our operations and has since devoted his full efforts to the development and operations of our Group, and has therefore not completed the undergraduate course in the University of Sussex. Mr. Hou is the son of Ms. Jiang and Chairman Hou.

Ms. Jiang Shuqin (蔣淑琴), aged 52, was appointed as an executive Director of the Company on 12 February 2018. Ms. Jiang has served as an executive Director of the School Sponsor since the establishment of the Group and has been the financial controller of each of the PRC Operating Schools since their establishment. Ms. Jiang is primarily responsible for the strategic development, daily management and overseeing financial operations of the Group. Ms. Jiang has over 13 years of experience in the education industry and financial management. Ms. Jiang attended senior secondary education in PRC. She is the spouse of Chairman Hou, mother of Mr. Hou, sister-in-law of Mr. Yang Xinzhong and cousin of Mr. Jiang Yongqi.

Non-executive Director

Mr. Hou Chunlai (侯春來), aged 49, is the founder of our Group. Chairman Hou was appointed as our non-executive Director and chairman of the Board on 12 February 2018. He is responsible for overseeing the corporate development and strategic planning of our Group.

The following table shows key industry positions held by Chairman Hou:

Date	Association	Position
November 2011 – present	China Association for Private Education (中國民辦教育協會)	Standing Director
January 2010 – January 2015	China Association for Private Education, Higher Education Committee (中國民辦教育協會高等教育委員會)	Director

Chairman Hou is also actively engaged in civil affairs in the PRC. In particular, Chairman Hou had been a delegate of the Twelfth Henan People's Congress (河南省第十二屆人民代表大會) during the period from December 2012 to December 2017. Chairman Hou was awarded 'Advanced Individual' of Henan Private Education (河南省民辦教育先進個人) by the Education Department of Henan Province (河南省教育廳) in October 2016.

Chairman Hou graduated from Nankai University (南開大學) in December 2006 with a master's degree in business administration and obtained the qualification as an associate professorship of Shangqiu University in November 2013. Chairman Hou is the spouse of Ms. Jiang, father of Mr. Hou and cousin of spouse of Mr. Wan Peng.

Independent Non-Executive Directors

Dr. Jin Xiaobin (金曉斌), aged 63, was appointed as an independent non-executive Director, a member of the audit committee and a member of the nomination committee of our Board on 12 February 2018, taking effect on 31 August 2018. Dr. Jin is primarily responsible for supervising and providing independent judgement to our Board.

Dr. Jin is currently the principal of Shanghai Economics Development Research Institute (上海時代經濟發展研究院院長) and has been adjunct advisor of Fudan University (復旦大學), course professor of University of Science and Technology of China (中國科學技術大學), adjunct advisor for master students of Shanghai University of Finance Economics (上海財經大學), adjunct professor of Tongji University (同濟大學), invited research follow of Peking University (北京大學) and of the Chinese Academy of Social Sciences (中國社會科學院), and visiting scholar of the Wharton School of University of Pennsylvania and the Australian Securities Institute.

Dr. Jin has more than 20 years of operating and management experience in securities industry. Dr. Jin joined Haitong Securities Co., Ltd. (海通證券股份有限公司) ("**Haitong**"), a company listed on the Hong Kong Stock Exchange (stock code: 6837) and the Shanghai Stock Exchange (stock code: 600837) in 1998 and had held several positions in Haitong and its subsidiaries from December 1998 to August 2015, including head of research institute of Haitong, general manager of brokerage business headquarters, assistant to the general manager of Haitong, general manager of M&A financing department, secretary to Board of Directors of Haitong, deputy director of the investment banking committee of Haitong, joint company secretary and the authorised representative of Haitong, vice president of Haitong, the chairman of Haitong Jihe Equity Investment Fund Management Co. Ltd. (海通吉禾股權投資基金管理公司) and the chairman of Haitong New Energy Equity Investment Fund Management Co. Ltd. (海通新能源股權投資基金管理公司). Dr. Jin was appointed as a director of A-Jex Investment Limited (愛建(香港)有限公司), a wholly-owned subsidiary of a company listed on the Shanghai Stock Exchange, Shanghai AJ Group Co., Ltd (上海愛建集團股份有限公司) (stock code: 600643), in April 2018.

Dr. Jin obtained a doctor's degree in economics from Fudan University in January 1997, a master's degree in economics from Fudan University in July 1993 and professional certification in the major in political education from Shanghai Second Institute of Education (上海第二教育學院) in July 1988. Dr. Jin worked at and conducted postdoctoral researches in finance in Shanghai University of Finance and Economics from December 1996 to July 1999. Dr. Jin has been a deputy researcher recognised by Shanghai University of Finance and Economics since June 1998 and has been an expert with special allowance from the State Council since June 2002. Dr. Jin worked in the People's Liberation Army Navy (中國人民解放軍海軍) from December 1972 to April 1998. He acted as the deputy director of the analysts committee under the Securities Association of China from July 2000 to July 2002, from December 2002 to December 2004 and from July 2005 to July 2007. He also acted as a professional evaluation expert of securities companies in the Securities Association of China (中國證券業協會) from January 2011 to January 2012 and a member of Advisory Committee of Information Disclosure of Companies Listed on Shanghai Stock Exchange from November 2013 to November 2015. He has acted as a member of the Culture and Media Industry Committee of China Corporate Listing Association (中國上市公司協會文化傳媒行業委員會) and is a fellow member of The Hong Kong Institute of Chartered Secretaries.

Ms. Fok, Pui Ming Joanna (霍珮鳴), aged 39, was appointed as an independent non-executive Director, chairman of the remuneration committee, member of the audit committee and member of the nomination committee of our Board on 12 February 2018, taking effect on 31 August 2018. Ms. Fok is primarily responsible for supervising and providing independent judgement to our Board.

Ms. Fok has more than 13 years of experience in business development and recruitment planning. From October 2004 to October 2006, Ms. Fok has been a manager of Servcorp Limited (世服宏圖商務服務 (北京) 有限公司), where she was responsible for the sales, marketing, recruitment and training. Ms. Fok has been working at different offices of PageGroup (米高蒲志國際顧問公司), an international recruitment firm listed on the London Stock Exchange (LSE: PAGE), since 2007. From April 2007 to October 2009, Ms. Fok served as a recruitment consultant of Michael Page International (Japan) K.K. (東京米高蒲志國際顧問公司), where she was responsible for the planning of the recruitment projects in relation to human resources and information technology. From December 2009 to September 2012, Ms. Fok served as a senior recruitment consultant of Michael Page (Shanghai) Recruitment Co., Limited (上海米高蒲志國際顧問公司), where she was responsible for the planning of the recruitment projects in relation to accounting and finance. From November 2012 to August 2014, Ms. Fok served as the associate director of Michael Page International (Hong Kong) Limited (香港米高蒲志國際顧問公司), where she was responsible for the planning of recruitment projects across sectors including business services, information technology, medical, electronics, manufacturing and retail. Since June 2017, Ms. Fok has been the associate director of the human resources department of Michael Page International (Hong Kong) Limited (香港米高蒲志國際顧問公司), where she was responsible for the design and implementation of training programmes for the recruiting consultants.

Ms. Fok has obtained a bachelor's degree of science from University of British Columbia in May 2001 and a master's degree of public management from Tsinghua University in July 2004.

Mr. Lau, Tsz Man (劉子文), aged 35, was appointed as an independent non-executive Director, chairman of the audit committee and a member of the remuneration committee of our Board on 12 February 2018, taking effect on 31 August 2018. Mr. Lau is primarily responsible for supervising and providing independent judgement to our Board.

Mr. Lau has more than 11 years of experience in accounting and finance. Since August 2016, Mr. Lau has been director of Wincy Education Holdings Limited (凱晴教育控股有限公司), and since April 2017, Mr. Lau has been the chief financial officer of Nobao Energy Holdings (China) Limited (挪寶能源控股(中國)有限公司).

From September 2006 to November 2014, Mr. Lau had worked at Deloitte Touche Tohmatsu (Hong Kong branch and Shanghai branch), where he was responsible for auditing. From November 2014 to March 2016, Mr. Lau was the chief accounting officer and financial controller of Shunfeng International Clean Energy Limited, where he was responsible for finance and accounting.

Mr. Lau is a certified public accountant of the Hong Kong Institute of Certified Public Accountants and an associate of the Institute of Chartered Accountants in England and Wales. Mr. Lau obtained a bachelor's degree of business administration in marketing from City University of Hong Kong in July 2006.

Save as disclosed above, none of our Directors holds any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this document. Save as disclosed in this document, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

SENIOR MANAGEMENT

The senior management team of our Group, in addition to the executive Directors listed above, is as follows:

Name	Age	Position	Date of joining our Group	Date of appointment as senior management	Roles and responsibilities	Relationship with other Directors/ senior management
Mr. Yang Xinzhong (楊新忠)	49	General Manager	September 2005	12 February 2018	Overseeing external relations and coordinating processes and operations across our organisation	Brother-in-law of Ms. Jiang Shuqin
Mr. Wang Jie (王傑)	34	Office manager	August 2006	12 February 2018	Overseeing daily general office operations	N/A
Mr. Jiang Yongqi (蔣永旗)	33	Head of human resources department	September 2007	12 February 2018	Overseeing daily human resources operations	Cousin of Ms. Jiang Shuqin
Mr. Wan Peng (萬鵬)	37	Manager of office planning and development	September 2005	12 February 2018	Overseeing office daily development plans	Spouse of Mr. Wan is cousin of Mr. Hou Chunlai
Mr. Liu Wei (劉偉)	37	Head of business support services department	September 2005	12 February 2018	Overseeing general business support services	N/A
Mr. Zhao Zhen (趙振)	34	Chief financial officer	September 2007	12 February 2018	Overseeing financial operations	N/A

Mr. Yang Xinzhong (楊新忠), aged 49, was appointed as the general manager of the Company on 12 February 2018 and has been the vice chairman of the School Sponsor since September 2013. Mr. Yang is responsible for overseeing external relations and coordinating processes and operating across our organisation. Mr. Yang has over 12 years of experience in the education industry. Mr. Yang worked at Shangqiu University between September 2005 and September 2009, where he served as the vice principal. From March 2010 to August 2013, Mr. Yang was the person-in-charge for the construction preparation of Shangqiu University Kaifeng Campus (商丘學院應用科技學院). From September 2013 to September 2014, Mr. Yang served as the secretary of the Communist Party Committee at the Shangqiu University Kaifeng Campus (商丘學院應用科技學院).

Mr. Yang graduated from Henan Normal University (河南師範大學) in July 1993 with a bachelor's degree of Arts, majoring in Chinese language and literature. Mr. Yang is brother-in-law of Ms. Jiang.

Mr. Wang Jie (王傑), aged 34, was appointed as the office manager of our Company on 12 February 2018 and has been the office manager of the School Sponsor since 18 December, 2012. Mr. Wang is responsible for overseeing our daily general office operations. Mr. Wang has over 11 years of experience in the education industry. From August 2006 to September 2007, Mr. Wang worked as an ideological and political instructor at Shangqiu University. Mr. Wang then served between September 2007 and February 2008 as the deputy office manager of Shangqiu University. From February 2008 to June 2015, Mr. Wang served as office manager of Shangqiu University. In addition to these positions, between March 2012 and December 2013, Mr. Wang also assumed the role of Head of Propaganda for the United Front Work Department of the CPC Central Committee at Shangqiu College (中共商丘學院黨委宣傳統一戰線工作部). Mr. Wang graduated from Henan Agriculture University in 2006 with a bachelor's degree of Agriculture, majoring in Forestry.

Mr. Jiang Yongqi (蔣永旗), aged 33, was appointed as the head of human resources department of the Company on 12 February 2018 and has been the supervisor of human resources department of the School Sponsor since November 2015. Mr. Jiang is responsible for overseeing daily human resources operations. Mr. Jiang has over 10 years of experience in education and human resources management. From September 2007 to November 2011, Mr. Jiang worked in educational administration in the Dean's Office at Shangqiu University. From November 2011 to August 2012, Mr. Jiang served as the deputy section chief for the personnel department at Shangqiu University. Between August 2012 and August 2013, Mr. Jiang served as deputy manager of the personnel department at Shangqiu University. Mr. Jiang proceeded to serve as the manager of the personnel department at Shangqiu University between August 2013 and August 2016. Between November 2014 and August 2016, Mr. Jiang served as the associate dean at Shangqiu University. Mr. Jiang is qualified in China as a constructer (建造師) and he also obtained the first-class certificate of senior level of human resources management issued by Hubei Occupanical Skill Testing Authority (湖北職業技能鑒定 (指導) 中心) in October 2016 (企業人力資源管理師一級). Mr. Jiang graduated from Henan Urban Construction Institute (河南城建學院) in July 2016 majoring in engineering cost. Mr. Jiang is a cousin of Ms. Jiang.

Mr. Wan Peng (萬鵬), aged 37, was appointed as manager of office planning and development of the Company on 12 February 2018 and has been the manager of office planning and development of the School Sponsor since November 2015. Mr. Wan is responsible for overseeing office daily development plans. Mr. Wan has over 12 years of industry experience. Between September 2005 and July 2009, Mr. Wan served as the deputy head of the Shangqiu University's school office. From August 2009 to October 2015, Mr. Wan served as the associate dean of Shangqiu University Kaifeng Campus. Mr. Wan graduated with a professional certification in financial management from Open University of China (國家開放大學) in January 2018, through long distance learning. The spouse of Mr. Wan is cousin of Chairman Hou.

Mr. Liu Wei (劉偉), aged 37, was appointed as the head of business support services department of our Company on 12 February 2018 and has been the general manager of the business support services department of the School Sponsor since 16 April 2013. Mr. Liu is responsible for overseeing our general business support services. Mr. Liu has over 12 years of experience in administration and business support. Prior to joining of our Group, Mr. Liu worked in the Chengguan Town, Yucheng County municipal government. Between September 2005 and March 2006, Mr. Liu worked in the business support services department at Shangqiu University. From April 2006 to March 2013, Mr. Liu served as the head of the general affairs department at Shangqiu University. Mr. Liu graduated with a professional certification in financial management from Open University of China (國家開放大學) in January 2018, through long distance learning.

Mr. Zhao Zhen (趙振), aged 34, was appointed as the chief financial officer of our Company on 12 February 2018 and was the deputy chief financial officer of the School Sponsor from September 2016 to February 2018. Mr. Zhao is primarily responsible for overseeing financial operations of the Group. Mr. Zhao has over 10 years of experience in financial management and in the education industry. He worked at Shangqiu University from September 2007 to August 2009 where he served as an accountant in the finance department. From March 2008 to August 2009, Mr. Zhao also served as the head of the treasury within the finance department at Shangqiu University. Between August 2009 and December 2015, Mr. Zhao served as the head of finance department at Anyang University. Since January 2016, Mr. Zhao has been the vice principal of Anyang University.

Mr. Zhao is also a qualified intermediate accountant (中級會計師) of the PRC since April 2015. Mr. Zhao has received numerous awards, including being named by Henan Provincial Department of Education (河南省教育廳) the "2016 Annual Private Education Advanced Individual" (2016年度民辦教育先進個人) and being recognised in January 2017 with the title of "advanced personal" (先進個人) by the Anyang City Examination of Accounting Exercise Leading Group (會計專業技術資格考試領導小組). Mr. Zhao graduated from Zhengzhou University with a bachelor's degree of management, majoring in accounting, in June 2007. Mr. Zhao also received a postgraduate degree in Business Management from Wuhan Institute of Technology in December 2017.

COMPANY SECRETARY

Mr. Wong Yu Kit (黃儒傑), our company secretary, was appointed on 22 June 2018. Mr. Wong is an assistant vice president of SW Corporate Services Group Limited, a professional services provider specialising in corporate services.

Mr. Wong obtained a bachelor's degree in the Business Administration and Management from the University of Huddersfield and a master's degree in corporate governance from the Open University of Hong Kong. Mr. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

For the details of the service contracts and appointment letters that we have entered into with our Directors, see the section headed "Statutory and General Information — C. Further Information about our Directors — 1. Particulars of Directors' service contracts and appointment letters" in Appendix V.

The aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to our Directors in respect of the financial years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018 were RMB2.4 million, RMB2.5 million, RMB2.5 million and RMB1.4 million respectively. Further information on the remuneration of each Director during the Track Record Period is set out in Appendix IA.

During the Track Record Period, no remuneration was paid to our Directors as an inducement to join or upon joining our Group. No compensation was paid to, or receivable by, our Directors or past Directors during the Track Record Period for the loss of office as director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group. None of our Directors waived any emoluments during the Track Record Period.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) payable by our Group to our Directors for the financial year ending 31 August 2018 is expected to be approximately RMB3.2 million.

The five highest paid individuals of our Group for the financial years ended 31 August 2015, 2016 and 2017 included three, three and three Directors, respectively, whose remunerations are included in the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the relevant Directors set out above. For the financial years ended 31 August 2015, 2016 and 2017, the aggregate amount of fees, salaries, allowances and retirement benefits scheme contributions we paid to the remaining two, two and two highest paid individuals who are neither a Director nor chief executive of our Group were RMB0.5 million, RMB0.5 million and RMB0.7 million, respectively.

During the Track Record Period, no remuneration was paid to the five highest paid individuals of our Group as an inducement to join or upon joining our Group. No compensation was paid to or receivable by such individuals during the Track Record Period for the loss of any office in connection with the management of the affairs of any member of our Group.

Save as disclosed above, no other payments have been paid or are payable in respect of the Track Record Period to our Directors by our Group.

CORPORATE GOVERNANCE

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and to advise the Board. The audit committee comprises three independent non-executive Directors, namely Dr. Jin Xiaobin, Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man. Mr. Lau, Tsz Man, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to our Directors and senior management. The remuneration committee comprises one executive Director, namely Ms. Jiang Shuqin, and two independent non-executive Directors, namely Ms. Fok, Pui Ming Joanna and Mr. Lau, Tsz Man. Ms. Fok, Pui Ming Joanna is the chairman of the committee.

Nomination Committee

We have established a nomination committee in compliance with the Code on Corporate Governance set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to our Board regarding the appointment of Directors and Board succession. The nomination committee comprises one executive Directors, namely Mr. Hou, and two independent non-executive Directors, namely Dr. Jin Xiaobin and Ms. Fok, Pui Ming Joanna. Mr. Hou is the chairman of the committee.

COMPLIANCE ADVISER

We have appointed Somerley Capital Limited as our compliance adviser (the "**Compliance Adviser**") pursuant to Rule 3A.19 of the Listing Rules. Our Compliance Adviser will provide us with guidance and advice as to compliance with the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, our Compliance Adviser will advise our Company in certain circumstances including:

(a) before the publication of any regulatory announcement, circular, or financial report;

(b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

(c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this document or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this document; and

(d) where the Stock Exchange makes an inquiry to our Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of our Compliance Adviser shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

COMPETITION

Each of our Directors confirms that as of the Latest Practicable Date, he or she did not have any interest in a business, apart from the business of our Group in which Mr. Hou is interested, which competes or is likely to compete, directly or indirectly, with our business, and requires disclosure under Rule 8.10 of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons are expected to have an interest and/or short positions in the Shares or underlying shares of our Company that would fall to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company:

Name	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding in the total issued share capital of our Company after the Global Offering (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme)	Approximate percentage of shareholding in the total issued share capital of our Company after the Global Offering (assuming the Over-allotment Option is fully exercised, the options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme)
Mr. Hou[(1)]	Interest in a controlled corporation	900,000,000 (Long position)	75%	72.29%
	Share options granted under the Pre-IPO Share Option Scheme	6,000,000 (Long position)	0.50%	0.48%
Chunlai Investment	Beneficial owner	900,000,000 (Long position)	75%	72.29%

Note:

(1) Chunlai Investment is wholly-owned by Mr. Hou. Thus, Mr. Hou is deemed to be interested in the same number of shares in which Chunlai Investment is interested by virtue of the SFO.

Except as disclosed above, our Directors are not aware of any other person who will, immediately following the completion of the Global Offering, have any interest and/or short positions in the Shares or underlying shares of our Company that would fall to be disclosed to us and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are directly or indirectly, interested in 10% or more of the nominal value of any class of our share capital carrying rights to vote in all circumstances at general meetings of our Company. Our Directors are not aware of any arrangement which may at subsequent date result in a change of control of our Company.

AUTHORISED AND ISSUED SHARE CAPITAL

The following is a description of the authorised and issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

Authorised Share Capital

Number of Shares	Aggregate nominal value of Shares
50,000,000,000	HK$500,000

Issued Share Capital

The issued share capital of our Company immediately following the completion of the Global Offering will be as follows:

Number of Shares	Description of Shares	Aggregate nominal value of Shares (HK$)	% of the issued share capital
900,000,000	Shares in issue as of the date of this document	9,000	75
300,000,000	Shares to be issued under the Global Offering	3,000	25
1,200,000,000	Shares in total	12,000	100

ASSUMPTIONS

The above table assumes that (i) the Global Offering becomes unconditional and Shares are issued pursuant to the Global Offering and (ii) the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme. The above tables also do not take into account any Shares that may be issued or repurchased by us under the general mandates granted to our Directors as referred to below.

RANKING

The Offer Shares will rank *pari passu* in all respects with all Shares currently in issue or to be issued as mentioned in this document, and will qualify and rank equally for all dividends or other distributions declared, made or paid on the Shares on a record date which falls after the date of this document.

CIRCUMSTANCES UNDER WHICH GENERAL MEETINGS ARE REQUIRED

Our Company has only one class of Shares, namely ordinary shares, and each ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of the Memorandum of Association and Articles of Association, our Company may from time to time by ordinary resolution of shareholders (i) increase its capital; (ii) consolidate and divide its capital into shares of larger amount; (iii) divide its shares into several classes; (iv) subdivide its shares into shares of smaller amount; and (v) cancel any shares which have not been taken. In addition, our Company may subject to the provisions of the Cayman Companies Law reduce its share capital or capital redemption reserve by its shareholders passing a special resolution. See the section headed "Summary of the Constitution of the Company and Cayman Companies Law — 2. Articles of Association — (iii) Alteration of capital" in Appendix IV to this document for further details.

PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEME

We adopted the Pre-IPO Share Option Scheme and the Share Award Scheme. See the section headed "Statutory and General Information — D. Pre-IPO Share Option Scheme and Share Award Scheme" in Appendix V for further details.

GENERAL MANDATE TO ISSUE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with a total nominal value of not more than the sum of:

- 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering (excluding any Shares that may be issued pursuant to the exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme); and
- the aggregate nominal value of Shares repurchased by us under the authority referred to in the paragraph headed "— General Mandate to Repurchase Shares" in this section.

This general mandate to issue Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions;
- the expiration of the period within which our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information — A. Further Information about Our Company, Subsidiaries and Consolidated Affiliated Entities — 4. Resolutions of the Sole Shareholder" in Appendix V for further details of this general mandate to allot, issue and deal with Shares.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase our own securities with nominal value of up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares that may be issued pursuant to the exercise of the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme).

The repurchase mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which our Shares are listed (and which are recognised by the SFC and the Stock Exchange for this purpose), and which are in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed "Statutory and General Information — A. Further Information about Our Company, Subsidiaries and Consolidated Affiliated Entities — 5. Repurchase of our own securities" in Appendix V.

This general mandate to repurchase Shares will expire at the earliest of:

- the conclusion of the next annual general meeting of our Company unless otherwise 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 our Company's next annual general meeting is required by the Memorandum of Association and Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders passed in a general meeting.

See the section headed "Statutory and General Information — A. Further Information about Our Company, Subsidiaries and Consolidated Affiliated Entities — 5. Repurchase of our own securities" in Appendix V for further details of the repurchase mandate.

Your attention should be drawn to the fact that as of the Latest Practicable Date, we were still in the process of acquiring the sponsor interest in over Hubei College, and therefore the results of operations and financial position of Hubei College during the Track Record Period were not consolidated into the results of operations and financial position of our Group. Therefore, unless otherwise indicated, the financial information of our Group presented and discussed in this section does not reflect the financial information of Hubei College. For discussion and analysis of financial information of Hubei College, see the subsection headed "— Financial Information of Hubei College".

You should read the following discussion and analysis with the audited combined financial information of our Group, including the notes thereto, included in the Accountants' Report in Appendix IA to this document, and the audited financial information of Hubei College, including the notes thereto, included in the Accountants' Report in Appendix IB to this document. The combined financial information of our Group and financial information of Hubei College have been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis may 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 developments, 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 section headed "Risk Factors" in this document.

OVERVIEW

We are a leading provider of private higher education in China. We ranked first in Central China and fourth nationwide as measured by total student enrolment in the 2017/2018 school year, according to Frost & Sullivan. Since our inception in 2004, we have grown to operate three colleges in Henan Province. Our total student enrolment increased from 29,673 for the 2014/2015 school year to 45,210 for the 2017/2018 school year. We provide rigorous and practical curricula to help our students achieve success after graduation. During the Track Record Period, the average initial employment rate of our colleges' higher education programmes was substantially above the overall average for higher education in China, according to Frost & Sullivan.

We experienced significant growth in our revenue and profit during the Track Record Period. Our revenue increased from RMB336.3 million for the year ended 31 August 2015 to RMB378.6 million for the year ended 31 August 2016, and further to RMB460.9 million for the year ended 31 August 2017. We had a loss of RMB62.8 million for the year ended 31 August 2015, and a profit of RMB109.8 million for the year ended 31 August 2016, which increased to RMB151.6 million for the year ended 31 August 2017. Our adjusted net profit increased from RMB76.1 million for the year ended 31 August 2015 to RMB88.2 million for the year ended 31 August 2016, and further to RMB154.7 million for the year ended 31 August 2017. For the six months ended 28 February 2018, our revenue was RMB243.8 million, our profit was RMB58.7 million, and our adjusted net profit was RMB70.5 million. See the section headed "— Non-IFRS Measure" below for further information on our adjusted net profit.

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the section headed "History, Reorganisation and Corporate Structure — Corporate Reorganisation" in this document, our Company became the holding company of the companies and educational institutions now comprising our Group on 15 November 2017.

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the business carried out by our group, our wholly-owned subsidiary, the WFOE, has entered into the Contractual Arrangements with, among others, our consolidated affiliated entities and their respective equity holders. The Contractual Arrangements enable the WFOE to exercise effective control over our consolidated affiliated entities and obtain substantially all economic benefits from them. Details of the Contractual Arrangements are disclosed in the section headed "Contractual Arrangements" in the document.

Our Group comprising our Company and its subsidiaries (including our consolidated affiliated entities) is regarded as a continuing entity. The consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of our Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the relevant companies now comprising our Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 August 2015, 2016 and 2017 and 28 February 2018 have been prepared to present the assets and liabilities of the companies now comprising our Group which were in existence at those dates.

For the purpose of preparing and presenting the financial statements for the Track Record Period, we have adopted IFRS which are effective for our financial period beginning on 1 September 2014 consistently throughout the Track Record Period.

HUBEI COLLEGE

Hubei College is an independent college focused on applied science and technology located in Hubei Province. As of the Latest Practicable Date, we were in the process of acquiring the sponsor interest in Hubei College. On 5 December 2014, the School Sponsor entered into a cooperation agreement. Pursuant to the cooperation agreement (as supplemented), Yangtze University shall transfer to the School Sponsor the management rights of Hubei College for a consideration of RMB120 million, and the School Sponsor would become a sponsor of Hubei College together with Yangtze University. Since then, we have participated in the operation of Hubei College. We expect to complete our acquisition of Hubei College, pending the MOE approving the School Sponsor becoming a school sponsor of Hubei College and the registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure – Acquisition of Hubei College"). Based on our understanding of the process involved and communication with the relevant government authority, we do not expect any material impediment to completing these administrative procedures. Upon completion of these procedures, we expect to acquire effective control of Hubei College through contractual arrangements and consolidate its results of operations into those of our Group.

For discussion and analysis of financial information of Hubei College, see the subsection headed "— Financial Information of Hubei College" below. Please also refer to the audited financial information of Hubei College, including the notes thereto, included in the Accountants' Report in Appendix IB to this document.

FACTORS AFFECTING OUR RESULTS OF 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 Education in China

During the Track Record Period, we derived substantially all of our revenue from the provision of private higher education through our colleges in China. Therefore, our results of operations and financial conditions are significantly affected by the demand for private higher education in China.

The key factors that drive the growth of private higher education in China primarily include increasing household income and demand for higher education, growing demand for technical talents, and favourable government policies. According to Frost & Sullivan, the overall economic growth and the increase in per capita GDP in China have increased per capita educational expenditures in the past five years. However, China's average tuition fees of higher education as a percentage of per capita GDP is only 13.5% in 2017, compared with 26.8% in the U.S., indicating significant growth potential, according to Frost & Sullivan. According to the 13th Five-Year Plan for the Education Industry, the PRC government targets to increase the gross enrolment rate for the higher education stage (including adult higher education and other forms of higher education) from 40% in 2015 to 50% in 2020. Furthermore, public higher education in China generally provides less training on technical skills, but there is a significant lack of skilled and well-trained first-line technicians in China, creating market opportunities for private professional and vocational education. The penetration rate of private higher education in China is still very low, accounting for only 22.8% of total enrolment in 2017, and has substantial room for future growth. The Chinese government has issued a series of policies and regulations to encourage and promote the development of private education, such as encouraging private capital to flow into the education business and calling for equal treatment of private schools and public schools. We expect that these policies will further drive the development of the PRC private education industry. In addition, as the One-Child Policy has been relaxed and Two-Child Policy implemented, a higher birth rate should lead to a larger number of students and a higher demand for education. See the section heading "Industry Overview" in this document for further details.

Student Enrolments

Our revenue generally depends on the number of students enrolled at our colleges and the level of tuition fees we charge. For the 2014/2015, 2015/2016, 2016/2017 and 2017/2018 school years, our total student enrolment was 29,673, 34,475, 42,194 and 45,210, respectively. Such steady increase in student enrolment was the principal contributor to our revenue growth during the Track Record Period. We believe student enrolment is generally dependent on, among other things, the reputation and capacity of our colleges as well as the admission quotas received by our colleges.

One of the most important factors that students and parents consider when choosing a school to attend is the reputation of the school. Our reputation is built on our high employment rate and the wide range of employment opportunities available to our students, which are attributable to our tailored and carefully designed practical curricula and emphasis on seamless transition from school study to future career. If we were not able to maintain and continue to enhance our reputation, we may not be able to maintain or increase our student enrolment level.

Student enrolment may be limited by the capacity of our colleges if we do not increase our school capacity in line with our student enrolment growth. The total capacity of our colleges increased from 36,163 for the 2014/2015 school year to 40,878 for the 2015/2016 school year, to 46,908 for the 2016/2017 school year, and further to 50,250 for the 2017/2018 school year. At the same time, our utilisation rate gradually increased from 82.1% for the 2014/2015 school year to 90.0% for the 2017/2018 school year. We intend to increase our investments in new construction projects to build academic, office and living facilities that can meet the needs of our colleges in the years to come. We are continuously constructing new buildings and facilities at Shangqiu University Kaifeng Campus, and plan to expand the capacity of this campus to approximately 12,000 in the next several years. In addition, we are in the process of acquiring new land use right to expand Anyang University's campus by approximately 400,000 sq.m. and to expand Shangqiu University by approximately 100,000 sq.m.. The construction and upgrading will allow us to accommodate additional students that we intend to enrol in the future and drive the growth in our revenue.

Our student enrolment is also limited by the admission quotas received by our colleges. For any upcoming school year, each of our colleges submits a student recruitment plan that contains admission quotas for its education programmes to be reviewed and approved by local PRC education authorities. Quotas for bachelor's degree programmes, junior college to bachelor's degree transfer programmes and junior college diploma programmes (including combined vocational education and junior college diploma programmes) are subject to approval by the provincial education department. Quotas for other programmes offered by our colleges are subject to approval by the relevant municipal education bureau. The total admission quota received by our colleges increased from 12,995 for the 2014/2015 school year to 14,267 for the 2015/2016 school year, to 14,589 for the 2016/2017 school year, and further to 15,565 for the 2017/2018 school year.

Anyang University had historically allocated a portion of its admission quota to a campus managed by Anyang Normal University as part of our cooperation arrangements, so that up to 5,000 students enrolled in the campus managed by Anyang Normal University were admitted using such quota allocated by Anyang University. Starting from the 2016/2017 school year following the termination of our cooperation with Anyang Normal University, Anyang University no long allocates any of its admission quota to the campus managed by Anyang Normal University, which has the effect of increasing our enrolment by approximately 1,250 on average annually from the 2016/2017 school year through the 2019/2020 school year.

Tuition Fees and Boarding Fees

Our revenue is affected by the level of tuition fees and boarding fees that we are able to charge. We usually require students to pay tuition fees and boarding fees prior to the commencement of each school year. The tuition fees and boarding fees we charge are typically based on the demand for our educational programmes, the cost of our operations, the tuition fees and boarding fees charged by our competitors, our pricing strategy to gain market share and general economic conditions in China and the areas in which our colleges are located. During the Track Record Period, the tuition fee rates of our colleges have increased by RMB1,000 to RMB1,900, depending on the school and academic programme, from the 2014/2015 school year to the 2017/2018 school year. During the Track Record Period, our schools did not raise their boarding fee rates. See the section headed "Business — Our Colleges — Overview — Tuition fees and boarding fees" in this document for further details.

Our revenue is also affected by the mix of our tuition fees income. The tuition fees of our colleges vary depending on the different academic programmes attended by our students. Generally, the tuition fee level for our bachelor degree programmes is higher than those of our junior college to bachelor's degree transfer programmes and junior college degree programmes, which in turn are higher than that of our vocation education programmes. In addition, the tuition fee level for our art majors is generally higher than that of our other majors. As a result, the changes in the number of students enrolled in different academic programmes and majors each school year may lead to fluctuations of our tuition fees income.

Ability to Identify, Acquire and Integrate Additional Schools

We started our business by operating one college in cooperation with a public university, and have gradually added more colleges to our education network. With our effective centralised management, additional schools generally translate into higher total enrolment, revenue and operating efficiency. As of the Latest Practicable Date, we were in the process of acquiring the sponsor interest in Hubei College, pending the MOE approving the School Sponsor becoming a school sponsor of Hubei College and the registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure – Acquisition of Hubei College"). For the 2017/2018 school year, Hubei College had a student enrolment of 7,789. For the year ended 31 August 2017 and the six months ended 28 February 2018, Hubei College recorded a revenue of RMB95.4 million and RMB49.9 million, respectively, and a profit of RMB27.5 million and RMB10.4 million, respectively. Had the acquisition of Hubei College taken place on 1 September 2014, on an unaudited pro forma basis, our Group's total revenue would have been RMB406.4 million, RMB472.1 million, RMB556.2 million and RMB293.7 million for the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018, respectively.

On the other hand, our acquisition efforts may not always be successful. See "Risk Factors — Risks Relating to Our Business and Our Industry — We may not be able to successfully expand our business through acquisitions." For example, in 2013, we started to explore opportunities to cooperate with two public universities in Tianjin, but later decided not to proceed with our cooperation with these universities. See the section headed "History Reorganisation and Corporate Structure — Prior Cooperation". Furthermore, if we decide to convert an acquired independent college to a private university, we may be required to pay a substantial termination fee. For example, in 2016, we paid a one-off termination fee to Anyang Normal University in connection with the conversion of Anyang University to a private university.

Ability to Control Our Costs and Expenses

Our profitability also depends, in part, on our ability to control our operating costs and expenses. For the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018, our cost of revenue represented approximately 38.0%, 38.3%, 36.9% and 41.5% of our total revenue, respectively. Our cost of revenue consists primarily of teaching staff costs, depreciation and amortisation expenses, student subsidies and others. Our teaching staff costs, mainly comprising teachers' salaries and benefits, represented approximately 11.4%, 13.8%, 13.4% and 17.0% of our total revenue for the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018, respectively. Teaching staff costs increased from RMB41.4 million for the year ended 31 August 2015 to RMB56.8 million for the year ended 31 August 2016 and further to RMB67.9 million for the year ended 31 August 2017, and from RMB32.8 million for the six months ended 28 February 2017 to RMB45.6 million for the six months ended 28 February 2018, mainly reflecting our continuing efforts to recruit additional qualified teachers to accommodate the increase in our student enrolment and improve the quality of our education programmes. Other components of our cost revenue generally decreased as a percentage of revenue during the track Record Period primarily due to increasing economies of scale and the improvement in our colleges' utilisation rates.

We incurred significant amounts of finance costs during the Track Record Period. For the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018, our finance costs represented 26.2%, 23.5%, 16.8% and 17.4% of our revenue, respectively. Our finance costs as a percentage of revenue decreased significantly for the year ended 31 August 2017 primarily due to a decrease in the average interest rate. We plan to use a portion of the proceeds from the Global Offering to repay our existing borrowings. As a result, we expect that our finance costs will further decrease as a percentage of revenue, which would have a positive effect on our profitability.

CRITICAL ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as complex judgements relating to accounting items. Estimates and judgements are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our material assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgements and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 3 and 4 to the Accountants' Report in Appendix IA to this document.

RESULTS OF OPERATIONS

The following table presents our consolidated statements of comprehensive income with line items in absolute amounts and as percentages of our revenue for the periods indicated:

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Revenue	336,252	100.0	378,632	100.0	460,889	100.0	230,445	100.0	243,797	100.0
Cost of revenue	(127,901)	(38.0)	(144,922)	(38.3)	(170,043)	(36.9)	(86,803)	(37.7)	(101,182)	(41.5)
Gross profit	208,351	62.0	233,710	61.7	290,846	63.1	143,642	62.3	142,615	58.5
Other income	3,340	1.0	7,825	2.1	7,150	1.6	2,163	0.9	3,908	1.6
Other gains/(losses)	(138,964)	(41.3)	16,263	4.3	(717)	(0.2)	(8)	(0.0)	(83)	(0.0)
Selling expenses	(2,857)	(0.8)	(3,327)	(0.9)	(4,234)	(0.9)	(1,493)	(0.6)	(1,009)	(0.4)
Administrative expenses	(48,271)	(14.4)	(55,499)	(14.7)	(60,784)	(13.2)	(29,559)	(12.8)	(32,385)	(13.3)
Listing expenses	—	—	—	—	(3,086)	(0.7)	—	—	(11,829)	(4.8)
Finance costs	(84,375)	(25.2)	(89,214)	(23.5)	(77,526)	(16.8)	(40,152)	(17.4)	(42,270)	(17.3)
(Loss)/profit before taxation	(62,776)	(18.7)	109,758	29.0	151,649	32.9	74,593	32.4	58,947	24.2
Taxation	—	—	—	—	—	—	—	—	(275)	(0.1)
(Loss)/profit for the year/period	(62,776)	(18.7)	109,758	29.0	151,649	32.9	74,593	32.4	58,672	24.1
Non-IFRS Measure:										
Adjusted net profit(1)	76,141	22.6	88,184	23.3	154,735	33.6	74,593	32.4	70,501	28.9

Note:

(1) We define adjusted net profit as profit for the year/period excluding (i) a one-off termination fee we paid to Anyang Normal University in connection with the termination of our collaboration with Anyang Normal University, (ii) a one-off gain in connection with the termination of our collaboration with Tianjin Medical University, and (iii) listing expenses. The use of adjusted net profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant year/period. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. Please refer to the section headed "Financial Information — Non-IFRS Measure".

KEY COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Our revenue is measured at the fair value of the amounts received or receivable for the education services that we provided in normal course of business, net of discounts, financial assistance and refunded tuitions. During the Track Record Period, we derived all of our revenue from tuition fees and boarding fees collected from our students. We generally require students and their families to pay tuition fees and boarding fees for the entire school year upfront. We recognise revenue proportionately over a 12-month period of the school year. For detailed information on the tuition fees and boarding fees charged by our colleges during the Track Record Period, please see the section headed "Business — Our Colleges — Overview — Tuition fees and boarding fees" in this document.

The following table sets forth a breakdown of our revenue by nature for the periods indicated:

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Tuition fees	301,689	89.7	340,822	90.0	415,686	90.2	206,369	89.6	217,326	89.1
Boarding fees	34,563	10.3	37,810	10.0	45,203	9.8	24,076	10.4	26,471	10.9
Total	336,252	100.0	378,632	100.0	460,889	100.0	230,445	100.0	243,797	100.0

The following table sets forth a breakdown of our revenue by college for the periods indicated:

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Shangqiu University	182,764	54.4	188,201	49.7	197,957	43.0	98,979	43.0	99,136	40.7
Anyang University	138,685	41.2	163,141	43.1	205,357	44.5	102,679	44.5	103,635	42.5
Shangqiu University Kaifeng Campus	14,803	4.4	27,290	7.2	57,575	12.5	28,787	12.5	41,026	16.8
Total	336,252	100.0	378,632	100.0	460,889	100.0	230,445	100.0	243,797	100.0

During the Track Record Period, tuition fees from bachelor's degree programmes and junior college diploma programmes accounted for over 90% of our total tuition fees. The following table sets forth the average tuition fees per student for these two types of programmes as well as the average boarding fees per student for each of our colleges for the school years indicated:

	Average tuition fees for the school year			
	2014/2015	2015/2016	2016/2017	2017/2018
	(in RMB)			
Shangqiu University				
Bachelor's degree programmes	11,984	12,047	12,522	12,839
Junior college diploma programmes	5,872	5,842	5,822	6,111
Average boarding fees	1,185	1,132	1,144	1,167
Anyang University				
Bachelor's degree programmes	12,087	12,136	12,411	12,726
Junior college diploma programmes	6,012	5,972	5,934	6,214
Average boarding fees	1,109	1,005	921	1,104
Shangqiu University Kaifeng Campus				
Bachelor's degree programmes	12,028	12,069	12,642	13,013
Junior college diploma programmes	5,931	5,921	5,970	6,265
Average boarding fees	1,418	1,369	1,376	1,387

We intend to adopt IFRS 15 "Revenue from Contracts with Customers" effective from 1 September 2018 and apply the full retrospective method of transition to IFRS 15 (see also Note 2 to the Accountant's Report in Appendix IA). Based on our preliminary assessment, we do not anticipate that the application of IFRS 15 will have any material impact on our financial position and performance during the Track Record Period and from 1 September 2018.

Cost of Revenue

Cost of revenue consists primarily of teaching staff costs, depreciation and amortisation expenses, student subsidies and others. The following table sets forth the components of our cost of revenue in absolute amounts and as percentages of our total cost of revenue for the periods indicated:

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Teaching staff costs	41,393	32.4	56,807	39.2	67,920	39.9	32,776	37.8	45,617	45.1
depreciation and amortisation expenses	45,776	35.8	48,427	33.4	53,693	31.6	27,404	31.6	29,333	29.0
Student subsidies	13,440	10.5	14,517	10.0	18,207	10.7	8,752	10.1	9,605	9.5
Other costs	27,292	21.3	25,171	17.4	30,223	17.8	17,871	20.5	16,627	16.4
Total	127,901	100.0	144,922	100.0	170,043	100.0	86,803	100.0	101,182	100.0

Teaching staff costs consist mainly of salaries, social insurance and other benefits paid to our teaching staff. Depreciation and amortisation expenses relate to the depreciation and amortisation of land use rights, buildings, equipment, software, books and journals. Student subsidies include mainly of student salaries on on-campus jobs, scholarships and prizes for student competitions. Other costs mainly include waste management expenses, land appraisal expenses, landscaping expenses and other miscellaneous expenses.

Gross Profit and Gross Margin

Gross profit represents revenue less cost of revenue, and gross profit margin represents gross profit divided by revenue. For the years ended 31 August 2015, 2016 and 2017, our gross profit was RMB208.4 million, RMB233.7 million and RMB290.8 million, respectively, and our gross profit margin was 62.0%, 61.7% and 63.1%, respectively. For the six months ended 28 February 2017 and 2018, our gross profit was RMB143.6 million and RMB142.6 million, respectively, and our gross profit margin was 62.3% and 58.5%, respectively.

The following table sets forth the gross profit and gross profit margin of each of our colleges for the periods indicated:

	Gross profit					Gross profit margin				
	For the year ended 31 August			For the six months ended 28 February		For the year ended 31 August			For the six months ended 28 February	
	2015	2016	2017	2017	2018	2015	2016	2017	2017	2018
	(in thousands of RMB)					(%)				
				(unaudited)					(unaudited)	
Shangqiu University	119,592	116,708	118,898	60,155	49,201	65.4	62.0	60.1	60.8	49.6
Anyang University	86,013	109,268	142,402	68,812	68,936	62.0	67.0	69.3	67.0	66.5
Shangqiu University Kaifeng Campus	2,746	7,734	29,546	14,675	24,478	18.6	28.3	51.3	51.0	59.7

Other Income

Other income consists primarily of government grants, academic administrative income, interest income and service income. For the years ended 31 August 2015, 2016 and 2017, our other income was RMB3.3 million, RMB7.8 million and RMB7.2 million, respectively. For the six months ended 28 February 2017 and 2018, our other income was RMB2.2 million and RMB3.9 million, respectively.

Government grants represent certain discretionary funds granted to us by the PRC government to support our school development and educational activities. Government grants amounted to RMB0.8 million, RMB5.1 million and RMB1.9 million for the years ended 31 August 2015, 2016 and 2017, respectively, and amounted to RMB0.6 million and RMB0.9 million for the six months ended 28 February 2017 and 2018, respectively.

Academic administrative income primarily consists of fees received for hosting academic and professional qualification exams. Academic administrative income amounted to RMB2.2 million, RMB0.6 million and RMB1.9 million for the years ended 31 August 2015, 2016 and 2017, respectively, and amounted to RMB1.0 million and RMB0.5 million for the six months ended 28 February 2017 and 2018, respectively.

Interest income represents interest earned from our bank deposits and loans to Hubei College. Interest income amounted to RMB0.2 million, RMB0.6 million and RMB3.2 million for the years ended 31 August 2015, 2016 and 2017, respectively, and amounted to RMB0.5 million and RMB1.3 million for the six months ended 28 February 2017 and 2018, respectively.

Service income represents management fees charged to a third-party meal catering service company for using our premises to provide meal catering services to our students. We started to generate service income in November 2017 as we changed our meal catering service provider from a related party to a third party. See the section headed "Business — Campus Services" for further detail.

Other Gains and Losses

Other gains and losses consist primarily of a termination fee and a gain from termination of cooperation.

For the year ended 31 August 2015, we recorded other losses of RMB139.0 million, primarily due to a one-off termination fee of RMB138.9 million we paid to Anyang Normal University. For the year ended 31 August 2016, we recorded other gains of RMB16.3 million, primarily due to a one-off gain of RMB21.6 million, as a settlement for the termination of our cooperation with Tianjin Medical University. We had insignificant other losses for the year ended 31 August 2017 and the six months ended 28 February 2018.

Selling Expenses

Selling expenses consist primarily of expenses incurred by student recruitment, such as advertising expenses. For the years ended 31 August 2015, 2016 and 2017, our selling expenses were RMB2.9 million, RMB3.3 million and RMB4.2 million, respectively. For the six months ended 28 February 2017 and 2018, our selling expenses were RMB1.5 million and RMB1.0 million, respectively.

Administrative Expenses

Administrative expenses primarily consist of administrative staff costs, depreciation and amortisation of office buildings and equipment, travelling expenses, and other miscellaneous administrative expenses, such as landscaping expenses, hospitality expenses and office supply expenses. For the years ended 31 August 2015, 2016 and 2017, our administrative expenses were RMB48.3 million, RMB55.5 million and RMB60.8 million, respectively. For the six months ended 28 February 2017 and 2018, our administrative expenses were RMB29.6 million and RMB32.4 million, respectively. The following table sets forth the breakdown of our administrative expenses in absolute amounts and as percentages of our total administrative expenses for the periods indicated:

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Staff costs	28,452	58.9	33,963	61.2	34,964	57.5	18,349	62.1	19,367	59.8
Depreciation and amortisation	5,544	11.5	6,939	12.5	8,265	13.6	4,055	13.7	4,464	13.8
Travelling	5,076	10.5	4,877	8.8	5,067	8.4	2,067	7.0	2,320	7.2
Other operating expenses	9,199	19.1	9,720	17.5	12,488	20.5	5,088	17.2	6,234	19.2
Total	48,271	100.0	55,499	100.0	60,784	100.0	29,559	100.0	32,385	100.0

Listing Expenses

For the year ended 31 August 2017 and the six months ended 28 February 2018, we recorded listing expenses of RMB3.1 million and RMB11.8 million, respectively, in connection with the Global Offering. We recorded nil listing expenses for the years ended 31 August 2015 and 2016.

Finance Costs

Our finance costs consist primarily of interest expenses on our bank borrowings, borrowing from non-bank financial institutes and loans from related parties. For the years ended 31 August 2015, 2016 and 2017, our finance costs were RMB84.4 million, RMB89.2 million and RMB77.5 million, respectively. For the six months ended 28 February 2017 and 2018, our finance costs were RMB40.2 million and RMB42.3 million, respectively.

Taxation

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly is not subject to income tax of Cayman Islands. Chunlai (BVI), our wholly-owned subsidiary, is a company with limited liability incorporated in BVI and is not subject to income tax of BVI.

The applicable Hong Kong profits tax rate is 16.5% for the Track Record Period. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during the Track Record Period.

For our operations in the PRC, we are generally subject to the PRC Enterprise Income Tax at a rate of 25% on our taxable income. According to the Implementation Rules for the Law for Promoting Private Education, private schools for which the school sponsors do not require reasonable returns are eligible to enjoy the same preferential tax treatment as public schools. As a result, private schools providing formal academic education are eligible to enjoy income tax exemption treatment if the school sponsors of such schools do not require reasonable returns. Shangqiu University (including Shangqiu University Kaifeng

Campus) and Anyang University have elected to be private schools of which the sponsors do not require reasonable returns. During the Track Record Period, both these schools had received enterprise income tax exemption confirmations or approvals from relevant local tax authorities. However, the exemption does not apply to the service income we derive a third-party meal catering service company. See the subsection headed "— Other income" above.

In addition, according to Article 1 of Circular of the Ministry of Finance and the State Administration of Taxation on Education Tax Policies (Cai Shui [2004] No. 39), income generated from the provision of academic educational services should be exempted from PRC Business Tax. Further, Circular on Comprehensively Promoting the Pilot Programme of the Collection of VAT in lieu of Business Tax (Cai Shui [2016] No. 36) provides that academic education shall be exempted from VAT. As such, all of our colleges are exempted from PRC Business Tax for its income generated from the provision of educational services during the Track Record Period and from PRC VAT for its income generated from the provision of academic educational services since 1 May 2016.

For the years ended 31 August 2015, 2016 and 2017, we incurred nil income tax as of a result of the exemptions described above. For the six months ended 28 February 2018, we incurred income tax of RMB0.3 million in connection with our service income. As of the Latest Practicable Date, we did not have any disputes or unresolved tax issues with the relevant tax authorities.

NON-IFRS MEASURE

To supplement our consolidated financial statements, which are presented in accordance with IFRS, 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 items that we do not consider indicative of the performance of our business. We also believe that this non-IFRS measure provides additional information to investors and others in understanding and evaluating our consolidated 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.

Our adjusted net profit eliminates the effect of certain non-cash or one-off items, including (i) a one-off termination fee we paid to Anyang Normal University in connection with the termination of our collaboration with Anyang Normal University, (ii) a one-off gain in connection with the termination of our collaboration with Tianjin Medical University, and (iii) listing expenses. The term adjusted net profit is not defined under IFRS. As a non-IFRS measure, adjusted net profit is presented because our management believes such information will be helpful for investors in assessing the effect of one-off items and listing expenses on our net profit. The use of 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 periods. The effects of termination fee, investment income 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 of adjusted net profit, when assessing our operating and financial performance, you should not view our adjusted net profit in isolation or as a substitute for our profit for the year/period or any other operating performance measure that is calculated in accordance with IFRS. In addition, because this non-IFRS 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 our profit/(loss) for the year:

	For the year ended 31 August			For the six months ended 28 February	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Profit/(loss) for the year/period	(62,776)	109,758	151,649	74,593	58,672
Termination fee paid to Anyang Normal University	138,917	—	—	—	—
Gain from termination of cooperation with Tianjin Medical University	—	(21,574)	—	—	—
Listing expenses	—	—	3,086	—	11,829
Adjusted net profit	76,141	88,184	154,735	74,593	70,501

SENSITIVITY ANALYSIS

We present a sensitivity analysis of: (i) the effect of the fluctuations of tuition fees income during the Track Record Period, and (ii) the effect of the fluctuations of our staff costs, which includes our teaching staff costs and administrative staff costs, during the Track Record Period, assuming no change of depreciation and amortisation or any other costs. The sensitivity analysis involving tuition fees income and staff costs 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/period with a 5% and 10% increase or decrease in tuition fees income, tuition fee and boarding fee income and staff costs. While none of the hypothetical fluctuation ratios applied in the sensitivity analysis equals the historical fluctuations of the tuition fees income, tuition fee and boarding fee income and staff costs, we believe that the application of hypothetical fluctuations of 5% and 10% in the tuition fees income, tuition fee and boarding fee income and staff costs presents a meaningful analysis of the potential impact of changes in the tuition fees income, tuition fee and boarding fee income and staff costs on our revenue and profitability.

The following tables set forth the sensitivity of our profit for the year/period to the hypothetical reasonable changes in our tuition fees income, tuition fee and boarding fee income and staff cost for the periods indicated:

	Impact on our profit/(loss)				
	For the year ended 31 August			For the six months ended 28 February	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
Tuition fees income, tuition fee and boarding fee income (decrease)/increase					
(10)%	(33,625)	(37,863)	(46,089)	(23,045)	(24,380)
(5)%	(16,813)	(18,932)	(23,044)	(11,522)	(12,190)
5%	16,813	18,932	23,044	11,522	12,190
10%	33,625	37,863	46,089	23,045	24,380
Staff costs (decrease)/increase					
(10)%	6,985	9,077	10,288	5,113	6,498
(5)%	3,492	4,539	5,144	2,556	3,249
5%	(3,492)	(4,539)	(5,144)	(2,556)	(3,249)
10%	(6,985)	(9,077)	(10,288)	(5,113)	(6,498)

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 28 February 2018 Compared to Six months ended 28 February 2017

Revenue

Our revenue increased by 5.8% from RMB230.4 million for the six months ended 28 February 2017 to RMB243.8 million for the six months ended 28 February 2018, primarily due to the growth in revenue from Shangqiu University Kaifeng Campus.

Revenue from Shangqiu University Kaifeng Campus increased by 42.5% from RMB28.8 million for the six months ended 28 February 2017 to RMB41.0 million for the six months ended 28 February 2018. The increase was primarily due to an increase in student enrolment from 4,449 for the 2016/2017 school year to 6,437 for the 2017/2018 school year. As Shangqiu University Kaifeng Campus increased its capacity from 5,430 for the 2016/2017 school year to 7,848 for the 2017/2018 school year, it received a significantly larger admission quota for the 2017/2018 school year, which was the primary reason for the increase in its student enrolment. In addition, Shangqiu University Kaifeng Campus started its junior college to bachelor's degree transfer programmes in the 2017/2018 school year, which also contributed to the increase in its student enrolment. The increase in revenue from Shangqiu University Kaifeng Campus was also due to an increase in the average tuition fee level, as Shangqiu University Kaifeng Campus increased the tuition fee rate applicable to junior college diploma students newly admitted in the 2017/2018 school year.

Revenue from Anyang University increased by 0.9% from RMB102.7 million for the six months ended 28 February 2017 to RMB103.6 million for the six months ended 28 February 2018, and revenue from Shangqiu University increased by 0.2% from RMB99.0 million for the six months ended 28 February 2017 to RMB99.1 million for the six months ended 28 February 2018. For each of Anyang University and Shangqiu University, the moderate increase in revenue was primarily due to an increase in the average tuition fee level, as each college increased the tuition fee rate applicable to junior college diploma students newly admitted in the 2017/2018 school year. For each of Anyang University and Shangqiu University, the increase in revenue was partially offset by a decrease in the number of students enrolled in bachelor's degree programmes, because we allocated part of its admission quota to Shangqiu University Kaifeng Campus, as approved by or filed with relevant local education authorities.

Overall, revenue from tuition fees and boarding fees increased by 5.3% and 9.9%, respectively from the six months ended 28 February 2017 to the six months ended 28 February 2018.

Cost of revenue

Our cost of revenue increased by 16.6% from RMB86.8 million for the six months ended 28 February 2017 to RMB101.2 million for the six months ended 28 February 2018. As a percentage of revenue, our cost of revenue increased from 37.7% for the six months ended 28 February 2017 to 41.5% for the six months ended 28 February 2018. These increases were primarily due to a 39.2% increase in teaching staff costs, as we increased the number of teachers, particularly in Shangqiu University Kaifeng Campus and Shangqiu University, to continuously improve our education quality and accommodate the increase in our student enrolment.

Gross profit and gross margin

As a result of the foregoing, our gross profit decreased by 0.7% from RMB143.6 million for the six months ended 28 February 2017 to RMB142.6 million for the six months ended 28 February 2018, and our gross profit margin decreased from 62.3% for the six months ended 28 February 2017 to 58.5% for the six months ended 28 February 2018.

Other income

Our other income increased by 80.6% from RMB2.2 million for the six months ended 28 February 2017 to RMB3.9 million for the six months ended 28 February 2018, primarily because we started to generate service income in November 2017 from a third-party meal catering service provider, which amounted to RMB1.1 million for the six months ended 28 February 2018. The increase in our other income was also due to an increase of interest income from RMB0.5 million for the six months ended 28 February 2017 to RMB1.3 million for the six months ended 28 February 2018 as our average cash balance increased.

Other losses

We did not have significant other losses for the six months ended 28 February 2017 or 2018.

Selling expenses

Our selling expenses decreased by 32.4% from RMB1.5 million for the six months ended 28 February 2017 to RMB1.0 million for the six months ended 28 February 2018. The timing of our advertising campaigns varies from year to year, and the amount of selling expenses incurred in the first half of a school year may not be indicative of the change for the full school year.

Administrative expenses

Our administrative expenses increased by 9.6% from RMB29.6 million for the six months ended 28 February 2017 to RMB32.4 million for the six months ended 28 February 2018, primarily due to increases in depreciation and amortization, staff costs and travelling expenses.

Listing expenses

We recorded listing expenses of RMB11.8 million for the six months ended 28 February 2018 in connection with the Global Offering. We recorded nil listing expenses for the six months ended 28 February 2017.

Finance costs

Our finance costs increased by 5.3% from RMB40.2 million for the six months ended 28 February 2017 to RMB42.3 million for the six months ended 28 February 2018, primarily due to an increase in the average balance of our borrowings.

Taxation

We recorded nil taxation for the six months ended 28 February 2017. We recorded income tax of RMB0.3 million for the six months ended 28 February 2018 in connection with management fees charged to a third-party meal catering service company, which are not exempt from PRC enterprise income tax.

Profit for the year

As a result of the foregoing, our profit for the year decreased by 21.3% from RMB74.6 million for the six months ended 28 February 2017 to RMB58.7 million for the six months ended 28 February 2018.

Adjusted net profit

Our adjusted net profit decreased by 5.5% from RMB74.6 million for the six months ended 28 February 2017 to RMB70.5 million for the six months ended 28 February 2018.

Year Ended 31 August 2017 Compared to Year Ended 31 August 2016

Revenue

Our revenue increased by 21.7% from RMB378.6 million for the year ended 31 August 2016 to RMB460.9 million for the year ended 31 August 2017, primarily due to the growth in revenue from Shangqiu University Kaifeng Campus and Anyang University.

Revenue from Shangqiu University Kaifeng Campus increased by 111.0% from RMB27.3 million for the year ended 31 August 2016 to RMB57.6 million for the year ended 31 August 2017. The increase was primarily due to an increase in student enrolment from 2,215 for the 2015/2016 school year to 4,449 for the 2016/2017 school year. Shangqiu University Kaifeng Campus started admitting students in 2013. Consequently, Shangqiu University Kaifeng Campus had bachelor's degree students enrolled in only three class years for the 2015/2016 school year, but had bachelor's degree students enrolled in all four class years for the 2016/2017 school year. In addition, as Shangqiu University Kaifeng Campus increased its capacity from 2,856 for the 2015/2016 school year to 5,430 for the 2016/2017 school year, it received a significantly larger admission quota for the 2016/2017 school year, which also contributed to the increase in its student enrolment. The increase in revenue from Shangqiu University Kaifeng Campus was also due to an increase in the average tuition fee level, as Shangqiu University Kaifeng Campus increased the tuition fee rate applicable to bachelor's degree students newly admitted in the 2016/2017 school year.

Revenue from Anyang University increased by 25.9% from RMB163.1 million for the year ended 31 August 2016 to RMB205.4 million for the year ended 31 August 2017. The increase was primarily due to an increase in student enrolment from 13,757 for the 2015/2016 school year to 18,351 for the 2016/2017 school year. Anyang University had historically allocated a portion of its admission quota to a campus managed by Anyang Normal University as part of our cooperation arrangements. Starting from the 2016/2017 school year following the termination of our cooperation with Anyang Normal University, Anyang University no longer allocates any of its admission quota to the campus managed by Anyang Normal University, which has the effect of increasing our enrolment by approximately 1,250 on average annually from the 2016/2017 school year through the 2019/2020 school year. The increase in Anyang University's enrolment was also due to the launch of its vocational education programmes and combined vocational education and junior college degree programmes in the 2016/2017. The increase in revenue from Anyang University was also due to an increase in the average tuition fee level, as Anyang University increased the tuition fee rate applicable to bachelor's degree students newly admitted in the 2016/2017 school year.

Revenue from Shangqiu University increased by 5.2% from RMB188.2 million for the year ended 31 August 2016 to RMB198.0 million for the year ended 31 August 2017. The increase was primarily due to an increase in the average tuition fee level, as Shangqiu University increased the tuition fee rate applicable to bachelor's degree and junior college diploma students newly admitted in the 2016/2017 school year. The increase in revenue from Shangqiu University was also due to an increase in student enrolment.

Overall, revenue from tuition fees and boarding fees increased by 22.0% and 19.6%, respectively from the year ended 31 August 2016 to the year ended 31 August 2017.

Cost of revenue

Our cost of revenue increased by 17.3% from RMB144.9 million for the year ended 31 August 2016 to RMB170.0 million for the year ended 31 August 2017. This increase was primarily due to a 17.7% increase in teaching staff costs, as we increased the number of teachers in each of our colleges to continuously improve our education quality and accommodate the increase in our student enrolment. As a percentage of revenue, our cost of revenue decreased from 38.3% for the year ended 31 August 2016 to 36.9% for the year ended 31 August 2017 primarily due to the increase in our utilisation rate and the increase in tuition fee rate applicable to newly admitted bachelor's degree students.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 24.4% from RMB233.7 million for the year ended 31 August 2016 to RMB290.8 million for the year ended 31 August 2017, and our gross profit margin increased from 61.7% for the year ended 31 August 2016 to 63.1% for the year ended 31 August 2017.

Other income

Our other income decreased by 8.3% from RMB7.8 million for the year ended 31 August 2016 to RMB7.2 million for the year ended 31 August 2017, primarily due to a decrease of government grants from RMB5.1 million for the year ended 31 August 2016 to RMB1.9 million for the year ended 31 August 2017, partially offset by an increase of interest income from RMB0.6 million for the year ended 31 August 2016 to RMB3.2 million for the year ended 31 August 2017. Government grants are discretionary funds from local governments and vary from year to year. The increase in interest income was primarily due to an increase in our fixed-term deposits, which had higher interest than demand deposits.

Other gains and losses

We recorded other gains of RMB16.3 million for the year ended 31 August 2016, while we recorded other losses of RMB0.7 million for the year ended 31 August 2017. The other gains for the year ended 31 August 2016 were primarily attributable to a one-off gain of RMB21.6 million as a settlement for the termination of our cooperation with Tianjin Medical University.

Selling expenses

Our selling expenses increased by 27.3% from RMB3.3 million for the year ended 31 August 2016 to RMB4.2 million for the year ended 31 August 2017, primarily because we expanded our advertising campaigns to increase our brand recognition and recruit more high-quality students.

Administrative expenses

Our administrative expenses increased by 9.5% from RMB55.5 million for the year ended 31 August 2016 to RMB60.8 million for the year ended 31 August 2017, primarily due to increases in landscaping expenses and depreciation and amortisation.

Listing expenses

We recorded listing expenses of RMB3.1 million for the year ended 31 August 2017 in connection with the Global Offering. We recorded nil listing expenses for the year ended 31 August 2016.

Finance costs

Our finance costs decreased by 13.1% from RMB89.2 million for the year ended 31 August 2016 to RMB77.5 million for the year ended 31 August 2017, primarily due to a decrease in borrowings from non-bank financial institutes, which had a higher average interest rate than bank borrowings.

Taxation

We recorded nil taxation for the year ended 31 August 2016 or 2017 due to applicable exemptions.

Profit for the year

As a result of the foregoing, our profit for the year increased by 38.1% from RMB109.8 million for the year ended 31 August 2016 to RMB151.6 million for the year ended 31 August 2017.

Adjusted net profit

Our adjusted net profit increased by 75.4% from RMB88.2 million for the year ended 31 August 2016 to RMB154.7 million for the year ended 31 August 2017.

Year Ended 31 August 2016 Compared to Year Ended 31 August 2015

Revenue

Our revenue increased by 12.6% from RMB336.3 million for the year ended 31 August 2015 to RMB378.6 million for the year ended 31 August 2016, primarily due to the growth in revenue from Shangqiu University Kaifeng Campus and Anyang University.

Revenue from Shangqiu University Kaifeng Campus increased by 84.4% from RMB14.8 million for the year ended 31 August 2015 to RMB27.3 million for the year ended 31 August 2016. The increase was primarily due to an increase in student enrolment from 1,122 for the 2014/2015 school year to 2,215 for the 2015/2016 school year. Shangqiu University Kaifeng Campus started admitting students in 2013. Consequently, Shangqiu University Kaifeng Campus had bachelor's degree students and junior college diploma students enrolled in only two class years for the 2014/2015 school year, but had bachelor's degree students and junior college diploma students enrolled in three class years for the 2015/2016 school year.

Revenue from Anyang University increased by 17.6% from RMB138.7 million for the year ended 31 August 2015 to RMB163.1 million for the year ended 31 August 2016. The increase was primarily due to an increase in its student enrolment from 11,407 for the 2014/2015 school year to 13,757 for the 2015/2016 school year. Anyang University had expanded steadily under our management. As a result, the number of newly admitted students for the 2015/2016 school year significantly exceeded the number of graduating students for the 2014/2015 school year, which led to the increase in total student enrolment.

Revenue from Shangqiu University increased by 3.0% from RMB182.8 million for the year ended 31 August 2015 to RMB188.2 million for the year ended 31 August 2016. The increase was primarily due to an increase in its student enrolment, particularly in junior college diploma programmes.

Overall, revenue from tuition fees and boarding fees increased by 13.0% and 9.4%, respectively from the year ended 31 August 2015 to the year ended 31 August 2016.

Cost of revenue

Our cost of revenue increased by 13.3% from RMB127.9 million for the year ended 31 August 2015 to RMB144.9 million for the year ended 31 August 2016. This increase was primarily due to a 37.2% increase in teaching staff costs, as we raised the salaries of our teachers and increased the number of teachers in each of our colleges, particularly Anyang University, which had recently become independent from Anyang Normal University. We implemented these measures to continuously improve our education quality and accommodate the increase in our student enrolment. As a percentage of revenue, our cost of revenue remained stable at 38.3% for the year ended 31 August 2016, compared with 38.0% for the year ended 31 August 2015.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 12.2% from RMB208.4 million for the year ended 31 August 2015 to RMB233.7 million for the year ended 31 August 2016, and our gross profit margin remained stable at 61.7% for the year ended 31 August 2016 compared with 62.0% for the year ended 31 August 2015.

Other income

Our other income increased by 134.3% from RMB3.3 million for the year ended 31 August 2015 to RMB7.8 million for the year ended 31 August 2016, primarily due to an increase in government grants of RMB4.4 million. Government grants are discretionary funds from local governments and vary from year to year.

Other gains and losses

We recorded other losses of RMB139.0 million for the year ended 31 August 2015, while we recorded other gains of RMB16.3 million for the year ended 31 August 2016. The other losses for the year ended 31 August 2015 were primarily attributable to a one-off termination fee of RMB138.9 million we paid to Anyang Normal University. The other gains for the year ended 31 August 2016 were primarily attributable to a one-off gain of RMB21.6 million as a settlement for the termination of our cooperation with Tianjin Medical University.

Selling expenses

Our selling expenses increased by 16.5% from RMB2.9 million for the year ended 31 August 2015 to RMB3.3 million for the year ended 31 August 2016, primarily because we expanded our advertising campaigns to increase our brand recognition and recruit more high-quality students.

Administrative expenses

Our administrative expenses increased by 14.9% from RMB48.3 million for the year ended 31 August 2015 to RMB55.5 million for the year ended 31 August 2016, primarily due to an increase in staff costs as we raised the salaries of our administrative staff.

Listing expenses

We recorded nil listing expenses for the years ended 31 August 2015 or 2016.

Finance costs

Our finance costs increased by 5.7% from RMB84.4 million for the year ended 31 August 2015 to RMB89.2 million for the year ended 31 August 2016, primarily due to an increase in interest on borrowing from non-bank financial institutes.

Taxation

We recorded nil taxation for the year ended 31 August 2015 or 2016 due to applicable exemptions.

Profit for the year

As a result of the foregoing, we had a loss for the year of RMB62.8 million for the year ended 31 August 2015, and a profit for the year of RMB109.8 million for the year ended 31 August 2016.

Adjusted net profit

Our adjusted net profit increased by 15.9% from RMB76.1 million for the year ended 31 August 2015 to RMB88.2 million for the year ended 31 August 2016.

NET CURRENT (LIABILITIES)/ASSETS

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of 31 August			As of 28 February	As of 30 June
	2015	2016	2017	2018	2018
	(in thousands of RMB)				
					(unaudited)
Current assets					
Trade and other receivables	3,502	7,671	34,397	13,250	12,431
Amount due from shareholder	—	—	—	7	7
Amounts due from related parties	46,300	98,300	172,448	—	—
Prepaid lease payments	7,338	8,150	8,150	8,153	8,387
Time deposits	–	–	–	370,000	270,000
Restricted bank balance	—	—	100,000	—	—
Bank balances and cash	233,185	371,710	267,344	181,737	57,308
Total current assets	290,325	485,831	582,339	573,147	348,133
Current liabilities					
Deferral revenue	212,072	243,520	195,776	246,351	83,194
Other payables and accrued expenses	150,417	149,887	108,321	100,730	86,532
Income tax payable	—	—	—	275	550
Amounts due to a related party	–	3,100	2,100	—	—
Borrowings	53,602	63,505	473,824	350,824	350,824
Total current liabilities	416,091	460,012	780,021	698,180	521,100
Net current (liabilities)/assets	(125,766)	25,819	(197,682)	(125,033)	(172,967)

As of 31 August 2015, 2016 and 2017, 28 February 2018 and 30 June 2018, we had net current liabilities of RMB125.8 million, net current assets of RMB25.8 million, net current liabilities of RMB197.7 million, net current liabilities of RMB125.0 million and net current liabilities of RMB173.0 million (unaudited), respectively. We had net current liabilities as of 31 August 2015 primarily due to a reduction in our cash balance after the payment of a one-off termination fee of RMB138.9 million to Anyang Normal University. We had net current liabilities as of 31 August 2017 primarily because a significant amount of our long-term borrowings had become current as of 31 August 2017. Excluding the current portion of our long-term loans, we would have had net current assets as of 31 August 2017. We had net current liabilities as of 28 February 2018 primarily because we made significant investments in connection with the acquisition of office space for our corporate headquarters in Zhengzhou and the expansion of our colleges. Our net current liabilities as of 30 June 2018 increased from 28 February 2018 primarily because of our continued capital expenditure on property, plant and equipment in relation to our expansion plans.

In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the next twelve months by taking into account our cash flow projection and our planned capital expenditures and capital commitments. For more information, see "Risk Factors — Risks Relating to Our Business and Our Industry — We had net current liabilities as of 31 August 2015 and 2017, 28 February 2018 and 30 June 2018."

Trade and Other Receivables

Our trade and other receivables consist of tuition and boarding fee receivables, other receivables and deposits. The following table sets forth a breakdown of our trade and other receivables as of the dates indicated:

	As of 31 August			As of 28 February
	2015	2016	2017	2018
	(in thousands of RMB)			
Tuition and boarding fee receivables	371	6,760	10,504	3,514
Other receivables	3,131	811	1,971	1,181
Deposit for purchase of new office	—	—	20,200	—
Prepayments for listing expenses	—	—	593	925
Deferred listing expense	—	—	1,029	4,047
Prepaid insurance expense	—	—	—	2,000
Prepaid expenses	—	—	—	1,483
Deposits	—	100	100	100
Total	3,502	7,671	34,397	13,250

Our trade and other receivables increased from RMB3.5 million as of 31 August 2015 to RMB7.7 million as of 31 August 2016, primarily due to an increase in tuition and boarding fee receivables. Our trade and other receivables further increased to RMB34.4 million as of 31 August 2017, primarily due to an increase in deposit for the purchase of new offices and an increase in tuition and boarding fee receivables. The increases in tuition and boarding fee receivables were primarily due to increases in student enrolment and increasingly favourable government policies on student loans. As more students were able to obtain student loans, we would collect a smaller portion of tuition and boarding fees at the start of a school year because government loan disbursements generally require three to four months to complete. Deposit for the purchase of new offices as of 31 August 2017 primarily related to our acquisition of office space for our corporate headquarters in Zhengzhou, Henan Province. The deposit for the purchase of new office of RMB20.2 million as of 31 August 2017 was made in connection with our acquisition of certain office space for our corporate headquarters in Zhengzhou, Henan Province. In July 2017, the School Sponsor entered into negotiations with the vendor with a view to purchasing a new office space. In July and August 2017, the School Sponsor paid certain refundable deposits to the vendor in order to secure the purchase. We expected the new office space will be primarily used for corporate purpose by our WFOE and PRC Holdco, instead of educational use. Subsequently, with a view to facilitating the use, management and dealing of the new office space by, and the business address registration of, our WFOE, PRC Holdco and other Group entities in the future, we decided it was more practicable for the PRC Holdco to hold the title to the new office space under its name. The vendor agreed to our proposed arrangement and refunded the deposits to the School Sponsor in October 2017, with the PRC Holdco entering into the purchase agreement with the vendor as purchaser of the new office space. To the best of our knowledge, the vendor namely, Henan Green East Real Estate Co., Ltd. (河南綠東置業有限公司) is an Independent Third Party and a subsidiary of a company listed on the Shanghai Stock Exchange.

Our trade and other receivables decreased from RMB34.4 million as of 31 August 2017 to RMB13.3 million as of 28 February 2018 primarily due to the refund of the deposit for purchase of new office describe above, as well as a decrease in tuition and boarding fee receivables of RMB7.0 million, as most students had paid their tuition and boarding fees six months after the start of a school year. The decrease in our trade and other receivables was partially offset by an increase in deferred listing expenses of RMB3.0 million, an increase in prepaid insurance expense of RMB2.0 million and an increase in prepaid expenses of RMB1.5 million.

Current Portion of Amounts Due from Related Parties

Our current portion of amounts due from related parties consist primarily of amounts due from a relative of Mr. Hou and entities controlled by close family members of our Controlling Shareholders, including Zhongzhou Airlines Co., Ltd., Chunlai High School and Chunlai Middle School. Our amounts due from related parties increased from RMB46.3 million as of 31 August 2015 to RMB98.3 million as of 31 August 2016 and further to RMB172.4 million as of 31 August 2017, primarily due to increases in the amounts due from a relative of Mr. Hou's. Amounts due from these related parties had been fully settled as of 28 February 2018.

Time Deposits

Time deposits represent fixed-term bank deposits. We did not have any time deposit as of 31 August 2015, 2016 or 2017, but placed a three-year deposit in September 2017 to take advantage of the favorable interest rate in light of our healthy cash position.

Restricted Bank Balance

As of 31 August and 31 December 2017, we had a restricted bank balance of RMB100 million. As part of a one-off financing arrangement devised by a lending bank, in February 2017, the School Sponsor placed a deposit of RMB100 million with the lending bank. For details of the financing arrangement, see the section headed "Business — Financing Arrangement". The financing arrangement was fully settled in February 2018, and we had no restricted bank balance as of 28 February 2018.

Deferred Revenue

We record tuition fees and boarding fees collected initially as a liability under deferred revenue and recognise such amounts received as revenue proportionately over the relevant period of the applicable programme. A school year typically commences in late August to early September each year depending on the calendar configuration and other factors. We generally require newly admitted students to pay the tuition fees and boarding fees for the full school year on or before the date on which a school year starts, and generally require returning students to pay the tuition fees and boarding fees for the full year by the end of September. The amount of deferred revenue as of a balance sheet date largely represents the amount of tuition fees and boarding fees received but not yet recognised as revenue for the applicable school year. As most newly admitted students and some returning students pay their tuition fees and boarding fees on or before the relevant school year starts, we would typically have received a substantial amount of tuition fees and boarding fees for the upcoming school year by the end of August. The portion of total tuition fees and boarding fees received as of 31 August each year depends on the specific starting date of that school year. Our deferred revenue was lower as of 31 August 2017 than as of 31 August 2015 or 2016 primarily because Anyang University started the 2017/2018 school year later than usual due to a renovation project.

Our deferred revenue increased from RMB212.1 million as of 31 August 2015 to RMB243.5 million as of 31 August 2016 primarily due to an increase in student enrolment. Our deferral revenue decreased to RMB195.8 million primarily because Anyang University started the 2017/2018 school year later than usual with respect to its first-year students and had not collected tuition fees and boarding fees from these students as of 31 August 2017. Our deferred revenue increased from RMB195.8 million as of 31 August 2017 to RMB246.4 million as of 28 February 2018 because during the six months ended 28 February 2018 we received more outstanding tuition and boarding fees than we recognised such fees as revenue.

Other Payables and Accrued Expenses

Our other payables and accrued expenses consist primarily of payables for construction, interest payables, accrued staff benefits and payroll and accrued annual fee, among others. The following table sets forth a breakdown of our other payables and accrued expenses as of the dates indicated:

	As of 31 August			As of 28 February
	2015	**2016**	**2017**	**2018**
	(in thousands of RMB)			
Accrued annual fee	33,834	18,711	17,711	—
Amount due to College of Clinical Medicine	40,350	—	—	—
Interest payables	13,664	13,480	9,433	12,011
Accrued staff benefits and payroll	12,104	17,532	14,508	16,642
Payables for construction	24,590	59,940	25,146	17,744
Receipt on behalf of ancillary services providers	14,410	17,422	16,417	18,634
Others payables and accruals[(1)]	8,744	12,808	14,452	14,739
Other taxes payables[(2)]	2,721	4,744	7,454	7,572
Amount due to third party	—	5,250	—	—
Accrued listing expense	—	—	3,200	13,388
Total	150,417	149,887	108,321	100,730

Notes:

(1) Other payables and accruals mainly include quality assurance deposits placed by our suppliers, and various fees collected by us to be paid to third parties on behalf of our students or to be paid to our students on behalf of third parties.

(2) Other taxes payables include (i) individual income taxes payables that we withheld on behalf of our employees and (ii) value-added taxes payables.

Our other payables and accrued expenses decreased from RMB150.4 million as of 31 August 2015 to RMB149.9 million as of 31 August 2016, primarily due to a decrease in amount due to College of Clinical Medicine of Tianjin Medical University ("**College of Clinical Medicine**") and a decrease in accrued annual fee, partially offset by an increase in payables for construction. Our other payables and accrued expenses decreased to RMB108.3 million as of 31 August 2017 primarily due to a decrease in payables for construction. Our other payables and accrued expenses further decreased to RMB100.7 million as of 28 February 2018, primarily due to a decrease in accrued annual fee and a decrease in payables for construction, partially offset by increases in accrued listing expense and various other payables.

The amount due to College of Clinical Medicine represented an advance from the College of Clinical Medicine under our prior cooperation with Tianjin Medical University. The amount due to College of Clinical Medicine was fully settled upon termination of such cooperation in early 2016. Accrued annual fee primarily relates to annual fees payable to Henan Agricultural University. Certain annual fee amounts continued to be outstanding following the termination of our cooperation with Henan Agricultural University with respect to Shangqiu University. Accrued annual fee decreased during the Track Record Period as we gradually made repayments, and had been fully repaid as of 28 February 2018. We had higher payables for construction as of 31 August 2016 than as of 31 August 2015 and 2017 primarily due to multiple ongoing construction projects at Anyang University in 2016.

Current Portion of Amounts Due to a Related Party

Our current portion of amounts due to a related party represents amounts due to a company beneficially owned by Mr. Hou and Ms. Jiang, which provided meal catering services for the benefit of our students in our colleges during the Track Record Period and up to November 2017. See the section headed "Business — Campus Services". Amounts due to such related party had been fully settled as of 28 February 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 operation and external borrowings. We had cash and cash equivalents of RMB233.2 million, RMB371.7 million, RMB267.3 million and RMB181.7 million as of 31 August 2015, 2016 and 2017 and 28 February 2018, respectively. We generally deposit our excess cash in interest bearing bank accounts and current accounts.

During the Track Record Period, our principal uses of cash have 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 the student enrolment, or our tuition fees and boarding fees, or a significant decrease in the availability of bank loans or other financing may adversely impact our liquidity.

Cash Flows

The following table sets forth a summary of our cash flows for the periods indicated:

	For the year ended 31 August			For the six months ended 28 February	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Net cash from operating activities	75,464	258,842	215,815	125,260	204,065
Net cash used in investing activities	(50,877)	(52,766)	(362,910)	(145,811)	73,305
Net cash (used in)/from financing activities	(29,337)	(67,551)	42,729	(143,335)	7,023
Net (decrease)/increase in cash and cash equivalents	(4,750)	138,525	(104,366)	(163,886)	284,393
Cash and cash equivalents at the beginning of the year	237,935	233,185	371,710	371,710	267,344
Cash and cash equivalents at the end of the year	233,185	371,710	267,344	207,824	551,737

Cash flows from operating activities

We generate cash from operating activities primarily from tuition fees and boarding fees, all of which are typically paid before the relevant services are rendered. Tuition fees and boarding fees are initially recorded under deferred revenue. We recognise such amounts received as revenue proportionately over the relevant school year.

For the six months ended 28 February 2018, our net cash from operating activities was RMB204.1 million, primarily attributable to profit before taxation of RMB58.9 million, as adjusted to add back finance costs of RMB42.3 million, depreciation of property, plant and equipment of RMB29.7 million and other non-cash items, and a net decrease in working capital of RMB70.3 million. The net decrease in working capital was primarily due to an increase in deferred revenue of RMB50.6 million and a decrease in trade and other receivables of RMB21.0 million. Our deferral revenue increased because during the six months ended 28 February 2018 we received more outstanding tuition and boarding fees than we recognised such fees as revenue. The decrease in our trade and other receivables was primarily due to the refund of the deposit for purchase of new office, as well as a decrease in tuition and boarding fee receivables, as most students had paid their tuition and boarding fees six months after the start of a school year.

For the year ended 31 August 2017, our net cash from operating activities was RMB215.8 million, primarily attributable to profit before taxation of RMB151.6 million, as adjusted to add back finance costs of RMB77.5 million, depreciation of property, plant and equipment of RMB53.8 million and other non-cash items, and partially offset by a net increase in working capital of RMB72.1 million. The increase in working capital was primarily due to a decrease in deferred revenue of RMB47.7 million primarily due to late start of Anyang University's 2017/2018 school year and therefore the late collection of tuition fees and boarding fees, and an increase in trade and other receivables of RMB26.9 million primarily due to a balance of RMB20.2 million in deposit for purchase of new office as of 31 August 2017, which was related to our acquisition of office space in Zhengzhou, Henan Province.

For the year ended 31 August 2016, our net cash from operating activities was RMB258.8 million, primarily attributable to profit before taxation of RMB109.8 million, as adjusted to add back finance costs of RMB89.2 million, depreciation of property, plant and equipment of RMB47.2 million and other non-cash items, and a net decrease in working capital of RMB5.1 million.

For the year ended 31 August 2015, our net cash from operating activities was RMB75.5 million, primarily attributable to adjustment of non-cash items including, among others, finance costs of RMB84.4 million and depreciation of property, plant and equipment of RMB44.3 million, and a net decrease in working capital of RMB2.7 million, partially offset by loss before taxation of RMB62.8 million.

Cash flows used in investing activities

For the six months ended 28 February 2018, our net cash from investing activities was RMB73.3 million, primarily attributable to net repayment from related parties of RMB172.5 million to fully settle outstanding advances and the redemption of restricted bank balance of RMB100.0 million upon termination of a one-off financing arrangement devised by a lending bank. For details of the financing arrangement, see the section headed "Business – Financing Arrangement". The above cash inflows were partially offset by purchase of property, plant and equipment of RMB140.0 million and prepaid land lease payments of RMB59.9 million.

For the year ended 31 August 2017, our net cash used in investing activities was RMB362.9 million, primarily attributable to purchase of property, plant and equipment of RMB155.5 million, placement of restricted bank balance of RMB100.0 million as part of the aforementioned financing arrangement and advance to related parties of RMB96.3 million primarily consisting of loans to a relative of Mr. Hou. All advances to related parties had been fully settled as of 28 February 2018.

For the year ended 31 August 2016, our net cash used in investing activities was RMB52.8 million, primarily attributable to purchase of property, plant and equipment of RMB90.8 million, advance to related parties of RMB80.0 million consisting of loans to a relative of Mr. Hou, and prepaid land lease payments of RMB40.6 million, partially offset by collection of prepayment for cooperation agreements of RMB130.0 million, which was due to the termination of our cooperation with Tianjin Medical University in 2016 and the settlement of a total prepayment of RMB150.0 million, which we made in 2013 and 2014.

For the year ended 31 August 2015, our net cash used in investing activities was RMB50.9 million, primarily attributable to prepayment for cooperation agreement of RMB150.0 million, purchase of property, plant and equipment of RMB71.9 million and prepaid land lease payments of RMB64.5 million, partially offset by repayment of loans from third parties of RMB241.7 million. The prepayment for cooperation agreement was in relation to our prior cooperation with Tianjin Medical University.

Cash flows used in/from financing activities

For the six months ended 28 February 2018, our net cash from financing activities was RMB7.0 million, primarily attributable to net proceeds from borrowings of RMB60.0 million and proceeds from capital contributed by shareholders of RMB30.0 million, offset by repayment to related parties of RMB42.1 million to fully settle outstanding balances and interest paid of RMB39.3 million.

For the year ended 31 August 2017, our net cash from financing activities was RMB42.7 million, primarily attributable to net proceeds from borrowings of RMB130.0 million, partially offset by interest paid of RMB80.6 million.

For the year ended 31 August 2016, our net cash used in financing activities was RMB67.6 million, primarily attributable to interest paid of RMB87.8 million, partially offset by net proceeds from borrowings of RMB10.7 million.

For the year ended 31 August 2015, our net cash used in financing activities was RMB29.3 million, primarily attributable to interest paid of RMB100.5 million, partially offset by advance from third parties of RMB40.4 million.

Working Capital

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 colleges.

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 colleges 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 funds to meet our working capital requirements and financial requirements for capital expenditure for at least the next 12 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.

CAPITAL EXPENDITURES

Our capital expenditures during the Track Record Period primarily related to maintaining and upgrading the existing school premises, construction of new school premises and purchasing additional educational facilities and equipment for our schools. Our capital expenditures consisted of purchase of property, plant and equipment and addition to prepaid land lease payments. We expect our capital expenditures for the year ending 31 August 2018 to be approximately RMB290 million. The following table sets forth the breakdown of our cash-based capital expenditures for the periods indicated:

	For the year ended 31 August			For the six months ended 28 February	
	2015	2016	2017	2017	2018
	(in thousands of RMB)				
				(unaudited)	
Purchase of property, plant and equipment	71,892	90,782	155,457	80,178	139,954
Prepaid land lease payments	64,513	40,590	—	—	59,925
Total	136,405	131,372	155,457	80,178	199,879

Currently, we operate our colleges in a traditional asset-heavy model. We or our colleges own substantially all or a portion of the premises that each of our colleges occupies. This asset-heavy model requires us to obtain the relevant land use right and expend significant amount of capital outlay in connection with the establishment of schools. Going forward, in additional to operating certain of our colleges in this approach, we intend to collaborate with third party partners, including, among others, local governments, property developers and other public and private school operators, to set up new schools in asset-light model. We expect potential third party partners to provide land use rights to the campus sites and build necessary school facilities that meet our standard and we will provide teachers and management support. We believe this transformation in our business model will likely result in less capital expenditure required for the acquisition of land and buildings in the future.

CONTRACTUAL COMMITMENTS

Capital Commitments

Our capital commitments primarily relate to acquisition of property, plant and equipment, land lease payments and our acquisition of Hubei College. The following table sets forth the breakdown of our capital commitments as of the dates indicated:

	As of 31 August			As of 28 February
	2015	2016	2017	2018
	(in thousands of RMB)			
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	—	2,799	23,399	59,684
Capital expenditure of prepaid land lease payments	—	11,460	59,984	23,191
Capital expenditure in respect of acquisition of Hubei College	20,000	20,000	20,000	20,000
Total	20,000	34,259	103,383	102,875

INDEBTEDNESS

Our bank loans and other borrowings primarily consisted of short-term and long-term loans from banks and non-bank financial institutes to support the construction of the school premises and supplement our working capital. Our bank loans and other borrowings as of 31 August 2015, 2016 and 2017, as of 28 February 2018 and as of 30 June 2018, being the latest practicable date for the purpose of indebtedness statement, were as follows:

	As of 31 August			As of 28 February	As of 30 June
	2015	**2016**	**2017**	**2018**	**2018**
	(in thousands of RMB)				
					(unaudited)
Unsecured and unguaranteed					
Loan from Hubei College	28,202	29,805	3,824	3,824	3,824
Secured/guaranteed					
Bank borrowings	124,100	144,100	445,000	610,000	574,280
Non-bank financial institute financing	697,202	687,872	448,505	438,944	429,145
Bill financing loan	—	—	95,000	—	—
Total	849,504	861,777	992,329	1,052,768	1,007,249
Current	53,602	63,505	473,824	350,824	350,824
Non-current	795,902	798,272	518,505	701,944	656,425
Total	849,504	861,777	992,329	1,052,768	1,007,249
Fixed-rate borrowings	849,504	861,777	842,329	697,768	687,969
Variable-rate borrowings	—	—	150,000	355,000	319,280
Total	849,504	861,777	992,329	1,052,768	1,007,249

Certain of our bank borrowings and a non-bank financial institute financing as of 31 August 2015, 2016 and 2017 and 28 February 2018 were secured by the rights to receive the tuition fees of Anyang University, Shangqiu University and Shangqiu University Kaifeng Campus. Among our bank borrowings and non-bank financial institute financing, RMB736.3 million, RMB717.0 million, RMB638.5 million and RMB683.9 million as of 31 August 2015, 2016 and 2017 and 28 February 2018, respectively, were guaranteed by our Directors and an employee of our Group. All existing personal guarantees provided by our Directors will be released prior to the Listing (see also "Relationship with Controlling Shareholders"). Certain lenders required one of our employees, who was at the relevant time a financial controller of the School Sponsor and is otherwise an Independent Third Party, to guarantee certain of our borrowings, which had been fully settled as of the Latest Practicable Date.

Our bank and non-bank borrowings as of 31 August 2015, 2016 and 2017 and 28 February 2018 were all denominated in Renminbi. As of 30 June 2018, the latest practicable date for the purpose of the indebtedness statement, we had total indebtedness of RMB1,007 million out of which (i) RMB3.8 million was unsecured and unguaranteed; (ii) RMB85 million was secured by the rights to receive the tuition fees of Shangqiu University and Shangqiu University Kaifeng Campus but unguaranteed; (iii) RMB348.4 million was guaranteed by the School Sponsor, Chairman Hou, Mr. Hou and/or Ms. Jiang but unsecured; and (iv) RMB570 million was secured by the rights to receive the tuition fees of Anyang University, Shangqiu University and/or Shangqiu University Kaifeng Campus and guaranteed by the School Sponsor, Chairman Hou, Mr. Hou and/or Ms. Jiang. As of 30 June 2018, all of our loans were term loans that had been fully drawn down, and we did not have any unutilized banking facilities.

For more information on the "bill financing loan" of RMB95 million as of 31 August 2017, which had been fully settled as of 28 February 2018, see "Business — Financing Arrangement".

The table below sets forth the effective interest rates (per annum) of our borrowings as of the dates indicated:

	As of 31 August			As of 28 February	As of 30 June
	2015	**2016**	**2017**	**2018**	**2018**
Fixed-rate borrowings	6.9%-10.4%	8.5%-10.4%	5.0%-10.4%	6.4%-10.4%	6.4%-10.4%
Variable-rate borrowings	N/A	N/A	6.2%	5.7%-6.57%	5.7%-6.57%

For details of the loans to be repaid by the net proceeds from the Global Offering, please refer to "Future Plans and Use of Proceeds — Use of Proceeds."

Except as aforesaid and apart from intra-group liabilities, as of 30 June 2018, we did not have any other loan issued and outstanding or any loan agreed to be issued, bank overdrafts, loans and other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees or other material contingent liabilities. Our Directors confirm that during the Track Record Period and up to 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 further confirm that our Group did not experience any 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

As of 30 June 2018, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group. Our Directors have confirmed that there has not been any material change in the contingent liabilities of our Group since 30 June 2018.

LISTING EXPENSES

We expect to incur a total of approximately RMB66.0 million of listing expenses (assuming an Offer Price of HK$2.53, being the mid-point of the indicative Offer Price range between HK$2.08 and HK$2.98, and assuming that the Over-allotment Option is not exercised at all) in relation to the Global Offering, of which approximately RMB14.9 million were charged to profit and loss during the Track Record Period and approximately RMB5.0 million was deferred and accounted for as deferred listing expenses as at 28 February 2018. For the remaining expenses, we expect to charge approximately RMB10.8 million to our profit or loss and to capitalise approximately RMB35.3 million. Listing expenses represent professional fees and other fees incurred in connection with the Listing, including underwriting commissions but excluding discretionary bonus. 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. Our Directors consider that such listing expenses would, to certain extent, adversely affect our results of operations for the year ending 31 August 2018.

FINANCIAL RATIOS

	For the year ended/as of 31 August			For the six months ended/as of 28 February	
	2015	2016	2017	2017	2018
				(unaudited)	
Gross profit margin(1)	62.0%	61.7%	63.1%	62.3%	58.5%
Net profit margin(2)	(18.7%)	29.0%	32.9%	32.4%	24.1%
Adjusted net profit margin(3)	22.6%	23.3%	33.6%	32.4%	28.9%
Adjusted return on assets(4)	5.3%	5.5%	8.7%	4.9%	3.6%
Adjusted return on equity(5)	41.4%	30.0%	34.8%	20.3%	13.2%
Current ratio(6)	0.70	1.06	0.75	N/A	0.82
Gearing ratio(7)	462.3%	293.6%	222.9%	N/A	197.2%
Debt to equity ratio(8)	335.4%	167.0%	140.4%	N/A	93.9%

Notes:

(1) Gross profit margin equals gross profit divided by revenue for the year/period.

(2) Net profit margin equals profit/(loss) for the year/period divided by revenue for the year/period.

(3) Adjusted net profit margin equals adjusted net profit for the year/period divided by revenue for the year/period. For more information on our adjusted net profit, see the section headed "— Non-IFRS Measure" above.

(4) Adjusted return on assets equals adjusted net profit for the year/period divided by total assets as of the end of the year/period.

(5) Adjusted return on equity equals adjusted net profit for the year/period divided by total equity as of the end of the year/period.

(6) Current ratio equals current assets divided by current liabilities as of the end of the year/period.

(7) Gearing ratio equals total borrowings divided by total equity as of the end of the year/period.

(8) Debt to equity ratio equals total borrowings net of bank balances and cash and time deposits, and divided by total equity as of the end of the year/period.

Gross Profit Margin

Our gross profit margin was relatively stable at 62.0% and 61.7% for the year ended 31 August 2015 and 2016, respectively. Our gross profit margin increased to 63.1% for the year ended 31 August 2017 primarily due to the increase in our utilisation rate and increasing economies of scale. Our gross profit margin decreased from 62.3% for the six months ended 28 February 2017 to 58.5% for the six months ended 28 February 2018 primarily due to a significant increase in teaching staff costs, as we increased the number of teachers, particularly in Shangqiu University Kaifeng Campus and Shangqiu University, to continuously improve our education quality and accommodate the increase in our student enrolment.

Net Profit Margin

Our net profit margin was negative for the year ended 31 August 2015 primarily due to a one-off termination fee of RMB138.9 million we paid to Anyang Normal University. Our net profit margin increased from 29.0% for the year ended 31 August 2016 to 32.9% for the year ended 31 August 2017 primarily due to the increase in our gross profit margin and a significant decrease in finance costs as a percentage of revenue resulting from a decrease in the average interest rate. Our net profit margin decreased from 32.4% for the six months ended 28 February 2017 to 24.1% for the six months ended 28 February 2018 primarily due to the significant increase in teaching staff costs described above and listing expenses incurred for the six months ended 28 February 2018 in connection with the Global Offering.

Adjusted Net Profit Margin

Our adjusted net profit margin was relatively stable at 22.6% and 23.3% for the years ended 31 August 2015 and 2016, respectively. Our adjusted net profit margin increased to 33.6% for the year ended 31 August 2017 primarily due to a significant decrease in finance costs as a percentage of revenue resulting from a decrease in the average interest rate. Our adjusted net profit margin decreased from 32.4% for the six months ended 28 February 2017 to 28.9% for the six months ended 28 February 2018 primarily due to the significant increase in teaching staff costs described above.

Adjusted return on Assets

Our adjusted return on assets was relatively stable at 5.3% and 5.5% for the years ended 31 August 2015 and 2016, respectively. Our adjusted return on assets increased to 8.7% for the year ended 31 August 2017 primarily due to the increase in our adjusted net profit. Our adjusted return on assets decreased from 4.9% for the six months ended 28 February 2017 to 3.6% for the six months ended 28 February 2018 primarily due to an increase in our total assets and, to a lesser extent, a slight decrease in our adjusted net profit resulting from increased teaching staff costs.

Adjusted Return on Equity

Our adjusted return on equity decreased from 41.4% for the year ended 31 August 2015 to 30.0% for the year ended 31 August 2016 primarily due to the significant increase in our equity. Our adjusted return on equity increased to 34.8% for the year ended 31 August 2017 primarily due to the increase in our adjusted net profit, partially offset by a further increase in our equity. Our adjusted return on equity decreased from 20.3% for the six months ended 28 February 2017 to 13.2% for the six months ended 28 February 2018 primarily due to a significant increase in our equity and a decrease in our adjusted net profit. The increases in our equity during the Track Record Period were primarily due to increased the accumulation of retained earnings.

Current Ratio

Our current ratio increased from 0.70 as of 31 August 2015 to 1.06 as of 31 August 2016 primarily due to an increase in our bank balances and cash resulting from a termination fee of RMB130.0 million paid to us by Tianjin Medical University in early 2016. Our current ratio decreased to 0.75 as of 31 August 2017 primarily due to an increase in short-term borrowings of RMB436.3 million because a significant amount of our long-term borrowings had become current as of 31 August 2017. Our current ratio improved to 0.82 as of 28 February 2018 primarily due to a decrease in current borrowings.

Gearing Ratio

Our gearing ratio decreased from 462.3% as of 31 August 2015 to 293.6% as of 31 August 2016 and further to 222.9% as of 31 August 2017 and 197.2% as of 28 February 2018 primarily due to the increases in our total equity resulting from increased retained earnings.

Debt to Equity Ratio

Our debt to equity ratio decreased from 335.4% as of 31 August 2015 to 167.0% as of 31 August 2016 and further to 140.4% as of 31 August 2017 due to the increases in our total equity. Our debt to equity ratio further decreased to 93.9% primarily due to an increase in our cash deposits and a further increase in our equity.

ADVANCES TO RELATED PARTIES AND THIRD PARTIES

In the past, our Group had been operated as a closely-held and family-owned and managed business of the Hou's family. We had made advances to (i) certain entities controlled by members of the Hou's family (i.e. related parties from the perspective of our Company, the "**Related Parties**"), including Zhan Yang (戰陽) (a son-in-law of Chairman Hou), Yucheng County Chunlai Middle School (虞城縣春來初級中學) (the sponsor of which is a brother of Chairman Hou), Yucheng County Chunlai High School (虞城縣春來高級中學) (the sponsor of which is a brother of Chauman Hou) Henan Zhongzhou Tengfei International Freight Agency Co., Ltd. (河南中州騰飛國際貨運代理有限責任公司) ("**Zhongzhou Tengfei**", the shareholders of which are Zhan Yang (戰陽) and a daughter of Chairman Hou) and Zhongzhou Airlines Co., Ltd. (中州航空有限責任公司) (among the shareholders of which are Zhan Yang (戰陽) and Zhongzhou Tengfei); and (ii) entities controlled by business associates or friends of the Hou's family (i.e. third parties from the perspective of our Company, the "**Third Parties**"), namely Shanghai Honglin Technology Investment Co., Ltd. (上海虹臨科技投資有限公司), Yucheng County Tiancheng Trading Co., Ltd. (虞城縣天誠商貿有限公司), Shangqiu Sanhe Industrial Investment Co., Ltd. (商丘三和實業投資有限公司), Shangqiu Sanhe Chemical Co., Ltd. (商丘市三和化工有限公司), and Henan Jianghua Measuring Tool Co., Ltd. (河南江華工量具有限公司). We made advances to the Related Parties and the Third Parties primarily to support their business interests, and in turn further the Hou's family or business relationships with them. Such advances were not made in connection with any business objectives of our Group.

We had ensured that the relevant advances were made using our surplus cash such that our operations would not be adversely affected in any material respects. Our executive Directors have confirmed that we had not raised any bank borrowings specifically for the purpose of making such advances on a back-to back-basis. As at 31 August 2015, 2016 and 2017, our total borrowings amounted to approximately RMB849.5 million, RMB861.8 million and RMB992.3 million, respectively.

For each of the three years ended 31 August 2015, 2016 and 2017, the maximum amount outstanding advanced to the Related Parties was RMB47.3 million, RMB122.3 million and RMB183.6 million, respectively. In particular, the amount advanced to Zhan Yang increased from RMB37.3 million as at 31 August 2015 to RMB87.3 million as at 31 August 2016 and further to RMB167.4 million as at 31 August 2017 primarily to support the start up of his airlines business, in connection to which Zhongzhou Airlines Co., Ltd. (中州航空有限責任公司) was formally established in the PRC in June 2016 and the expansion of his logistics business (including expanding transport and logistics routes, warehousing and supplementing working capital) in Zhongzhou Tengfei. All advances to the Related Parties had been fully repaid in February 2018 and we had not made any other similar advances to the Related Parties during the Track Record Period.

In 2015, we received repayment from the Third Parties of RMB241.7 million. Among the advances to the Third Parties, a significant portion amounting to approximately RMB112.3 million in aggregate was made to Henan Jianghua Measuring Tool Co., Ltd. (河南江華工量具有限公司). The relevant advances were made to such Third Party for the purpose of increasing its production scale, purchasing machineries and equipment and supplementing working capital. All of the advances to the Third Parties had been fully repaid in August 2015 and we had not made any other similar advances to the Third Parties during the Track Record Period.

Our executive Directors have confirmed that such advances were not made for any improper or illegal purposes and would not distort the track record results of our Group in any material respects. According to the General Lending Provisions (貸款通則) promulgated by the PBOC in 1996, lending and borrowing activities, overt or otherwise, shall not be engaged between and among non-financial enterprises in violation of PRC laws and regulations. However, our PRC Legal Adviser further advised that, notwithstanding the Lending General Provisions, the Provisions of the Supreme People's Court on Several Issues Concerning the Application of Law in the Trial of Private Lending Cases (最高人民法院關於審理民間借貸案件適用法律若干問題的規定) (the "**Judicial Interpretations on Private Lending Cases**") has made new interpretations concerning financing arrangements/lending transactions between non-financial institutions on September 1, 2015, which prevails over the relevant prohibitive rules of the General Lending Provisions. On the basis that: (i) such advances had been paid in full and no disputes had arisen among us and the Third Parties and Related Parties; and (ii) such advances did not fall within any of the circumstances set out in the Judicial Interpretations on Private Lending Cases, which would otherwise render such advances illegal and invalid, our PRC Legal Adviser is of the view that, such loan agreements among us and the Third Parties and Related Parties are legal and valid and the possibility for the PBOC to impose administrative liability on us, as the lender in relation to such advances, is remote.

We do not intend to make any advance of similar nature going forward unless it has a valid business objective in connection with our Group and is in the interests of our Company and our Shareholders as a whole. In particular, we have established a formal board structure with independent non-executive Directors' oversight, elaborate corporate governance measures and internal audit functions to safeguard Shareholders' interests against connected transactions under the Listing Rules.

RELATED PARTY TRANSACTIONS

Other than certain loans from and to our related parties, we did not have any material related party transactions during the Track Record Period. See Notes 19 and 26 to the Accountants' Report in Appendix IA.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of financial risks, including interest rate risk, credit risk and liquidity risk, as set out below. We regularly monitor our exposure to these risks. As of the Latest Practicable Date, we did not hedge or consider it was necessary to hedge any of these risks.

Interest Rate Risk

We are exposed to cash flow interest rate risk in relation to bank balances and borrowings due to the fluctuation of the prevailing market interest rates. We are also exposed to fair value interest rate risk in relation to the short-term bank deposits and fixed-rate borrowings. We currently do not have any interest rate hedging policy in relation to interest rate risks. Our Directors will continuously monitor interest rate fluctuation and will consider hedging interest rate risk should the need arise. Our Directors consider the Group's exposure to the interest rate risk of bank balances is not significant. See Note 28b to the Accountants' Report in Appendix IA for further details.

Credit Risk

Our principal financial assets are trade and other receivables, amounts due from related parties, and bank balances and cash. In order to minimise the credit risk on trade and other receivables and amounts due from related parties, our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believe that there is no material credit risk inherent in our outstanding balances of other receivables. In addition, the credit risk on amounts due from related parties are reduced as we closely monitor the repayment of the related parties. There is no concentration of credit risk on bank balances and the credit risk on liquid funds is limited because the majority of the counterparties are banks in the PRC with good reputation.

Liquidity Risk

As of 31 August 2015 and 2017 and 28 February 2018, we recorded net current liabilities of RMB125.8 million, RMB197.7 million and RMB125.0 million, respectively. As of 31 August 2016 and 31 December 2017, we recorded net current assets of RMB25.8 million and RMB157.3 million, respectively. We are exposed to cash flow interest rate risk in relation to bank balances and borrowings due to the fluctuation of the prevailing market interest rates. We are also exposed to fair value interest rate risk in relation to the short-term bank deposits and fixed-rate borrowings. We currently do not have any interest rate hedging policy in relation to interest rate risks. Our Directors will continuously monitor interest rate fluctuation and will consider hedging interest rate risk should the need arise. Our Directors consider our exposure to the interest rate risk of bank balances is not significant. See Note 28b to the Accountants' Report in

Appendix IA for further details. In view of these circumstances, our Directors have considered our future liquidity and performance and our available sources of finance in assessing whether we will have sufficient financial resources to continue as a going concern. Our Directors confirm that we will have sufficient financial resources to meet our financial obligations as they fall due in the next twelve months by taking into account our cash flow projection, our planned capital expenditures and capital commitments.

In managing our liquidity risk, we monitor and maintain levels of cash and cash equivalents deemed adequate by our management to finance our operations and mitigate the effects of fluctuations in cash flows. We rely on bank loans as a significant source of liquidity.

For further details about our liquidity risk, see Note 28b to the Accountants' Report in Appendix IA.

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 28 February 2018.

DIVIDEND

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 consolidated affiliated entities, which are incorporated in the PRC. Pursuant to the laws applicable to the PRC's Foreign Investment Enterprises, our Company's subsidiaries 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. Prior to the 2016 Decision becoming effective, PRC laws and regulations require private schools where the school sponsors require reasonable returns to make annual appropriations of 25% of the annual net income to its development fund prior to payments of reasonable returns. 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. Whether our schools shall continue to make allocations to the development fund as required above under the 2016 Decision will be subject to future regulations that are yet to be introduced. Each of our schools does not require reasonable returns.

Any amount of dividends we pay 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 which our Directors consider relevant. Any declaration and payment as well as the amount of dividends will be subject to our constitutional documents and the Cayman Companies Law. 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.

During the Track Record Period and up to the Latest Practicable Date, none of our consolidated affiliated entities had declared or paid any dividends to their school sponsors. There is no assurance that dividends of any amount will be declared to distributed in any year.

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 Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this document, there has been no material adverse change in our financial or trading position since 31 August 2017 (being the date on which the latest audited consolidated financial information of our Group was prepared) and there is no event since 31 August 2017 which would materially affect the information shown in our consolidated financial statements included in the Accountants' Report in Appendix IA to this document.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on our consolidated net tangible assets as at 28 February 2018 as if the Global Offering had taken place on that date.

Our 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 give a true picture of our consolidated net tangible assets attributable to the owner of the Company as at 28 February 2018 following the Global Offering or as at any subsequent dates. It is prepared based on our consolidated net tangible assets attributable to the owner of the Company as at 28 February 2018 derived from the Accountants' Report set out in Appendix IA to this document, and adjusted as described below:

	Audited consolidated net tangible assets of the Group as at 28 February 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 28 February 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group as at 28 February 2018 per Share	
	RMB'000	**RMB'000**	**RMB'000**	**RMB**	**HK$**
	(Note 1)	**(Note 2)**		**(Note 3)**	**(Note 4)**
Based on an Offer Price of HK$2.08 per Offer Share. . .	533,861	495,473	1,029,334	0.86	0.99
Based on an Offer Price of HK$2.98 per Offer Share. . .	533,861	722,525	1,256,386	1.05	1.20

Notes:

(1) The audited consolidated net tangible assets of the Group as at 28 February 2018 is extracted from the consolidated statement of financial position as at 28 February 2018 as set out in Appendix IA to this document.

(2) The estimated net proceeds from the Global Offering are based on 300,000,000 Offer Shares at the indicative Offer Price of HK$2.08 (equivalent to RMB1.81) and HK$2.98 (equivalent to RMB2.59) per Offer Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company (excluding the listing expenses which has been charged to profit or loss up to 28 February 2018), and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of RMB0.8697 to HK$1, which was the exchange rate prevailing on the Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis that 1,200,000,000 Shares were in issue assuming that the Global Offering had been completed on 28 February 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of RMB0.8697 to HK$1, which was the exchange rate prevailing on the Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 28 February 2018 to reflect any trading result or other transaction of the Group entered into subsequent to 28 February 2018.

FINANCIAL INFORMATION OF HUBEI COLLEGE

We began to participate in the operation of Hubei College pursuant to our cooperation agreement (as supplemented) with Yangtze University in December 2014. We expect to complete our acquisition of Hubei College, pending the MOE approving the School Sponsor becoming a school sponsor of Hubei College and the registration with the provincial civil affairs authorities (see "History, Reorganisation and Corporate Structure – Acquisition of Hubei College"). Based on our understanding of the process involved and communication with the relevant government authority, we do not expect any material impediment to completing these administrative procedures. Upon completion of these procedures, we expect to acquire effective control of Hubei College through contractual arrangements and consolidate its results of operations into those of our Group.

Results of Operations

The following table presents the statement of profit or loss and other comprehensive income of Hubei College with line items in absolute amounts and as percentages of its revenue for the periods indicated:

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Revenue	70,124	100.0	93,505	100.0	95,359	100.0	47,680	100.0	49,943	100.0
Cost of revenue	(30,710)	(43.8)	(50,642)	(54.2)	(52,766)	(55.3)	(29,823)	(62.5)	(30,879)	(61.8)
Gross profit	39,414	56.2	42,863	45.8	42,593	44.7	17,857	37.5	19,064	38.2
Other income	1,731	2.5	2,733	2.9	2,180	2.3	1,500	3.1	555	1.1
Other (losses)	(95)	(0.1)	—	—	(7)	(0.0)	—	—	—	—
Selling expenses	(236)	(0.3)	(166)	(0.2)	(45)	(0.0)	—	—	(393)	(0.8)
Administrative expenses	(8,306)	(11.8)	(13,649)	(14.6)	(16,857)	(17.7)	(8,681)	(18.2)	(7,943)	(15.9)
Finance costs	—	—	—	—	(381)	(0.0)	—	—	(855)	(1.7)
Profit before taxation	32,508	46.4	31,781	34.0	27,483	28.8	10,676	22.4	10,428	20.9
Taxation	—	—	—	—	—	—	—	—	—	—
Profit and total comprehensive income for the year/period attributable to owners of Hubei College	32,508	46.4	31,781	34.0	27,483	28.8	10,676	22.4	10,428	20.9

Before we acquired the right to participate in the operation of Hubei College in December 2014, Hubei College's operations was integrated into Yangtze University's as a whole. Accordingly, all revenue was directly collected and recognised by Yangtze University, and all costs and expenses were directly borne and recognised by Yangtze University. Therefore, no revenue, costs or expenses were recognised by Hubei College prior to December 2014, and Hubei College's results of operations for the year ended 31 August 2015 were not directly comparable to those for the year ended 31 August 2016 or 2017.

Revenue

Revenue of Hubei College is measured at the fair value of the amounts receivable for the education services that it provided in normal course of business, net of discounts, financial assistance and refunded tuitions. During the Track Record Period, Hubei College derived all of its revenue from tuition fees and boarding fees. Hubei College recognises tuition fees and boarding fees proportionately over the relevant period of the applicable programmes. For the detailed information on the tuition fees and boarding fees charged by Hubei College, please see the section headed "Business — Additional Schools to Be Acquired by Our Group — Tuition Fees and Boarding Fees" in this document.

Revenue of Hubei College increased by 33.4% from RMB70.1 million for the year ended 31 August 2015 to RMB93.5 million for the year ended 31 August 2016 primarily because Hubei College did not recognise any revenue prior to our acquisition in December 2014 of the right to participate in Hubei College's operations. Furthermore, although Hubei College's student enrolment decreased from the 2014/2015 school year to the 2015/2016 school year, in the latter school year it enrolled more students in programmes with high tuition fee rates, such as programmes related to the petroleum industry and natural resource survey industry. Revenue of Hubei College increased by 2.0% from RMB93.5 million for the year ended 31 August 2016 to RMB95.4 million for the year ended 31 August 2017 primarily due to a further increase in student enrolment in programmes with high tuition fee rates, which more than offset the slight decrease in total student enrolment. Revenue of Hubei College increased by 4.7% from RMB47.7 million for the six months ended 28 February 2017 to RMB49.9 million for the six months ended 28 February 2018 primarily due to an increase in student enrolment in junior college diploma programmes.

The following table sets forth a breakdown of Hubei College's revenue by nature for the periods indicated:

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Tuition fees	66,595	95.0	89,157	95.3	91,554	96.0	45,314	95.0	47,083	94.3
Boarding fees	3,529	5.0	4,348	4.7	3,805	4.0	2,366	5.0	2,860	5.7
Total	70,124	100.0	93,505	100.0	95,359	100.0	47,680	100.0	49,943	100.0

Cost of revenue

Cost of revenue of Hubei College consists primarily of teaching staff costs, rent costs, repair and maintenance expenses, student subsidies and others. Cost of revenue of Hubei College increased from RMB30.7 million for the year ended 31 August 2015 by 64.9% to RMB50.6 million for the year ended 31 August 2016 primarily because Hubei College did not recognise any cost of revenue prior to our acquisition in December 2014 of the right to participate in Hubei College's operations. The increase in Hubei College's cost of revenue from the year ended 31 August 2015 to the year ended 31 August 2016 was also due to an increase in repair and maintenance expenses. Cost of revenue of Hubei College increased from RMB50.6 million for the year ended 31 August 2016 by 4.2% to RMB52.8 million, and from RMB29.8 million for the six months ended 28 February 2017 to RMB30.9 million for the six months ended 28 February 2018, primarily due to increases in repair and maintenance expenses.

Gross profit and gross margin

Gross profit represents revenue less cost of revenue. For the years ended 31 August 2015, 2016 and 2017, gross profit of Hubei College was RMB39.4 million, RMB42.9 million and RMB42.6 million, respectively, and gross profit margin of Hubei College was 56.2%, 45.8% and 44.7%, respectively. For the six months ended 28 February 2017 and 2018, gross profit of Hubei College was RMB17.9 million and RMB19.1 million, respectively, and gross profit margin of Hubei College was 37.5% and 38.2%, respectively.

Other income

Other income of Hubei College consists of interest income, government grants and certain other income. Other income of Hubei College was RMB1.7 million, RMB2.7 million and RMB2.2 million for the years ended 31 August 2015, 2016 and 2017, respectively, and was RMB1.5 million and RMB0.6 million for the six months ended 28 February 2017 and 2018, respectively.

Administrative expenses

Administrative expenses of Hubei College primarily consist of administrative staff costs, travelling expenses, depreciation and amortisation of office equipment and other miscellaneous administrative expenses. The following table sets forth the breakdown of administrative expenses of Hubei College in absolute amounts and as percentages of its total administrative expenses for the periods indicated:

	For the year ended 31 August						For the six months ended 28 February			
	2015		2016		2017		2017		2018	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
							(unaudited)			
Staff costs	6,654	80.1	12,089	88.6	13,838	82.1	5,255	60.5	6,053	76.2
Travelling expenses	1,357	16.3	708	5.2	1,561	9.3	76	0.9	255	3.2
Depreciation and amortisation	74	0.9	309	2.3	610	3.6	141	1.6	382	4.8
Others	221	2.7	543	4.0	848	5.0	3,209	37.0	1,253	15.8
Total	8,306	100.0	13,649	100.0	16,857	100.0	8,681	100.0	7,943	100.0

Administrative expenses of Hubei College increased by 64.3% from RMB8.3 million for the year ended 31 August 2015 to RMB13.6 million for the year ended 31 August 2016 primarily because Hubei College did not recognise any administrative expenses prior to our acquisition in December 2014 of the right to participate in Hubei College's operations. The increase in Hubei College's administrative expenses from the year ended 31 August 2015 to the year ended 31 August 2016 was also due to an increase in staff costs resulting from salary raises. Administrative expenses of Hubei College increased by 23.5% from RMB13.6 million for the year ended 31 August 2016 to RMB16.9 million for the year ended 31 August 2017 primarily due to increases in staff costs and travelling expenses. Administrative expenses of Hubei College decreased by 8.5% from RMB8.7 million for the six months ended 28 February 2017 to RMB7.9 million for the six months ended 28 February 2018 primarily due to a decrease in landscaping expenses.

Finance costs

Finance costs of Hubei College were nil, nil and RMB0.4 million for the years ended 31 August 2015, 2016 and 2017, respectively, and were nil and RMB0.9 million for the six months ended 28 February 2017 and 2018, respectively. Finance costs for the year ended 31 August 2017 and the six months ended 28 February 2018 were incurred by loans from our Group.

Taxation

Hubei College did not incur any tax expense for the years ended 31 August 2015, 2016 or 2017 or the six months ended 28 February 2018 due to the same exemptions applicable to our current colleges. See "— Key Components of Our Results of Operations — Taxation" above for further details.

Profit and total comprehensive income for the year attributable to owners of Hubei College

For the years ended 31 August 2015, 2016 and 2017, profit and total comprehensive income for the year attributable to owners of Hubei College was RMB32.5 million, RMB31.8 million and RMB27.5 million, respectively. For the six months ended 28 February 2017 and 2018, profit and total comprehensive income for the period attributable to owners of Hubei College was RMB10.7 million and RMB10.4 million, respectively. The decrease in the profit and total comprehensive income attributable to owners of Hubei College during the Track Record Period was primarily due to its continuous efforts in improving teaching quality and administration, resulting in increase in teaching staff cost and administrative staff cost, the effect of which outweighed the increase in student enrolment and revenue.

Net Current Assets

The following table sets forth the current assets and current liabilities of Hubei College as of the dates indicated:

	As of 31 August			As of 28 February
	2015	2016	2017	2018
	(in thousands of RMB)			
Current assets				
Trade and other receivables	2,193	1,449	1,907	17,100
Amount due from a related party	8,847	6,299	3,871	2,888
Loans to the School Sponsor	28,202	29,805	3,824	3,824
Prepaid lease payments-current	—	—	1,000	1,000
Bank balances and cash	37,257	72,322	37,590	34,178
Total current assets	76,499	109,875	48,192	58,990
Current liabilities				
Deferred revenue	37,728	43,957	21,087	49,943
Other payables and accrued expenses	7,795	9,274	10,663	11,172
Total current liabilities	45,523	53,231	31,750	61,115
Net current assets	30,976	56,644	16,442	(2,125)

Trade and other receivables

Trade and other receivables of Hubei College primarily consist of tuition and boarding fee receivables, prepaid rental of campus to Yangtze University and other receivables. The table blow sets forth the breakdown of trade and other receivables of Hubei College as of the dates indicated:

	As of 31 August			As of 28 February
	2015	2016	2017	2018
	(in thousands of RMB)			
Tuition and boarding fee receivables	659	725	740	5,679
Prepaid rental of campus to Yangtze University	—	—	—	10,060
Others	1,534	724	1,167	1,361
Total	2,193	1,449	1,907	17,100

Tuition and boarding fee receivables of Hubei College increased significantly from 31 August 2017 to 28 February 2018 due to seasonal variations. Most tuition and boarding fees to be collected for an upcoming school year have not become receivables as of 31 August immediately before the start of the school year. The balance of tuition and boarding fee receivables as of 28 February of each school year primarily represent tuition and boarding fees to be collected from students in the final year of their studies who participate in off-campus internship programmes. Hubei College generally allows these students to pay their tuition and boarding fees by June of the relevant school year.

Hubei College paid rental fees to Yangtze University for using its campus facilities on an annual basis at the beginning of each school year. Prepaid rental of campus to Yangtze University represents the unrecognised portion of such rental fees as of a specific date, and was nil as of the end of each school year.

Loans to the School Sponsor

During the Track Record Period, Hubei College extended loans to the School Sponsor with balances of RMB28.2 million, RMB29.8 million, RMB3.8 million and RMB3.8 million as of 31 August 2015, 2016 and 2017 and 28 February 2018, respectively. The School Sponsor had settled the principal amount of these loans as of 31 August 2017 in anticipation of Hubei College's proposed expansion in a new campus in Jingzhou. See the section headed "Business — Expansion Plans". The balance of RMB3.8 million as of 31 August 2017 and 28 February 2018 represented outstanding interest on the prior loans.

Other payables and accrued expenses

Other payables and accrued expenses primarily consist of accrued staff benefits and payroll, payables for construction, receipt on behalf of ancillary services providers, other payables and accruals and other taxes payables. The table blow sets forth the breakdown of other payables and accruals as of the dates indicated:

	As of 31 August			As of 28 February
	2015	**2016**	**2017**	**2018**
	(in thousands of RMB)			
Accrued staff benefits and payroll	939	2,077	2,185	211
Payables for construction	404	1,216	598	1,834
Receipt on behalf of ancillary services providers	3,558	2,529	2,773	4,308
Others payables and accruals	2,461	2,748	4,356	3,913
Other taxes payables	433	704	751	906
Total	7,795	9,274	10,663	11,172

Other payables and accrued expenses of Hubei College increased from RMB7.8 million as of 31 August 2015 to RMB9.3 million as of 31 August 2016 primarily due to an increase in accrued staff benefits and increases in payroll resulting from salary raises. Other payables and accrued expenses of Hubei College further increased to RMB10.7 million as of 31 August 2017 primarily due to an increase in other payables and accruals. Other payables and accrued expenses of Hubei College further increased to RMB11.2 million as of 28 February 2018 primarily due to an increase in receipt on behalf of ancillary services providers and an increase in payables for construction, partially offset by a decrease in accrued staff benefits and payroll as a significant amount of staff payments was made before the Chinese New Year in February.

Deferred revenue

Hubei College records tuition fees and boarding fees collected initially as a liability under deferred revenue and recognise such amounts received as revenue proportionately over the relevant period of the applicable programme. A school year typically commences in late August to early September each year, but Hubei College has generally collected part of the tuition fees and boarding fees for that school year before the end of August. The amount of deferred revenue as of a balance sheet date largely represents the amount of tuition fees and boarding fees received but not yet recognised as revenue for the applicable school year.

Deferred revenue of Hubei College increased from RMB37.7 million as of 31 August 2015 to RMB44.0 million as of 31 August 2016, and then decreased to RMB21.1 million as of 31 August 2017. The variations in deferred revenue as of 31 August of different years were mainly due to the specific start dates of different school years. For example, deferred revenue was lower as of 31 August 2017 than as of 31 August 2016 primarily because Hubei College started the 2017/2018 school year later than usual and therefore had collected a smaller proportion of tuition fees and boarding fees for that school year as of 31 August 2017. Deferred revenue of Hubei College increased from RMB21.1 million as of 31 August 2017 to RMB49.9 million as of 28 February 2018 because during the six months ended 28 February 2018 Hubei College received more outstanding tuition and boarding fees than it recognised such fees as revenue.

Liquidity and Capital Resources

During the Track Record Period, Hubei College have funded its cash requirements principally from cash generated from its operation and borrowings from our Group. Hubei College had cash and cash equivalents of RMB37.3 million, RMB72.3 million, RMB37.6 million and RMB34.2 million as of 31 August 2015, 2016 and 2017 and 28 February 2018, respectively.

During the Track Record Period, principal uses of cash by Hubei College have been for the funding of required working capital and other recurring expenses to support the expansion of its operations.

Cash flows

The following table sets forth a summary of cash flows of Hubei College for the periods indicated:

	For the year ended 31 August			For the six months ended 28 February	
	2015	**2016**	**2017**	**2017**	**2018**
	(in thousands of RMB)				
				(unaudited)	
Net cash from operating activities	65,450	40,535	8,782	(7)	25,950
Net cash used in investing activities	(28,193)	(5,470)	(79,814)	(67,849)	(29,362)
Net cash from financing activities	—	—	36,300	—	—
Net (decrease)/increase in cash and cash equivalents	37,257	35,065	(34,732)	(67,856)	(3,412)
Cash and cash equivalents at the beginning of the year	—	37,257	72,322	72,322	37,590
Cash and cash equivalents at the end of the year	37,257	72,322	37,590	4,466	34,178

Cash Flows from Operating Activities

Hubei College generates cash from operating activities primarily from tuition fees and boarding fees, all of which are typically paid before the relevant services are rendered. Tuition fees and boarding fees are initially recorded under deferred revenue. Hubei College recognises such amounts received as revenue proportionately over the relevant school year.

Net cash from operating activities amounted to RMB26.0 million for the six months ended 28 February 2018, primarily attributable to profit before taxation of RMB10.4 million and a net decrease in working capital of RMB13.9 million. The net decrease in working capital was primarily due to an increase in deferred revenue of RMB28.9 million, partially offset by an increase in trade and other receivables of RMB15.2 million. Hubei College's deferral revenue increased because during the six months ended 28 February 2018 it received more outstanding tuition and boarding fees than it recognised such fees as revenue. Hubei College's trade and other receivables increased primarily because most tuition and boarding fees to be collected for the 2017/2018 school year had not become receivables as of 31 August 2017.

Net cash from operating activities amounted to RMB8.8 million for the year ended 31 August 2017, primarily attributable to profit before taxation of RMB27.5 million, partially offset by a net increase in working capital of RMB19.0 million and interest income of RMB1.2 million. The increase in working capital was primarily due to a decrease in deferred revenue of RMB22.9 million as Hubei College started the 2017/2018 school year later than usual and therefore had collected a smaller proportion of tuition fees and boarding fees for that school year as of 31 August 2017.

Net cash used in operating activities amounted to RMB40.5 million for the year ended 31 August 2016, primarily attributable to profit before taxation of RMB31.8 million and a net decrease in working capital of RMB10.1 million, partially offset by interest income of RMB1.7 million. The decrease in working capital was primarily due to an increase in deferred revenue of RMB6.2 million and a decrease in trade and other receivables of RMB3.3 million.

Net cash from operating activities amounted to RMB65.5 million for the year ended 31 August 2015, primarily attributable to profit before taxation of RMB32.5 million and a net decrease in working capital of RMB34.0 million, partially offset by interest income of RMB1.1 million. The decrease in working capital was primarily due to an increase in deferred revenue of RMB37.7 million and an increase in other payables and accruals of RMB7.4 million, partially offset by an increase in trade and other receivables, and amount due from a related party of RMB11.1 million. The increase in deferred revenue was primarily because Hubei College started the 2015/2016 school year earlier than the 2014/2015 school year.

Cash Flows Used in Investing Activities

For the six months ended 28 February 2018, net cash used in investing activities was RMB29.4 million, all of which was attributable to purchase of property, plant and equipment.

For the year ended 31 August 2017, net cash used in investing activities was RMB79.8 million, primarily attributable to purchase of property, plant and equipment of RMB57.1 million and prepaid land lease payments of RMB50.0 million, partially offset by repayment of loans from the School Sponsor of RMB27.0 million.

For the year ended 31 August 2016, net cash used in investing activities was RMB5.5 million, primarily attributable to purchase of property, plant and equipment of RMB5.6 million.

For the year ended 31 August 2015, net cash used in investing activities was RMB28.2 million, primarily attributable to advance of loans to the School Sponsor of RMB27.0 million and purchase of property, plant and equipment of RMB1.2 million.

Cash Flows from Financing Activities

For the six months ended 28 February 2018, net cash from financing activities was nil.

For the year ended 31 August 2017, net cash from financing activities was RMB36.3 million, representing proceeds from borrowings from the School Sponsor of RMB36.3 million.

For the year ended 31 August 2016, net cash from financing activities was nil.

For the year ended 31 August 2015, net cash from financing activities was nil.

Indebtedness

Borrowings of Hubei College as of 31 August 2015, 2016 and 2017 and 28 February 2018 were nil, nil, RMB36.7 million and RMB37.5 million, respectively. Borrowings as of 31 August 2017 and 28 February 2018 represented loans from the School Sponsor.

Contingent Liabilities

As of 28 February 2018, Hubei College did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against it. The directors of Hubei College have confirmed that there has not been any material change in the contingent liabilities of Hubei College since 28 February 2018.

Off-Balance Sheet Commitments and Arrangements

As of the Latest Practicable Date, Hubei College had not entered into any off-balance sheet transactions.

Disclosure Required under Chapter 13 of The Listing Rules

The directors of Hubei College have confirmed that, as of the Latest Practicable Date, there are no circumstances which, had we been required to comply with Rules 13.13 to 13.19 in Chapter 13 of the Listing Rules, would have given rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

No Material Adverse Change

The directors of Hubei College confirm that, up to the date of this document, there has been no material adverse change in the financial or trading position of Hubei College since 31 August 2017 (being the date on which the latest audited financial information of Hubei College was prepared) and there is no event since 28 February 2018 which would materially affect the information shown in the financial statements of Hubei College included in the Accountants' Report in Appendix IB to this document.

FUTURE PLANS

See "Business — Our Business Strategies" for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK$683.1 million after deducting underwriting commissions, including any discretionary incentive fee, and other estimated expenses paid and payable by us in the Global Offering and, assuming an Offer Price of HK$2.53 per Share, being the mid-point of the indicative Offer Price range of HK$2.08 to HK$2.98 per Share. We intend to use the net proceeds we will receive from this offering for the following purposes:

- approximately 50% (approximately HK$341.5 million) to be applied towards acquiring land use rights and building educational and living facilities for our current colleges as well as Hubei College, an additional school to be acquired by our Group, allocated as follows:

College	Approximate percentage of net proceeds	Approximate amount	Acquisition and construction projects
		(millions of HK$)	
Anyang University	20%	136.6	• Constructions on the new land, including student dormitories, classrooms and other teaching facilities
Shangqiu University	10%	68.3	• Constructions on currently vacant land, including a library, a stadium, laboratories and other teaching facilities, staff dormitories and student dormitories and improvement in landscape and environment
Shangqiu University Kaifeng Campus	10%	68.3	• Constructions on currently vacant land, including student dormitories, a library, sport facilities and other teaching facilities
Hubei College	10%	68.3	• Acquisition of land use right for approximately 660,000 sq.m. of land*

Note:

* Prior to the completion of our acquisition of Hubei College, such portion of the proceeds will be provided to Hubei College in the form of a normal commercial loan for Hubei College to fulfil its payment obligations for the relevant land use right.

- approximately 30% (approximately HK$205.0 million) to be applied towards the acquisition of or cooperation with other universities in China. As of the Latest Practicable Date, we had yet to identify any definitive acquisition target or confirmed the number of schools to be acquired or the timeframe involved. We had yet to enter into any legally binding agreement with respect to the acquisition of, or cooperation with, other universities. We are in the preliminary stage of prospecting potential opportunities and have yet to complete any concrete feasibility studies. The MOJ Draft Comments may have certain implications on our expansion strategy through acquisition. In particular, the scope of our acquisition may be limited to for-profit private schools only. See the section headed "Business — Our Business Strategies — Expand our market coverage and market share";

- approximately 10% (approximately HK$68.3 million) to be applied towards repaying certain portion of our loans, the details of which are set out as follows:

Lender	Outstanding amount as of the Latest Practicable Date	Interest rate per annum	Maturity date	Usage
	(RMB)	(%)		
Chang'an International Trust Company Limited (長安國際信託股份有限公司)	150 million	10	3 December 2019	Purchase of school laboratory apparatus and other academic facilities and salary and benefits for academic staff

- approximately 10% (approximately HK$68.3 million) to supplement our working capital and for general corporate purposes.

In the event that the Offer Price is set at the high point or the low point of the indicative Offer Price range, the net proceeds of the Global Offering will increase or decrease by approximately HK$139.2 million, respectively. Under such circumstances, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the additional net proceeds that we will receive will be approximately HK$102.5 million, assuming an Offer Price of HK$2.53 per Share, being the mid-point of the proposed Offer Price range. If the Over-allotment Option is exercised in full, we intend to apply such additional net proceeds for the above uses on a pro-rata basis.

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

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

HONG KONG UNDERWRITERS

CLSA Limited

AMTD Global Markets Limited

Yuanyin Securities Limited

First Capital Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 30,000,000 Hong Kong Public Offer Shares (subject to adjustment) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement at the Offer Price.

Subject to the Listing Committee granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and such approval not having been withdrawn, and to certain other conditions set out in the Hong Kong Underwriting Agreement (including the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company agreeing upon the Offer Price), the Hong Kong Underwriters have agreed severally and not jointly to subscribe, or procure subscribers to subscribe for their respective applicable proportions of the Hong Kong Public Offer Shares being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions as 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, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and the Sole Sponsor shall be entitled by notice (orally or in writing) to the Company to terminate this Hong Kong Underwriting Agreement with immediate effect if prior to 8:00 a.m. on the Listing Date:

(i) there shall develop, occur, exist or come into effect:

(a) 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, outbreak of infectious disease, 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 any 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

(b) 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 of the Relevant Jurisdictions; or

(c) 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, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or

(d) any general moratorium on commercial banking activities in or affecting any Relevant Jurisdiction or any material disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or

(e) 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, in each case, in or affecting any of the Relevant Jurisdictions not disclosed in this prospectus; or

(f) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, any of the Relevant Jurisdictions; or

(g) 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), in any of the Relevant Jurisdictions or adversely affecting on investment in the Shares; or

(h) any proceedings of any third party being threatened or instigated against any member of the Group not specifically disclosed in this prospectus; or

(i) an executive 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

(j) the chairman or chief executive officer of the Company vacating his or her office; or

(k) an authority or a political body or organisation in any of the Relevant Jurisdictions commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or

(l) a contravention by any member of the Group of the Listing Rules or applicable Laws; or

(m) a prohibition on the Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including the Shares which may be issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or

(n) non-compliance of the 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; or

(o) 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 Joint Global Coordinators and the Sole Sponsor: (1) has or will have or is likely to 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 is likely to 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 Offering; or (3) makes or will make or is likely to make it impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or is likely to have the effect of making any part of this Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(ii) there has come to the notice of the Joint Global Coordinators or the Sole Sponsor:

(a) that any statement contained in this prospectus, the Application Forms, or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect in any material respect or misleading in any material respect, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the 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

(b) 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 the prospectus, the Application Forms and/or any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or

(c) any material breach of any of the obligations imposed upon any party to this Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or

(d) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties under the Hong Kong Underwriting Agreement; or

(e) any material adverse change or development involving a prospective material 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

(f) any breach of, or any event or circumstance rendering untrue or incorrect or misleading in any material respect, any of the warranties under the Hong Kong Underwriting Agreement; or

(g) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued (including any additional Shares that may be issued 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

(h) the Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering; or

(i) any person (other than the Sole Sponsor) has withdrawn or is subject to withdraw its consent to being named in any of the prospectus or the Application Forms or to the issue of any of the prospectus or the Application Forms.

Undertakings to the Stock Exchange pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, our Company has undertaken to the Stock Exchange that no further Shares or securities convertible into equity securities of our Company (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such 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: (a) in certain circumstances prescribed by Rule 10.08 of the Listing Rules; (b) pursuant to the Global Offering; (c) pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme; or (d) pursuant to any grant of Shares under the Share Award Scheme.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement), it will not, and shall procure that the relevant registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

(a) in the period commencing on the date by reference to which disclosure of their respective shareholding is made in this prospectus and ending on the date which is six months from the Listing Date, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of those Shares or securities of our Company in respect of which it is shown in this prospectus to be the beneficial owner; and

(b) in the period of six months commencing on the date on which the period referred to in the preceding paragraph expires, dispose of, or enter into any agreement to dispose of or otherwise create, any options, rights, interests or encumbrances in respect of, any of the Shares or securities of our Company referred to in the preceding paragraph if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Pursuant to Note 3 to Rule 10.07(2) of the Listing Rules, each of the Controlling Shareholders has further undertaken to each of the Stock Exchange and our Company that within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will immediately inform the Stock Exchange and our Company in writing of:

(a) any pledges or charges of any Shares or other securities of our Company beneficially owned by it in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, together with the number of such Shares or other securities of our Company so pledged or charged; and

(b) any indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities of our Company will be disposed of.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07 of the Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Our Company has, pursuant to the Hong Kong Underwriting Agreement, undertaken to, inter alia, the Sole Sponsor, the Joint Global Coordinators and the Hong Kong Underwriters not to, and to procure each of the other member of the Group not to, without the prior written consent of the Sole Sponsor and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules, except pursuant to the Global Offering (including pursuant to the Over-allotment Option) and subject always to the provisions of the Listing Rules, 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**"):

(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, 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 agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any 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 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 Shares or any 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

(c) enter into any transaction with the same economic effect as any transaction specified in paragraph (a) or (b) above; or

(d) offer to or agree to or announce any intention to effect any transaction specified in paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or 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 our Company enters into any of the transactions specified in paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction 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 shall take all reasonable steps to ensure that any such act, if done, will not create a disorderly or false market in the securities of our Company.

Undertakings by the Controlling Shareholders

Each of the Controlling Shareholders undertake to us and the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(1) it will not, at any time during the First Six-Month Period, (i) 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 any such other securities, as applicable, or any interest in any of the foregoing), 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 any such other securities, as applicable or any interest in any of the foregoing); or (iii) enter into any transaction with the same economic effect as any transaction specified in (1)(i) or (1)(ii) of this paragraph; or (iv) offer to or agree to or announce any intention to effect any transaction specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph, and in each case, whether any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) of this paragraph 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);

(2) it will not, during the Second Six-Month Period, enter into any of the transactions specified in (1)(i), (1)(ii) or (1)(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, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company; and

(3) until the expiry of the Second Six-Month Period, in the event that it enters into any of the transactions specified in (1)(i), (1)(ii) or (1)(iii) above or offers to or agrees to or announces any intention to effect any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company,

provided that nothing of the above shall prevent the Controlling Shareholders from (i) purchasing additional Shares or other securities of the Company and disposing of such additional Shares or securities of the Company, (ii) using the Shares or other securities of the Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, or (iii) facilitating the share lending arrangement as described in this prospectus and undertaking any action in connection with the Over-allotment Option.

Underwriting Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.3% of the aggregate Offer Price payable for the Hong Kong Public Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Public Offer Shares reallocated to the International Offering, if any, we will pay an underwriting commission at the rate applicable to the International Offering as set out in the International Underwriting Agreement, and such commission will be paid to the International Underwriters, and not the Hong Kong Underwriters.

We will pay the Sole Sponsor US$0.8 million (approximately HK$6.3 million) as the sponsor fee.

The aggregate commissions and fees (including the discretionary incentive fee), together with the sponsor fee, Stock Exchange listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses relating to the Global Offering paid and payable by us, are estimated to amount to approximately RMB74.3 million in total (based on the mid-point of our indicative Offer Price range for the Global Offering, and assuming the Over-allotment Option is not exercised).

Indemnity

Each of Our Company and the Controlling Shareholders has agreed to, jointly and severally, indemnify, among others, each of the Joint Global Coordinators, the Sole Sponsor and the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company and any of the Controlling Shareholders of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in our Company

Save for their obligations under the Hong Kong Underwriting Agreement, as of the Latest Practicable Date, none of the Hong Kong Underwriters is interested, legally or beneficially, directly or indirectly, in any Shares or other securities in our Company or any other member of the Group or has any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any Shares or other securities in our Company or any other member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliates may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

International Offering

International Underwriting Agreement

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with, among others, the International Underwriters. Under the International Underwriting Agreement, subject to the conditions set out therein, the International Underwriters will severally and not jointly, agree to procure purchasers for the International Offering Shares, failing which they agree to purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

We will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time and from time to time on or before the expiration of the 30-day period from the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to an aggregate of 45,000,000 additional Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering. These Shares will be issued at the Offer Price to cover over-allocations, if any, in the International Offering.

It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors are reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Over-allotment Option and Stabilisation

Details of the arrangements relating to the Over-allotment Option and stabilisation are set forth in the section headed "Structure of the Global Offering" in this prospectus.

Sponsor's Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

Activities by Syndicate Members

The underwriters of the Hong Kong Public Offering and the International Offering (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 stabilising 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 relation to the Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over the counter or listed derivative transactions or listed and 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. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling 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 stabilising period described in the section headed "Structure of the Global Offering" in this prospectus. 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 Stabilisation Manager 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 stabilising 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.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 30,000,000 Offer Shares (subject to reallocation) in Hong Kong as described in the section headed "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of initially 270,000,000 Shares (subject to reallocation and the Over-allotment Option), outside the United States in reliance on Regulation S (including to professional and institutional investors in Hong Kong).

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest, if qualified to do so, for International Offering Shares under the International Offering, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Offering will involve selective marketing of the International Offering Shares to institutional and professional investors and other investors expected to have a sizable demand for the International Offering Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Offering Shares. Prospective investors will be required to specify the number of International Offering Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the paragraph headed "— The Hong Kong Public Offering — Reallocation" in this section, and in the case of the International Offering only, the Over-allotment Option as described in the paragraph headed "— The International Offering — Over-allotment Option" in this section.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 30,000,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Shares between (i) the International Offering; and (ii) the Hong Kong Public Offering, the Hong Kong Public Offer Shares will represent approximately 25% of our Company's enlarged issued share capital immediately after completion of the Global Offering.

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 which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed "— Hong Kong Underwriting Agreement — Conditions of the Hong Kong Public Offering" in this section.

Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering will be based solely 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 Public Offer Shares validly applied for by applicants. Such allocation 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 Public Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Public Offer Shares.

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided 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 Offer Shares with an aggregate price of HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) or less.
- Pool B: The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding the brokerage, SFC transaction levy and Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in this other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefore (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 15,000,000 Offer Shares being 50% of the 30,000,000 Offer Shares initially available under the Hong Kong Public Offering are liable to be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Offer Shares under the Hong Kong Public Offering to a certain percentage of the total number of Offer Shares offered under the Global Offering if certain prescribed total demand levels are reached as further described below:

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 90,000,000 Offer Shares, representing 30% of the Offer Shares initially available under the Global Offering.
- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 120,000,000 Offer Shares, representing 40% of the Offer Shares initially available under the Global Offering.

- If the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 150,000,000 Offer Shares, representing 50% of the Offer Shares initially available under the Global Offering.

In addition, in accordance with Guidance Letter HKEX-GL91-18 issued by the Stock Exchange, the Joint Global Coordinators may reallocate up to 30,000,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering, from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering, and the final Offer Price shall be fixed at HK$2.08 per Offer Share, being the low-end of the Offer Price range stated in this Prospectus, if (i) the Offer Shares under the International Offering before any reallocation are undersubscribed; or (ii) the Offer Shares under the International Offering are fully subscribed or oversubscribed and the number of Offer Shares validly applied for under the Hong Kong Public Offering represents less than 15 times the number of Offering Shares initially available for subscription under the Hong Kong Public Offering. If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators has the authority to reallocate any or all unsubscribed Offer Shares from the Hong Kong Public Offering to the International Offering, in such proportions as the Joint Global Coordinators deems appropriate.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making 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 Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or if he has been or will be placed or allocated Offer Shares under the International Offering.

Our Company, our Directors and the Hong Kong Public Offer Underwriters will take reasonable steps to identify and reject applications under the Hong Kong Public Offering from investors who have received Shares in the International Offering and to identify and reject indications of interest in the International Offering from investors who have received Shares in the Hong Kong Public Offering.

The listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK$2.98 per Offer Share in addition to any brokerage, SFC transaction levy and Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "— Pricing of the Global Offering" in this section, is less than the maximum price of HK$2.98 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of 270,000,000 Offer Shares, assuming the Over-allotment Option is not exercised, representing 90% of the total number of Shares initially available under the Global Offering.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. 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 Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph headed "— Pricing of the Global Offering" in this section and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued pursuant to the International Offering may change as a result of the clawback arrangement described in the paragraph headed "— The Hong Kong Public Offering — Reallocation" in this section, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed "— The International Offering — Over-allotment Option" in this section, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Joint Global Coordinators.

Over-allotment Option

It is expected that we will grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time and from time to time on or before the expiration of the 30-day period from the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right to require our Company to allot and issue up to an aggregate of 45,000,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering, to cover over-allocations in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 3.61% of our enlarged issued share capital following the completion of the Global Offering and the exercise of the Over-allotment Option (assuming that the options granted under the Pre-IPO Share Option Scheme are not exercised and that no Shares are granted under the Share Award Scheme). In the event that the Over-allotment Option is exercised, an announcement will be made.

Stock Borrowing Arrangement

To facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilisation Manager may choose to borrow, whether on its own or through its affiliates, up to 45,000,000 Offer Shares, representing 15% of the Offer Shares (being the maximum number of Offer Shares which may be issued upon exercise of the Over-allotment Option), from our Company to cover over-allocations through the stock borrowing arrangement under the Stock Borrowing Agreement, or acquire Shares from other sources, including by exercising the Over-allotment Option.

If the Stock Borrowing Agreement is entered into, it will only be effected by the Stabilisation Manager or its agent for settlement of over-allocations in the International Offering, and the stock borrowing arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set out in Rule 10.07(3) of the Listing Rules are complied with. The same number of Offer Shares so borrowed must be returned to our Company or its nominees on or before the third business day following the earlier of (a) the last day on which the Over-allotment Option may be exercised or (b) the day on which the Over-allotment Option is exercised in full and the relevant Offer Shares subject to the Over-allotment Option have been issued. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules, and regulatory requirements. No payment will be made to our Company by the Stabilisation Manager or its agent in relation to such stock borrowing arrangement.

PRICING OF THE GLOBAL OFFERING

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering 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, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, 6 September 2018 and in any event no later than Wednesday, 12 September 2018, by agreement between the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

Offer Price range

The Offer Price will not be more than HK$2.98 per Offer Share and is expected to be not less than HK$2.08 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. Prospective investors 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.

Reduction in indicative Offer Price range and/or number of Offer Shares

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated 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, our Company will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China

Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.chunlaiedu.com**) notices of the reduction. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators (for themselves and on behalf of the Underwriters) and our Company, will be fixed within such revised Offer Price range.

Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may, at its discretion, reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting commissions including discretionary incentive fee, SFC transaction levy, Stock Exchange trading fees and other expenses paid and payable by our Company in relation to the Global Offering) are estimated to be approximately HK$552.6 million, assuming an Offer Price per Share of HK$2.08, or approximately HK$813.6 million, assuming an Offer Price per Share of HK$2.98.

Announcement of Offer Price and basis of allocations

The final Offer Price, the indications of interest in the Global Offering, the results of applications and the basis of allotment of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, 12 September 2018 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and to be posted on the website of the Stock Exchange (**www.hkexnews.hk**) and on the website of our Company (**www.chunlaiedu.com**).

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 and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date. These underwriting arrangements, and the respective Underwriting Agreements, are summarised in the section headed "Underwriting" in this prospectus.

Conditions of the Hong Kong Public Offering

Acceptance of all applications for Offer Shares will be conditional on:

(i) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, the Offer Shares being offered pursuant to the Global Offering (including the additional Offer Shares which may be issued pursuant to the exercise of the Over-allotment Option);

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters), on or before 5:00 p.m. on Wednesday, 12 September 2018, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates 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 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed "How to Apply for Hong Kong Public Offer Shares" in this prospectus. In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banker or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares are expected to be issued on Wednesday, 12 September 2018 but will only become valid certificates of title at 8:00 a.m. on Thursday, 13 September 2018 provided that (i) the Global Offering has become unconditional in all respects and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to retard and, if possible, prevent, any decline in the market price of the securities below the offer price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the offer price.

In connection with the Global Offering, CLSA Limited, as Stabilisation Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate Shares or effect short sales or any other stabilising transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilisation Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilisation Manager may close out any covered short position by either exercising the Over-allotment Option to purchase additional Shares or purchasing Shares in the open market. In determining the source of the Shares to close out the covered short position, the Stabilisation Manager will consider, among other things, the price of Shares in the open market as compared to the price at which they may purchase additional Shares pursuant to the Over-allotment Option. Stabilising transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Shares while the Global Offering is in progress. Any market purchases of our Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilisation Manager, its affiliates or any person acting for it to conduct any such stabilising activity, which, if commenced, will be done at the absolute discretion of the Stabilisation Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offering. The number of our Shares that may be over-allocated will not exceed the number of our Shares that may be issued under the Over-allotment Option, namely, 45,000,000 Shares, which is 15% of the number of Offer Shares initially available under the Global Offering, in the event that the whole or part of the Over-allotment Option is exercised.

The Stabilisation Manager, its affiliates or any person acting for it may take all or any of the following stabilising actions in Hong Kong during the Stabilisation period:

(i) purchase, or agree to purchase, any of the Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

(ii) in connection with any action described in paragraph (i) above:

 (A) (1) over-allocate the Shares; or

  (2) sell or agree to sell the Shares so as to establish a short position in them, for the sole purpose of preventing or minimising any reduction in the market price of the Shares;

 (B) exercise the Over-allotment Option and purchase or subscribe for or agree to purchase or subscribe for the Shares in order to close out any position established under paragraph (A) above;

 (C) sell or agree to sell any of the Shares acquired by it in the course of the stabilising action referred to in paragraph (i) above in order to liquidate any position that has been established by such action; or

 (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B), or (ii)(C) above.

The Stabilisation Manager, its affiliates or any person acting for it, may, in connection with the stabilising action, maintain a long position in the Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilisation Manager, its affiliates or any person acting for them, which may include a decline in the market price of the Shares.

Stabilisation cannot be used to support the price of the Shares for longer than the Stabilisation period, which ends on the 30th day after the last day for lodging applications under the Hong Kong Public Offering. The stabilising period is expected to end on 5 October 2018, after which an announcement will be made pursuant to the Securities and Futures (Price Stabilising) Rules (Cap. 571W of the Laws of Hong Kong) made under the SFO. After this date, no further stabilising action may be taken, and demand for the Shares, and therefore the market price, could fall.

Any stabilising action taken by the Stabilisation Manager, its affiliates or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilising period. Stabilising bids for or market purchases of our Shares by the Stabilisation Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for our Shares by purchasers.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into CCASS. If the Stock Exchange grants the listing of, and permission to deal in, our Shares and our Company complies with the stock admission requirements of HKSCC, our 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 on the Stock Exchange or any other date HKSCC chooses. 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.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, 13 September 2018, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on Thursday, 13 September 2018. Our Shares will be traded in board lots of 1,000 Shares each. The stock code of the Shares is 1969.

1. HOW TO APPLY

If you apply for Hong Kong Public Offer Shares, then you may not apply for or indicate an interest for International Offering Shares.

To apply for Hong Kong Public Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** Service Provider at **www.eipo.com.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.

Our Company, the Joint Global Coordinators, the **White Form eIPO** 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 Public 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;
- are outside the U.S. and not a U.S. person (within the meaning of Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- 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 authorised officer, who must state his or her representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Joint Global Coordinators 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 **White Form eIPO** service for the Hong Kong Public Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Public Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a core connected person (as defined in the Listing Rules) of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;

- a close associate (as defined in the Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offering Shares or otherwise participate in the International Offering.

The Company, the Joint Global Coordinators and the designated **White Form eIPO** Service Provider (where applicable) or their respective agents have full discretion to reject or accept any application, in full or in part, without giving any reason.

3. APPLYING FOR HONG KONG PUBLIC OFFER SHARES

Which Application Channel to Use

For Hong Kong Public Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Public 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 prospectus during normal business hours between 9:00 a.m. on Friday, 31 August 2018 until 12:00 noon, Wednesday, 5 September 2018 from:

(i) the following office of the Hong Kong Underwriters:

Hong Kong Underwriters	Address
CLSA Limited	18/F, One Pacific Place 88 Queensway Hong Kong
AMTD Global Markets Limited	23/F - 25/F Nexxus Building 41 Connaught Road Central Hong Kong
Yuanyin Securities Limited	Room 2201, 22/F 238 Des Voeux Road Central Hong Kong
First Capital Securities Limited	Unit 4512, 45/F, The Center 99 Queen's Road Central Central Hong Kong

(ii) any of the following branches of the receiving bank(s):

Bank of China (Hong Kong) Limited

District	Branch Name	Address
Hong Kong Island	Connaught Road Central Branch	13-14 Connaught Road Central Hong Kong
	North Point (King's Centre) Branch	193-209 King's Road North Point Hong Kong
Kowloon	194 Cheung Sha Wan Road Branch	194-196 Cheung Sha Wan Road Sham Shui Po Kowloon
New Territories	Fo Tan Branch	No 2, 1/F Shatin Galleria 18-24 Shan Mei Street Fo Tan New Territories
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza phase II Tuen Mun New Territories

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m., Friday, 31 August 2018 until 12:00 noon, Wednesday, 5 September 2018 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 – CHUNLAI EDUCATION PUBLIC OFFER" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Friday, 31 August 2018 — 9:00 a.m. to 5:00 p.m.

Saturday, 1 September 2018 — 9:00 a.m. to 1:00 p.m.

Monday, 3 September 2018 — 9:00 a.m. to 5:00 p.m.

Tuesday, 4 September 2018 — 9:00 a.m. to 5:00 p.m.

Wednesday, 5 September 2018 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 5 September 2018, the last application day or such later time as described in the paragraph headed "— 10. Effect of Bad Weather on the Opening of the Application 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 **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Joint Global Coordinators (or their agents or nominees), as agent of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Public 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 Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) 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 our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 Offering nor participated in the International Offering;

(viii) agree to disclose to our Company, our Hong Kong Share Registrar, receiving bank(s), the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an 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 Public 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 Public Offer Shares are outside the U.S. (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 Public Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Public Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-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 have fulfilled the criteria mentioned in the paragraph headed "— 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection" in this section 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 our Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public 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 **White Form eIPO** 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 WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in the paragraph headed "— 2. Who Can Apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m., Friday, 31 August 2018 until 11:30 a.m., Wednesday, 5 September 2018 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon, Wednesday, 5 September 2018 or such later time under the paragraph headed "— 10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Public Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** 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 **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our 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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK$2.0 for each "CHINA CHUNLAI EDUCATION GROUP CO., LTD." **White Form eIPO** application submitted via the website **www.eipo.com.hk** to support the funding of "Dongjiang River Source Tree Planting" project initiated by Friends of the Earth (HK).

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 Public 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 (**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 Centre
1/F, One & Two Exchange Square
8 Connaught Place
Central
Hong Kong

and complete an input request form.

You can also collect a 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 Public Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Joint Global Coordinators 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 Public 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 Public 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 Public 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 Offering;
- (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 authorised to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Public Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Public 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 term 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 our Company, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 our Company, the Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with our Company and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Public Offer Shares to any person 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), 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 (Winding Up and Miscellaneous Provisions) 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 our 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 Public Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our 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 Companies (Winding Up and Miscellaneous Provisions) 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 our Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Public Offer Shares on your behalf;
- instructed and authorised 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 authorised 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 1,000 Hong Kong Public Offer Shares. Instructions for more than 1,000 Hong Kong Public 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 Public Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions[1]

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Friday, 31 August 2018 — 9:00 a.m. to 8:30 p.m.

Saturday, 1 September 2018 — 8:00 a.m. to 1:00 p.m.

Monday, 3 September 2018 — 8:00 a.m. to 8:30 p.m.

Tuesday, 4 September 2018 — 8:00 a.m. to 8:30 p.m.

Wednesday, 5 September 2018 — 8:00 a.m. to 12:00 noon

Note:

(1) The times in this sub-section are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Friday, 31 August 2018 until 12:00 noon on Wednesday, 5 September 2018 (24 hours daily, except on Wednesday, 5 September 2018 the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Wednesday, 5 September 2018, the last application day or such later time as described in the paragraph headed "— 10. Effect of Bad Weather 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 Public Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Public 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 Public 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.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our 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 (as applied by Section 342E) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by our Company, the Hong Kong Share Registrar, the receiving bank(s), the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, 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 Public Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Public Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** 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. Our Company, the Directors, the Sole Sponsor, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Public 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 Wednesday, 5 September 2018.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Public 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:

(i) an account number; or

(ii) 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 **White Form eIPO** 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:

(i) the principal business of that company is dealing in securities; and

(ii) 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:

(i) control the composition of the board of directors of the company;

(ii) control more than half of the voting power of the company; or

(iii) 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 PUBLIC 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 **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.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).

See the section headed "Structure of the Global Offering — Pricing of the Global Offering" in this prospectus for further details regarding the Offer Price.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

(i) a tropical cyclone warning signal number 8 or above; or

(ii) a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 5 September 2018. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings 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 Wednesday, 5 September 2018 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable" in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Public Offer Shares on Wednesday, 12 September 2018 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on our Company's website at **www.chunlaiedu.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:

(i) in the announcement to be posted on our Company's website at **www.chunlaiedu.com** and the Stock Exchange's website at **www.hkexnews.hk** by no later than 9:00 a.m. on Wednesday, 12 September 2018;

(ii) from the designated results of allocations website at **www.iporesults.com.hk** (alternatively: English **https://www.eipo.com.hk/en/Allotment**; Chinese **https://www.eipo.com.hk/zh-hk/Allotment**) with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, 12 September 2018 to 12:00 midnight on Tuesday, 18 September 2018;

(iii) by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, 12 September 2018 to Saturday, 15 September 2018; or

(iv) in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, 12 September 2018 to Friday, 14 September 2018 at all the receiving bank designated branches.

If our 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 Public 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" in this prospectus.

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 HONG KONG PUBLIC OFFER SHARES

You should note the following situations in which the Hong Kong Public 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 **White Form eIPO** 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 our 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 (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) 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 our Company or its agents exercise their discretion to reject your application:

Our Company, the Joint Global Coordinators, the **White Form eIPO** 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 Public Offer Shares is void:

The allotment of Hong Kong Public Offer Shares will be void if the Listing Committee 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 Listing Committee notifies our 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 Public Offer Shares and International Offering Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website at **www.eipo.com.hk**;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- our Company or the Joint Global Coordinators believes 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 Public 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$2.98 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 the section headed "Structure of the Global Offering — Hong Kong Underwriting Agreement — Conditions of the Hong Kong Public Offering" in this prospectus 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 Wednesday, 12 September 2018.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Public 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 Public 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 favour 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 Public 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 Wednesday, 12 September 2018. 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 8:00 a.m. on Thursday, 13 September 2018 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" 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 Public 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, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 September 2018 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 authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised 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 Public 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 Wednesday, 12 September 2018, 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 Public Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Public Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, 12 September 2018, 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 Wednesday, 12 September 2018, 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 Public Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS Investor Participant*

Our 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 the paragraph headed "— 11. Publication of Results" in this section. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 September 2018 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Public 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 White Form eIPO service

If you apply for 1,000,000 Hong Kong Public Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, 12 September 2018, or such other date as notified by our Company in the newspapers as the date of dispatch/collection of share certificates/e-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 Public Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, 12 September 2018 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-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 Public Offer Shares

For the purposes of allocating Hong Kong Public 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 Wednesday, 12 September 2018, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our 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 the paragraph headed "— 11. Publication of Results" in this section on Wednesday, 12 September 2018. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, 12 September 2018 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 Public 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 Public 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 Wednesday, 12 September 2018. Immediately following the credit of the Hong Kong Public 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 Public 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 Wednesday, 12 September 2018.

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, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA CHUNLAI EDUCATION GROUP CO., LTD. AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of China Chunlai Education Group Co., Ltd. (the "Company") and its subsidiaries (together, the "Group") set out on pages IA-3 to IA-43, which comprises the consolidated statements of financial position as at 31 August 2015, 2016 and 2017 and 28 February 2018, the statement of financial position of the Company as at 28 February 2018 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the three years ended 31 August 2017 and six months ended 28 February 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IA-3 to IA-43 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated 31 August 2018 (the "Prospectus") in connection with the initial listing of 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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of 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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial position as at 31 August 2015, 2016 and 2017 and 28 February 2018, of the Company's financial position as at 28 February 2018 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in Note 1 to the Historical Financial Information.

Review of Stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 28 February 2017 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparation of the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IA-3 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 Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 August 2018

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of Historical Financial Information

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

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information in this report was prepared based on the consolidated financial statements of Henan Shangqiu Chunlai Education Corporation 河南商丘春來教育集團 ("Henan Chunlai") for the Track Record Period. The consolidated financial statements of Henan Chunlai have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("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

The Group

		Year ended 31 August			Six months ended 28 February	
	Notes	2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	336,252	378,632	460,889	230,445	243,797
Cost of revenue		(127,901)	(144,922)	(170,043)	(86,803)	(101,182)
Gross profit		208,351	233,710	290,846	143,642	142,615
Other income	6	3,340	7,825	7,150	2,163	3,908
Other gains and losses	7	(138,964)	16,263	(717)	(8)	(83)
Selling expenses		(2,857)	(3,327)	(4,234)	(1,493)	(1,009)
Administrative expenses		(48,271)	(55,499)	(60,784)	(29,559)	(32,385)
Listing expenses		—	—	(3,086)	—	(11,829)
Finance costs	8	(84,375)	(89,214)	(77,526)	(40,152)	(42,270)
(Loss)/profit before taxation	10	(62,776)	109,758	151,649	74,593	58,947
Taxation	9	—	—	—	—	(275)
(Loss)/profit and total comprehensive (expense)/income for the year/period		(62,776)	109,758	151,649	74,593	58,672
(Loss)/profit and total comprehensive (expense)/income for the year/period attributable to owners of the Company		(62,776)	109,758	151,649	74,593	58,672
Basic earnings per share (RMB cents)	13	(9)	15	21	10	7

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

The Group

	NOTES	At 31 August 2015	At 31 August 2016	At 31 August 2017	At 28 February 2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property, plant and equipment	14	563,550	642,198	707,306	772,107
Prepaid lease payments	15	327,623	359,251	351,101	347,104
Prepayment for cooperation agreements	17	250,000	100,000	100,000	100,000
Other non-current assets	18	4,270	4,537	42,962	141,627
		1,145,443	1,105,986	1,201,369	1,360,838
Current Assets					
Trade and other receivables	16	3,502	7,671	34,397	13,250
Amount due from the shareholder	19a	—	—	—	7
Amounts due from related parties	19b	46,300	98,300	172,448	—
Prepaid lease payments	15	7,338	8,150	8,150	8,153
Time deposits	20c	—	—	—	370,000
Restricted bank balance	20b	—	—	100,000	—
Bank balances and cash	20a	233,185	371,710	267,344	181,737
		290,325	485,831	582,339	573,147
Current Liabilities					
Deferred revenue		212,072	243,520	195,776	246,351
Other payables and accrued expenses	21	150,417	149,887	108,321	100,730
Income tax payable		—	—	—	275
Amount due to a related party	19c	—	3,100	2,100	—
Borrowings	22	53,602	63,505	473,824	350,824
		416,091	460,012	780,021	698,180
Net Current (Liabilities) Assets		(125,766)	25,819	(197,682)	(125,033)
Total Assets Less Current Liabilities		1,019,677	1,131,805	1,003,687	1,235,805
Non-current Liabilities					
Amount due to a related party	19c	40,000	40,000	40,000	—
Borrowings	22	795,902	798,272	518,505	701,944
		835,902	838,272	558,505	701,944
Net Assets		183,775	293,533	445,182	533,861
Capital and Reserves					
Share capital/paid-in-capital	23	112,600	112,600	112,600	7
Reserves		71,175	180,933	332,582	533,854
Total Equity		183,775	293,533	445,182	533,861

STATEMENT OF FINANCIAL POSITION

The Company

	NOTES	At 28 February 2018
		RMB'000
Non-current Asset		
Investment in a subsidiary	30	1
Current Assets		
Amount due from the shareholder	19a	7
Trade and other receivables	16	4,972
		4,979
Current Liabilities		
Amounts due to subsidiaries	19d	6,499
Accrued expenses	21	13,388
		19,887
Net Current Liabilities		(14,908)
Total Assets Less Current Liabilities		(14,907)
Capital and reserves		
Share capital	23	7
Reserves	31	(14,914)
Total Equity		(14,907)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company				
	Share capital/ paid-in-capital	Capital Reserve	Statutory reserve	Retained earnings	Total
	RMB'000	RMB'000	RMB'000 (note iii)	RMB'000	RMB'000
Balance at 1 September 2014	112,600	—	—	133,951	246,551
Loss and total comprehensive expense for the year	—	—	—	(62,776)	(62,776)
Transfer	—	—	42,860	(42,860)	—
Balance at 31 August 2015	112,600	—	42,860	28,315	183,775
Profit and total comprehensive income for the year	—	—	—	109,758	109,758
Transfer	—	—	46,837	(46,837)	—
Balance at 31 August 2016	112,600	—	89,697	91,236	293,533
Profit and total comprehensive income for the year	—	—	—	151,649	151,649
Transfer	—	—	42,903	(42,903)	—
Balance at 31 August 2017	112,600	—	132,600	199,982	445,182
Profit and total comprehensive income for the period	—	—	—	58,672	58,672
Capital injection (note i)	30,000	—	—	—	30,000
Issue of shares	7	—	—	—	7
Group Reorganisation (note ii)	(142,600)	142,600	—	—	—
Balance at 28 February 2018	7	142,600	132,600	258,654	533,861
Balance at 1 September 2016	112,600	—	89,697	91,236	293,533
Profit and total comprehensive income for the period (unaudited)	—	—	—	74,593	74,593
Balance at 28 February 2017 (Unaudited)	112,600	—	89,697	165,829	368,126

Notes:

i. It represented the capital contribution upon establishment of Chunlai Technology (as defined in Note 1) prior to the Group Reorganisation (as defined in Note 1).

ii. As disclosed in Note 1 to Historical Financial Information, the Company became the holding company of the Group on 22 February 2018, when the Structured Contracts (as defined in Note 1) have been effective. The capital reserve represented the combined paid-in capitals of Henan Chunlai (as defined in Note 1) and Chunlai Technology upon the completion of Group Reorganisation.

iii. Pursuant to the relevant laws and regulations in the People's Republic of China (the "PRC"), the Company's subsidiaries in the PRC 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) general reserve fund of the limited liabilities companies; and (ii) the development fund of schools.

For PRC subsidiaries with limited liability, they are required to make annual appropriations to general reserve of 10% of after-tax profits as determined under the PRC laws and regulations at each year-end until the balance reaches 50% of the relevant PRC entity's registered capital.

According to the relevant PRC laws and regulations, for a private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
OPERATING ACTIVITIES					
(Loss) profit before taxation	(62,776)	109,758	151,649	74,593	58,947
Adjustments for:					
Finance costs	84,375	89,214	77,526	40,152	42,270
Interest income	(158)	(606)	(3,190)	(532)	(1,345)
Depreciation of property, plant and equipment	44,281	47,216	53,808	27,384	29,653
Release of prepaid lease payments	7,039	8,150	8,150	4,075	4,144
Loss on disposal of property, plant and equipment	—	1	3	—	63
Operating cash flows before movements in working capital	72,761	253,733	287,946	145,672	133,732
(Increase) decrease in trade and other receivables	(2,483)	(4,169)	(26,912)	3,835	20,952
Increase (decrease) in deferred revenue	14,135	31,448	(47,744)	(20,946)	50,575
(Decrease) increase in other payables and accruals	(8,949)	(22,170)	2,525	(3,301)	(1,194)
Cash generated from operations	75,464	258,842	215,815	125,260	204,065
Income tax paid	—	—	—	—	—
NET CASH FROM OPERATING ACTIVITIES	75,464	258,842	215,815	125,260	204,065
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(71,892)	(90,782)	(155,457)	(80,178)	(139,954)
Prepaid land lease payments	(64,513)	(40,590)	—	—	(59,925)
Interest income received	158	606	2,995	370	736
Prepayment for cooperation agreements	(150,000)	—	—	—	—
Refund of prepayment upon termination of cooperation agreements	—	130,000	—	—	—
Advance to related parties	(8,300)	(80,000)	(96,348)	(85,003)	(22,500)
Repayment from related parties	2,000	28,000	22,200	19,000	194,948
Advance to a third party	–	–	(36,300)	—	—
Repayment from third parties	241,670	—	—	—	—
Placement of restricted bank balance	—	—	(100,000)	—	—
Redemption of restricted bank balance	—	—	—	—	100,000
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(50,877)	(52,766)	(362,910)	(145,811)	73,305
FINANCING ACTIVITIES					
Proceeds from borrowings	403,400	30,670	525,633	275,000	420,000
Repayment of borrowings	(372,599)	(20,000)	(396,100)	(369,100)	(360,000)
Advance from third parties	40,350	6,474	—	—	—
Repayment to third parties	—	—	(5,250)	(4,958)	—
Advance from a related party	—	3,100	—	263	—
Repayment to related parties	—	—	(1,000)	—	(42,100)
Proceeds from capital contributed by a shareholder	—	—	—	—	30,000
Issue costs paid	—	—	—	—	(1,624)
Interest paid	(100,488)	(87,795)	(80,554)	(44,540)	(39,253)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(29,337)	(67,551)	42,729	(143,335)	7,023
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(4,750)	138,525	(104,366)	(163,886)	284,393
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	237,935	233,185	371,710	371,710	267,344
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	233,185	371,710	267,344	207,824	551,737

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION, GROUP REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Company was incorporated as an exempted company with limited liability under the Companies Law of the Cayman Islands on 15 November 2017. The registered office address of the Company is Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. Its parent is Chunlai Investment Co., Limited ("Chunlai Investment"), which was incorporated in the British Virgin Islands and its ultimate controlling shareholder is Mr. Hou Jun Yu ("Mr. Hou"). The addresses of the registered office and the principal place of business of the Company are disclosed in the section "Corporate Information".

The Company is an investment holding company. The principal activities of its subsidiaries are mainly engaged in the operation of private higher education institutions. The Company and its subsidiaries are collectively referred to as the "Group".

Prior to the incorporation of the Company and the completion of the reorganisation, the main operating activities of the Group were carried out by Henan Chunlai, its wholly sponsored schools, including Anyang University 安陽學院, Shangqiu University 商丘學院 and Shangqiu University Applied Science and Technology College 商丘學院應用技術學院 ("Kaifeng Campus"), collectively referred as the "Consolidated Affiliated Entities", which were established in the PRC and engaged in private higher education. Henan Chunlai were controlled by Mr. Hou.

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange ("Listing"), as explained in the Corporate Reorganisation under the section History, Reorganisation and Corporate Structure of the Prospectus, the Company underwent a series of reorganisation (the "Group Reorganisation") as below:

(1) In November 2017, December 2017 and January 2018, the Company incorporated its wholly owned subsidiaries, including China Chunlai Education (BVI) Limited ("Chunlai BVI"), China Chunlai Education (Hong Kong) Limited ("Chunlai Hong Kong") and Henan Chunlai Education Information Consultancy Co., Ltd. ("Chunlai Information") respectively.

(2) In August 2017, Mr. Hou established a limited liability company in PRC, named Henan Chunlai Education Technology Co., Ltd ("Chunlai Technology"), which become a sponsor of Henan Chunlai by acquiring 1% interest in Henan Chunlai.

(3) Chunlai Technology entered into agreements with the remaining 99% interest holders of Henan Chunlai, and assumed management responsibility in Henan Chunlai and is entitled to appoint members of the board of directors of Henan Chunlai.

Due to the restrictions imposed by the relevant laws and regulatory regime of the PRC on foreign ownership of companies engaged in the business carried out by the Consolidated Affiliated Entities, the Company has entered into, via Chunlai Information, various agreements with the Consolidated Affiliated Entities, Chunlai Technology, Mr. Hou and the remaining interest holders of Henan Chunlai (the "Structured Contracts"), which, effective from 22 February 2018, enable Chunlai Information and the Company to:

- exercise effective financial and operational control over the Consolidated Affiliated Entities and Chunlai Technology;
- exercise equity holders' voting rights of the Consolidated Affiliated Entities and Chunlai Technology;
- receive substantially all of the economic interest returns generated by the Consolidated Affiliated Entities and Chunlai Technology in consideration for the business support, technical and management consultancy services provided by Chunlai Information;

- obtain an irrevocable and exclusive right to purchase all or part of the interests in Chunlai Technology and/or any assets that are held by the Consolidated Affiliated Entities at the lowest purchase price permitted under PRC laws and regulations and exercise such right from time to time in the event that PRC laws and regulations permitted;
- prevent the Consolidated Affiliated Entities and Chunlai Technology and their sponsor holders or equity holders to sell, assign, transfer, or otherwise dispose of or create encumbrance over their interests in the equity and/or the assets of the Consolidated Affiliated Entities and Chunlai Technology without prior consent of Chunlai Information;
- prevent the Consolidated Affiliated Entities and Chunlai Technology to make any distributions to their equity holders without prior consent of Chunlai Information.

The Company does not have any equity interest in the Consolidated Affiliated Entities and Chunlai Technology. However, the Structured Contracts enable the Company to have the power over the Consolidated Affiliated Entities and Chunlai Technology, rights to variable returns from its involvement with the Consolidated Affiliated Entities and Chunlai Technology and the ability to affect those returns through its power over the Consolidated Affiliated Entities and Chunlai Technology. Consequently, the Company regards the Consolidated Affiliated Entities and Chunlai Technology as indirect subsidiaries.

The Group comprising the Company and its subsidiaries (including the Consolidated Affiliated Entities and Chunlai Technology) is regarded as a continuing entity. The consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the Track Record Period have been prepared as if the current group structure had been in existence throughout the Track Record Period, or since the respective dates of incorporation/establishment of the relevant companies now comprising the Group where this is a shorter period. The consolidated statements of financial position of the Group as at 31 August 2015, 2016 and 2017 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure were in existence at those dates. Therefore, for the purpose of the report, the Historical Financial Information has been prepared and presented using carrying amounts of assets and liabilities of the group entities including Consolidated Affiliated Entities and the Company (as appropriate) for the Track Record Period.

The following financial statements balances and amounts of the Consolidated Affiliated Entities and Chunlai Technology were included in the Historical Financial Information:

	Year ended 31 August			**Six months ended 28 February**	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
				(Unaudited)	
Revenue	336,252	378,632	460,889	230,445	243,797
(Loss)/profit before taxation	(62,776)	109,758	151,649	74,593	70,776

	Year ended 31 August			**At 28 February**
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non-current assets	1,145,443	1,105,986	1,201,369	1,360,838
Current assets	290,325	485,831	582,339	568,168
Current liabilities	(416,091)	(460,012)	(780,021)	(684,792)
Non-current liabilities	(835,902)	(838,272)	(558,505)	(701,944)

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Company and its subsidiaries.

The Group recorded net current liabilities of RMB125,766,000, RMB197,682,000 and RMB125,033,000 as at 31 August 2015 and 2017 and 28 February 2018, respectively. In view of the net current liabilities position, the management of the Group have considered the cash inflow from operations, renewing the existing bank borrowings and obtaining new bank facilities. The management of the Group are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future. The directors of the Company considered that the Group would have sufficient financial resources to continue as a going concern. Therefore, the financial statements of the Company for the Track Record Period have been prepared on going concern basis.

2. APPLICATION OF IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently adopted accounting policies which conform with the International Accounting Standards ("IASs"), IFRSs, amendments and the related interpretations ("IFRICs"), which are effective for the accounting period beginning on 1 September 2017 throughout the Track Record Period.

New and revised IFRSs in issue but not yet effective

At the date of this report, the following new standards, amendments and interpretations have been issued but are not yet effective. The Group has not early adopted these standards, amendments and interpretations in the preparation of the Historical Financial Information for the Track Record Period.

IFRS	
IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatment[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]
Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IFRS 28	Long-term Interests in Associates and Joint Ventures[2]
Amendments to IAS 28	As part of Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs Standards 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2021

IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Group are described below:

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flow that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt instruments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

All financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS39.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other wording, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 28 February 2018, the management of the Group anticipates the following potential impact on initial application of IFRS 9:

In general, the management of the Group anticipates that the application of the expected credit loss model of IFRS 9 will result in early provision of credit losses which are not yet incurred in relation to the Group's financial assets measured at amortised costs and the respective items that subject to impairment provisions of IFRS 9.

Based on the assessment by the management of the Group, if the expected credit loss model were to be applied by the Group as at 1 September 2018, the amount of impairment loss to be recognised by Group would not be changed as compared to the amount estimated under IAS 39. The above assessments were made based on an analysis of the Group's financial assets as at 28 February 2018 on the basis of the facts and circumstances that existed at that date. The Group intends to apply practical expedients prescribed in the standard upon the first adoption. It is also expected that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Group's financial assets and financial liabilities based on an analysis of the Group's financial instruments as at 28 February 2018.

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognise revenue when (or as) a performance obligation is satisfied, i. e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the International Accounting Standards Board issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licencing application guidance.

The directors of the Company have assessed the revenue from tuition, boarding and ancillary services, for which these performance obligations are satisfied over time and the input method currently used to measure the progress towards complete satisfaction of these performance obligations will continue to be appropriate under IFRS 15.

The directors of the Company intend to apply the full retrospective method of transition to IFRS 15.

The management of the Group anticipate that the application of IFRS 15 in the future may result in more disclosure, however, the management of the Group do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised on the Group's future financial statements.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Under IAS 17, the Group has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by IFRS 16.

As at 28 February 2018, the Group has no non-cancellable operating lease commitments.

The management of the Group do not expect the adoption of IFRS 16 as compared with the current accounting policy would result in significant impact on the Group's financial position and financial performance in future.

Except as described above, the management of the Group anticipates that the application of other new and amendments to IFRSs and interpretations will have no material impact on the financial statements of the Group in the future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

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.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not gave, the current ability to direct the relevant activities at the time the decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year/period are included in the consolidated statements of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated on combination.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Service income includes tuition and boarding fees from universities of the Group.

Tuition and boarding fees are generally received in advance prior to the beginning of each school year, and are initially recorded as deferred revenue. The fees are recognised proportionately over the relevant period of the applicable programme. The portion of the fees received from students but not earned is recorded deferred revenue and is reflected as a current liability as such amounts represent revenue that the Group expects to earn within one year.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of the income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses of losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from the 'profit before taxation as reported in the consolidated statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes (other than properties under construction as described below) are stated in the consolidated statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payment

Prepaid lease payments represent payments for obtaining land use right and is amortised to profit or loss on a straight-line basis over the lease terms as stated in the relevant land use right certificate granted for usage by the Group in the PRC or the best estimate based on the normal terms in the PRC. Prepaid lease payments which is to be amortised to profit or loss in the next twelve months is classified as current assets.

Impairment of assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then the other asset on a pro-rata basis based on the carrying amount of each assets in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit, An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from related parties/the shareholder, time deposits, restricted bank balance and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including other payables, amount due to related parties and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical accounting judgement

The following is the critical judgement, apart from those involving estimations, that the management of the Group have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the Historical Financial Information.

Contractual Arrangements

The Group conducts a substantial portion of the business through the Consolidated Affiliated Entities in the PRC due to regulatory restrictions on foreign ownership in the Group's schools in the PRC. The Group does not have any equity interest in the Consolidated Affiliated Entities and Chunlai Technology. The management of the Group assessed whether or not the Group has control over the Consolidated Affiliated Entities and Chunlai Technology based on whether the Group has the power over the Consolidated Affiliated Entities and Chunlai Technology, has rights to variable returns from its involvement with the Consolidated Affiliated Entities and Chunlai Technology and has the ability to affect those returns through its power over the Consolidated Affiliated Entities and Chunlai Technology. After assessment, the management of the Group concluded that the Group has control over the Consolidated Affiliated Entities and Chunlai Technology as a result of the Contractual Arrangements and other measures and accordingly, the Group has combined the financial information of Consolidated Affiliated Entities and Chunlai Technology in the Historical Financial Information during the Track Record Period.

Nevertheless, the Contractual Arrangements and other measures may not be as effective as direct legal ownership in providing the Group with direct control over the Consolidated Affiliated Entities and Chunlai Technology and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Consolidated Affiliated Entities and Chunlai Technology. The management of the Group, based on the advice of its legal counsel, consider that the Contractual Arrangements among Chunlai Information, the Consolidated Affiliated Entities and Chunlai Technology and their sponsor holders or equity holders are in compliance with the relevant PRC laws and regulations and are legally enforceable.

Key sources of estimation uncertainty

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

Useful life and impairment of property, plant and equipment

The Group's management determines the estimated useful lives and the depreciation method in determining the related depreciation charges for its property, plant and equipment. This estimate is based on the management's experience of the actual useful lives of property, plant and equipment of similar nature and functions. In addition, management assessed impairment whenever events or changes in circumstances indicate that the carrying amount of an item of property, plant and equipment may not be recoverable. Management will change the depreciation charge where useful lives are estimated to be different from previously estimated, or will write off or write down obsolete assets that have been abandoned or impaired. As at 31 August 2015, 2016 and 2017 and 28 February 2018, the carrying amount of property, plant and equipment are RMB563,550,000, RMB642,198,000, RMB707,306,000 and RMB772,107,000 respectively. Any changes in these estimates may have a material impact on the results of the Group.

5. REVENUE AND SEGMENT INFORMATION

The Group is mainly engaged in the provision of private higher education services in the PRC.

Revenue represents services incomes from tuition and boarding fees less sales related tax.

The Group's chief operating decision maker ("CODM"), Mr. Hou, reviews revenue analysis of the Group as a whole.

Information reported to the CODM, for the purpose of resource allocation and assessment of segment performance is on a school by school basis. Each individual school constitutes an operating segment. The services provided and type of customers are similar in each operating segment, and each operating segment are subject to similar regulatory environment. Accordingly, their segment information is aggregated as a single reportable segment which is the same as the statements of profit or loss and other comprehensive income as disclosed on page IA-3. The accounting policies of the reportable segment are the same as the Group's accounting policies described in note 3. No analysis of the Group's assets and liabilities is regularly provided to the CODM for review.

The Revenue attributable to the Group's service lines are as follows:

	Year ended 31 August			Six months ended 28 February	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000** (Unaudited)	**RMB'000**
Tuition fees	301,689	340,822	415,686	206,369	217,326
Boarding fees	34,563	37,810	45,203	24,076	26,471
Total revenue	336,252	378,632	460,889	230,445	243,797

Major Customers

No single customer contributes 10% or more of total revenue of the Group during the Track Record Period.

Geographical information

The Group primarily operates in the PRC. All the non-current assets of the Group are located in the PRC.

6. OTHER INCOME

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Government grants (Note i)	765	5,131	1,921	566	900
Academic administrative income	2,225	630	1,916	995	462
Interest income	158	606	3,190	532	1,345
Service income	—	—	—	—	1,101
Others	192	1,458	123	70	100
	3,340	7,825	7,150	2,163	3,908

(i) Government grants mainly represent non-conditional subsidies from government for recognition of the relevant academic performance of the schools of the Group.

7. OTHER GAINS AND LOSSES

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Termination fee (Note i)	(138,917)	—	—	—	—
Gain from termination of cooperation (Note ii)	—	21,574	—	—	—
Compensation for land requisition	—	(5,049)	—	—	—
Others	(47)	(262)	(717)	(8)	(83)
	(138,964)	16,263	(717)	(8)	(83)

(i) In 2008, the Group entered into an cooperation agreement with Henan Anyang Normal University 安陽師範學院 ("HNU"), pursuant to which, HNU agreed to authorise the Group to establish the College of Humanities and Management of Anyang Normal University 安陽師範學院人文管理學院 ("HMS") for 50 years, in return for the licencing right and providing certain management services by HNU, the Group agreed to pay an annual fee based on the tuition fee received by the school. In July 2015, the Group terminated the cooperation and paid a termination fee amounted to approximately RMB138,917,000 to HNU. Subsequently, HMS was converted into independent private university, namely Anyang University and operates continuously.

(ii) In 2013, the Group entered into an cooperation agreement with Tianjin Medical University 天津醫科大學 ("TMU"),pursuant to which, TMU agreed to authorise the Group to establish the College of Clinical Medicine of Tianjin Medical University 天津醫科大學臨床醫學院 ("CMS") for 50 years, and provide the licencing right and certain management services. The Group prepaid RMB150,000,000 in total for the licencing right in accordance with the agreements. In 2016, the cooperation was terminated pursuant to an agreement with TMU. The Group was subsequently returned RMB130,000,000 from TMU and waived all amount payable to TMU, including TMS, of RMB41,574,000. As a result, the Group recorded a gain of RMB21,574,000 in 2016.

8. FINANCE COSTS

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest expense in relation to:					
— Bank borrowings	11,805	12,056	29,247	13,833	30,661
— Borrowing from non-banking institutes	66,778	70,844	42,506	24,156	11,440
— Loan from a related party	4,658	4,802	4,812	1,407	169
— Loan from third parties	1,134	1,512	961	756	—
	84,375	89,214	77,526	40,152	42,270

No borrowing cost has been capitalised during the Track Record Period.

9. TAXATION

The taxation of the Group during the Track Record Period is analysed as follow:

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current tax:					
PRC Enterprise Income Tax ("EIT")	—	—	—	—	275

Taxation for the Track Record Period can be reconciled to the profit before taxation per the consolidated statements of profit or loss and other comprehensive income as follows:

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
(Loss)/profit before taxation	(62,776)	109,758	151,649	74,593	58,947
Tax calculated at a taxation rate of 25%	(15,694)	27,440	37,912	18,648	14,737
Tax effect of loss/(profit) from non-profit making organisation exempted for tax purpose	15,694	(27,440)	(37,912)	(18,648)	(14,462)
Taxation for the year/period	—	—	—	—	275

The Company was incorporated in the Cayman Islands and Chunlai (BVI) was incorporated in the BVI, both jurisdictions are tax exempted.

No provision for Hong Kong profit tax was provided as the Company and the group entities did not have assessable profits in Hong Kong during the Track Record Period.

EIT is provided on taxable profits of entities established in the PRC. Pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law"), the EIT rate was 25% during the Track Record Period.

According to the Implementation Rules for EIT Law, qualified incomes received by non-profit making organisation and engaged in the provision of formal education services is exempted from EIT. During the Track Record Period, Henan Chunlai, Anyang University, Shangqiu University (including Kaifeng Campus) have received EIT exemption confirmations/approvals from relevant local tax authorities.

10. (LOSS)/PROFIT BEFORE TAXATION

	Year ended 31 August			Six months ended 28 February	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
(Loss)/profit for the year/period has been arrived at after charging:					
Staff costs, including directors' remuneration					
— Salaries and other allowances	66,002	84,677	94,507	46,958	59,135
— Retirement benefit scheme contributions	3,843	6,093	8,377	4,167	5,848
Total staff costs	69,845	90,770	102,884	51,125	64,983
Auditor's remuneration	—	—	—	—	—
Depreciation of property, plant and equipment	44,281	47,216	53,808	27,384	29,653
Release of prepaid lease payments	7,039	8,150	8,150	4,075	4,144

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

	Year ended 31 August			Six months ended 28 February	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
— Fees	—	—	—	—	—
— Salaries and allowance	2,446	2,532	2,496	1,266	1,445
— Retirement benefits scheme contributions	—	—	—	—	—
	2,446	2,532	2,496	1,266	1,445

The Company was incorporated on 15 November 2017 and the executive directors and non-executive director of the Company were appointed on 15 November 2017 and 12 February 2018 respectively, no emolument has been paid or payable to the directors of the Company since appointment. During the Track Record Period, executive directors and chief executive of the Company received remuneration from the subsidiaries now comprising the Group for services in connection with the management of affairs of the Group prior to becoming the directors of the Company and the non-executive director received remuneration for his service as director of the relevant subsidiaries. The details were disclosed as below:

	Fees	Salaries and allowance	Retirement benefits scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
For the year ended 31 August 2015				
Chairman and non-executive director:				
Mr. Hou Chunlai	—	916	—	916
Executive directors:				
Mr. Hou	—	760	—	760
Ms. Jiang Shuqin	—	770	—	770
Total	—	2,446	—	2,446
For the year ended 31 August 2016				
Chairman and non-executive director:				
Mr. Hou Chunlai	—	936	—	936
Executive directors:				
Mr. Hou	—	798	—	798
Ms. Jiang Shuqin	—	798	—	798
Total	—	2,532	—	2,532
For the year ended 31 August 2017				
Chairman and non-executive director:				
Mr. Hou Chunlai	—	936	—	936
Executive directors:				
Mr. Hou	—	762	—	762
Ms. Jiang Shuqin	—	798	—	798
Total	—	2,496	—	2,496
For the six months ended 28 February 2018				
Chairman and non-executive director:				
Mr. Hou Chunlai	—	528	—	528
Executive directors:				
Mr. Hou	—	459	—	459
Ms. Jiang Shuqin	—	458	—	458
Total	—	1,445	—	1,445
For the six months ended 28 February 2017 (unaudited)				
Chairman and non-executive director:				
Mr. Hou Chunlai	—	468	—	468
Executive directors:				
Mr. Hou	—	399	—	399
Ms. Jiang Shuqin	—	399	—	399
Total	—	1,266	—	1,266

The independent non-executive directors, namely Dr. JIN Xiaobin, Ms. FOK, Pui Ming and Mr. LAU, Tsz Man were appointed by the Company on 12 February, 2018. No emoluments was paid or payable to the independent non-executive directors during the Track Record Period.

Employees

Of the five individuals with the highest emoluments in the Group, three were directors of the Company for the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2017 and 28 February 2018, whose emoluments are included in the disclosures above. The emoluments of the remaining two individuals are as follows:

	Year ended 31 August			Six months ended 28 February	
	2015	**2016**	**2017**	**2017**	**2018**
	(RMB'000)	**(RMB'000)**	**(RMB'000)**	**(RMB'000)** **(Unaudited)**	**(RMB'000)**
Salaries and other benefits	450	520	720	360	258
Retirement benefit scheme contributions	–	–	–	—	—
	450	520	720	360	258

The emoluments of the five highest paid individuals, other than directors of the Company, were within the following bands:

	Year ended 31 August			Six months ended 28 February	
	2015	**2016**	**2017**	**2017**	**2018**
				(Unaudited)	
Nil to HK$1,000,000	2	2	2	2	2

During the Track Record Period, no emoluments were paid by the Group to the directors of the Company and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the Chief Executive nor any of the directors of the Company waived any emoluments during the Track Record Period.

12. DIVIDENDS

No dividends has been paid or proposed by the Company during the Track Record Period, nor has any dividend been proposed subsequent to 28 February 2018.

13. EARNINGS PER SHARE

	Year ended 31 August			Six months ended 28 February	
	2015	**2016**	**2017**	**2017**	**2018**
				(Unaudited)	
Earnings:					
Earnings for the purpose of calculating basic earnings per share (Profit attributable to the owner of the Company) (in RMB'000)	(62,776)	109,758	151,649	74,593	58,672
Number of shares:					
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	710,659,187	710,659,187	710,659,187	710,659,187	856,064,563

The calculation of the basic earnings per share attributable to the owners of the Company for the Track Record Period is based on the consolidated (loss)/profit attributable to the owners of the Company and the weighted average number of shares outstanding, taking into account the shares issued on 28 February 2018, the capital injection during the Track Record Period and after retrospective adjustments on the assumption that the Group Reorganisation had been in effect on 1 September 2014.

No diluted earnings per share is presented as there was no potential dilutive shares during the Track Record Period.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Furniture and fixtures	Motor vehicles	Electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 September 2014	534,575	44,533	8,652	92,117	12,599	692,476
Additions	18,320	8,505	1,002	10,743	34,014	72,584
Disposals	—	(4)	—	—	—	(4)
Transfer from construction in progress	46,613	—	—	—	(46,613)	—
At 31 August 2015	599,508	53,034	9,654	102,860	—	765,056
Additions	911	14,945	2,128	18,419	89,462	125,865
Disposals	—	—	—	(23)	—	(23)
Transfer from construction in progress	89,088	—	—	—	(89,088)	—
At 31 August 2016	689,507	67,979	11,782	121,256	374	890,898
Additions	2,330	12,870	213	19,568	83,938	118,919
Disposals	—	(80)	—	—	—	(80)
Transfer from construction in progress	57,133	—	—	—	(57,133)	—
At 31 August 2017	748,970	80,769	11,995	140,824	27,179	1,009,737
Additions	10,125	12,237	215	22,666	49,274	94,517
Disposals	—	(1,043)	(179)	(26)	—	(1,248)
Transfer from construction in progress	73,393	—	—	—	(73,393)	—
At 28 February 2018	832,488	91,963	12,031	163,464	3,060	1,103,006
DEPRECIATION						
At 1 September 2014	78,881	21,121	3,033	54,194	—	157,229
Provided for the year	28,028	5,174	795	10,284	—	44,281
Eliminated on disposals	—	(4)	—	—	—	(4)
At 31 August 2015	106,909	26,291	3,828	64,478	—	201,506
Provided for the year	29,689	7,551	942	9,034	—	47,216
Eliminated on disposals	—	—	—	(22)	—	(22)
At 31 August 2016	136,598	33,842	4,770	73,490	—	248,700
Provided for the year	34,925	7,693	1,078	10,112	—	53,808
Eliminated on disposals	—	(77)	—	—	—	(77)
At 31 August 2017	171,523	41,458	5,848	83,602	—	302,431
Provided for the period	18,497	5,049	674	5,433	—	29,653
Eliminated on disposals	—	(990)	(170)	(25)	—	(1,185)
At 28 February 2018	190,020	45,517	6,352	89,010	—	330,899
CARRYING VALUES						
At 28 February 2018	642,468	46,446	5,679	74,454	3,060	772,107
At 31 August 2017	577,447	39,311	6,147	57,222	27,179	707,306
At 31 August 2016	552,909	34,137	7,012	47,766	374	642,198
At 31 August 2015	492,599	26,743	5,826	38,382	—	563,550

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rate per annum:

Buildings	4.75%
Furniture and fixtures	9.5% – 19%
Motor vehicles	19% – 32%
Electronic equipment	9.5% – 19%

The Group's buildings are located in the PRC.

During the Track Record Period, the Group was in the process of obtaining the property certificates for the buildings with an aggregate carrying value of RMB469,194,000, RMB531,498,000, RMB558,030,000 and RMB619,966,000 as of 31 August 2015, 2016 and 2017 and 28 February 2018, respectively, which are located in the PRC.

15. PREPAID LEASE PAYMENTS

	At 31 August			At 28 February
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Analysed for reporting purposes as:				
Non-current asset	327,623	359,251	351,101	347,104
Current asset	7,338	8,150	8,150	8,153
	334,961	367,401	359,251	355,257

The prepaid lease payments are amortised on a straight-line basis over a period of 50 years, which is based on the lease terms or estimated by the management with reference to the normal terms in the PRC.

As at 31 August 2015, 2016 and 2017 and 28 February 2018, the carrying amounts of prepaid land lease of RMB47,333,000, RMB85,573,000, RMB83,813,000 and RMB82,933,000 respectively were allocated by government for education purpose use only, which have no definite lease term stated in the relevant land use right certificates. The estimated useful lives are 50 years which is the best estimate based on the normal terms in the PRC. However, without the relevant administrative authorities' permission, the Group cannot transfer, lease or pledge as security such land use rights allocated by the government.

16. TRADE AND OTHER RECEIVABLES

The Group

	At 31 August			At 28 February
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Tuition and boarding fee receivables (Note i)	371	6,760	10,504	3,514
Other receivables	3,131	811	1,971	1,181
Deposit for purchase of new office (Note ii)	—	—	20,200	—
Prepayment for listing expenses	—	—	593	—
Deferred listing expense	—	—	1,029	4,972
Prepaid insurance expense	—	—	—	2,000
Prepaid expenses	—	—	—	1,483
Deposits	—	100	100	100
	3,502	7,671	34,397	13,250

The following is an ageing analysis of tuition and boarding fee receivables at the end of each reporting period.

	At 31 August			At 28 February
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Ageing of tuition and boarding fee receivables				
0-30 days	371	6,760	10,483	—
181-365 days	–	–	21	3,514
Total	371	6,760	10,504	3,514

(i) The students are required to pay tuition fees and boarding fees in advance for the upcoming school years, which normally commences in August and September. The outstanding receivables mainly represent amounts related to the registered students who have applied for the delayed payment of tuition fees and boarding fees. These delay payments were primarily due to the application of students' loan, which generally take a few months to be settled. There is no fixed credit term for payments. In view of the aforementioned and the fact that the Group's tuition receivables related to a large number of individual students, there is no significant concentration of credit risk and no impairment is necessary based on the historical settlement pattern from students. The Group does not hold any collateral or other credit enhancement over its tuition receivables balance.

(ii) A group entity prepaid refundable deposits for purchasing office premises located in Zhengzhou, Henan Province and the amounts were subsequently refunded in October 2017 due to a revised purchase contract entered into with another group entity with a prepayment of RMB41,824,000 made and recorded as non-current assets (note 18). The purchase of office premises has not been completed by the date of this report.

The Company

	At 28 February 2018
	RMB'000
Deferred listing expense	4,972

17. PREPAYMENT FOR COOPERATION AGREEMENT

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for cooperation agreements-YU (Note i)	100,000	100,000	100,000	100,000
Prepayment for cooperation agreements-TMU (Note ii)	150,000	—	—	—
	250,000	100,000	100,000	100,000

(i) College of Engineering and Technology of Yangtze University 長江大學工程技術學院 ("Hubei College") is an independent college and originally established by "Yangtze University" 長江大學 ("YU") in Hubei Province. In December 2014, the Group entered into a cooperation agreement and supplementary agreements. Pursuant to these agreements, the Group has obtained the right to manage the Hubei College at a consideration of RMB120 million, among which RMB100 million has been paid upon entering the agreements in December 2014. These agreements have also authorised the Group the right to transfer the sponsorship of Hubei College from YU. Up to the date of issuance of the report, the transfer of sponsorship has not yet been completed as the transfer is pending for the final approval of the Ministry of Education of the PRC and the registration with the provincial civil affairs authorities. Upon the approvals and registration of the governments, the down payment for cooperation agreement of RMB100 million will be treated as part of the consideration of business combination.

(ii) In 2013, the Group entered into an cooperation agreement with TMU, and the Group prepaid RMB150,000,000 in total. In 2016, the cooperation agreement was terminated and prepayment was returned. For more details please refer to Note 7.

18. OTHER NON-CURRENT ASSETS

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Prepayment for prepaid lease payments	—	—	—	59,775
Prepayment/deposits paid for acquisition of property, plant and equipment	4,270	4,537	6,281	44,316
Loan receivables (Note i)	—	—	36,681	37,536
	4,270	4,537	42,962	141,627

(i) The carrying amount represents the loans to Hubei College which is bearing interest at 4.75% per annum. The repayment term is negotiated annually. The management of the Group agreed in writing that the Group will not collect the loan and interest balances within the next 12 months.

19. AMOUNTS DUE FROM THE SHAREHOLDER/RELATED PARTIES AND AMOUNT DUE TO RELATED PARTIES/SUBSIDIARIES

(a) Amount due from the shareholder

The amount due from the shareholder of the Company are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

(b) Amounts due from related parties

	As at 1 September	As at 31 August			At 28 February
	2014	**2015**	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	
Chunlai Middle School* 虞城縣春來初級中學 (Note i)	—	4,000	—	—	—
Chunlai High School* 虞城縣春來高級中學 (Note i)	5,000	5,000	11,000	—	—
Zhongzhou Airlines Co., Ltd 中州航空有限責任公司 (Note i)	—	—	—	5,000	—
Zhan Yang 戰陽 (Note ii)	35,000	37,300	87,300	167,448	—
	40,000	46,300	98,300	172,448	—

Maximum amounts outstanding during the Track Record Period are as follows:

	Year ended 31 August			At 28 February
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Chunlai Middle School* 虞城縣春來初級中學	4,000	—	—	—
Chunlai High School* 虞城縣春來高級中學	5,000	16,000	—	—
Zhongzhou Airlines Co., Ltd 中州航空有限責任公司	—	—	5,000	5,000
Zhan Yang 戰陽	38,300	106,300	178,648	167,948
Zhongzhou Tengfei Co., Ltd 中州騰飛國際貿運代理有限公司	—	—	—	22,000

* English name is for translation purpose only.

(c) Amounts due to related parties

	At 31 August			At 28 February
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Non current				
Chunlai High School* 虞城縣春來高級中學 (Note i, iii)	40,000	40,000	40,000	—
Current				
Henan Sanle Catering Service Company* 河南三樂餐飲服務有限公司 (Note i)	—	3,100	2,100	—

* English name is for translation purpose only.

Notes:

i. The entities are controlled by close family members of Mr Hou.

ii. The person is the close family member of Mr. Hou. The repayment term of the balances is negotiated annually.

iii. The balances bear interest of 10.80% and were originally repayable in five years terms and due in May 2019.

Unless specified above, all the balances are non-trade in nature, unsecured, non-interest bearing and repayable on demand. All the above mentioned balances due from/(to) related parties have been settled or repaid by 28 February 2018.

(d) Amounts due to subsidiaries

The Company

The amounts due to Henan Chunlai and Chunlai BVI are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

20. BANK BALANCES AND CASH, RESTRICTED BANK BALANCE AND TIME DEPOSITS

a. Bank balances and cash comprise cash and short-term deposits held by the Group with an original maturity of three months or less.

   As at 31 August 2015, 2016 and 2017 and 28 February 2018, the Group's bank deposits carried a weighted-average interest rate of 0.35%, 0.35%, 0.35% and 0.35% per annum, respectively.

b. As at 31 August 2017, the restricted bank balance was pledged as collateral for the Group's issue of short-term bills and not available for general use by the Group. The Group settled the short-term bill in February 2018 and released the relevant pledge deposit accordingly.

c. As at 28 February 2018, the Group placed RMB370,000,000 as time deposits among which, RMB100,000,000 was subsequently redeemed in March 2018 and RMB270,000,000 was a 3-year-term fixed deposit but redeemable anytime. As represented by the directors of the Company, the balance will be redeemed within the next 12 months.

21. OTHER PAYABLES AND ACCRUED EXPENSES

The Group

	At 31 August			At 28 February
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Accrued annual fee (Note i)	33,834	18,711	17,711	—
Amount due to CMS (Note ii)	40,350	—	—	—
Interest payables	13,664	13,480	9,433	12,011
Accrued staff benefits and payroll	12,104	17,532	14,508	16,642
Payables for construction	24,590	59,940	25,146	17,744
Receipt on behalf of ancillary services providers	14,410	17,422	16,417	18,634
Others payables and accruals	8,744	12,808	14,452	14,739
Other taxes payables	2,721	4,744	7,454	7,572
Amount due to a third party (Note iii)	—	5,250	—	—
Accrued listing expense	—	—	3,200	13,388
	150,417	149,887	108,321	100,730

	At 28 February
	2018
	RMB'000
The Company	
Accrued listing expense	13,388

Note:

i: In 2004, the Group entered into an cooperation agreement with Henan Agricultural University 河南農業大學 ("HAU") for establishing Huayu college of Henan Agricultural University 河南農業大學華豫學院 ("HAUHY") for 20 years. The Group agreed to pay HAU an annual fee based on the tuition fee received by HAUHY annually. In 2009, the Group has terminated the cooperation and converted HAUHY into an independent private university, namely Shangqiu University in 2011. The balances represented the outstanding unpaid annual fee due to HAU prior to the termination, which was settled during the Track Record Period.

ii: The balance due to CMS was with no interest bearing and without fixed repayment terms. The balance was settled in 2016 upon the termination agreement with TMU details please refer to Note 7.

iii: The balance is temporary financing from a third party with no interest bearing and without fixed repayment term.

22. BORROWINGS

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Unsecured and unguaranteed				
— Loan from Hubei College (Note i)	28,202	29,805	3,824	3,824
Secured/guaranteed				
— Bank borrowings (Note ii)	124,100	144,100	445,000	610,000
— Non-banking institute financing (Note ii)	697,202	687,872	448,505	438,944
— Bill financing loan (Note iii)	—	—	95,000	—
	849,504	861,777	992,329	1,052,768
Current	53,602	63,505	473,824	350,824
Non-current				
— Within a period of more than one year but not exceeding two years	23,700	650,224	170,000	325,944
— Within a period of more than two years but not exceeding five years	772,202	148,048	348,505	366,000
— Within a period of more than five years	—	—	—	10,000
	795,902	798,272	518,505	701,944
	849,504	861,777	992,329	1,052,768

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
The exposure of borrowings				
— Fixed-rate	849,504	861,777	842,329	697,768
— Variable-rate	—	—	150,000	355,000
	849,504	861,777	992,329	1,052,768

Notes:

i The loan from Hubei College was unsecured and carried at fixed interest rate without fixed repayment term.

ii. Certain bank borrowings and the financing arranged by a trust fund were secured by the rights to receive the tuition fees of Anyang University, Shangqiu University and Kaifeng Campus, among which, RMB736,302,000, RMB716,972,000, RMB638,505,000 and RMB683,945,000 as at 31 August 2015, 2016 and 2017 and 28 February 2018 were also guaranteed by Mr. Hou Chunlai, Mr. Hou, Ms. Jiang Shuqin and an employee of the Group jointly and severally.

iii In February 2017, the Group placed a one-year fixed-term bank deposit of RMB100 million for issue of a bank bill in the amount of RMB95 million to a related company, which is controlled by a key management of the Group. The bank bill was subsequently endorsed to two independent third parties arranged by the bank, who have presented the bank bill for payment and remitted the net proceeds to the Group. The Group recorded the bill financing as a borrowing from the bank. The Group fully settled the bank bill in February 2018.

All of the borrowings are denominated in RMB. The variable-rate borrowings carry interest with reference to the benchmark borrowing rate of the People's Bank of China.

The range of effective interest rates per annum (which are also equal to contracted interest rates) on the Group's borrowings is as follows:

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Effective interest rate:				
Fixed-rate	6.9% to 10.4%	8.5% to 10.4%	5.0% to 10.4%	6.4% to 10.4%
Variable-rate	n.a	n.a	6.2%	5.7% to 6.57%

23. SHARE CAPITAL/PAID-IN CAPITAL

The Group

The paid-in-capital of the Group presented as at 31 August 2015, 2016 and 2017, represented the paid-in-capital of Henan Chunlai prior to the completion of the Group Reorganisation as stipulated in Note 1 of the Historical Financial Information. The share capital as at 28 February 2018 represented the share capital of the Company.

The Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 November 2017 with an authorised share capital of HK$500,000 divided into 50,000,000,000 shares with par value of HK$0.00001. On the same date, Chunlai Investment acquired one share in the Company at par value and 899,999,999 shares were further issued and allotted to Chunlai Investment as fully-paid at par value with a share capital of HK$9,000 as at 28 February 2018.

	Number of shares	Amount	Amount	Show in the Historical Financial Information as
		HK$	RMB	RMB'000
Ordinary shares of HK$0.00001 each				
Authorised				
At 15 November 2017 (date of incorporation) and 28 February 2018	50,000,000,000	500,000	424,570	N/A
Issued and fully paid				
At 15 November 2017 (date of incorporation)	1	–	–	N/A
Issue of shares	899,999,999	9,000	7,251	7
As at 28 February 2018	900,000,000	9,000	7,251	7

24. CAPITAL COMMITMENTS

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the Historical Financial Statements	—	2,799	23,399	59,684
Capital expenditure in respect of prepaid land lease payments	—	11,460	59,984	23,191
Capital expenditure in respect of acquisition of Hubei College (Note 17(i))	20,000	20,000	20,000	20,000
	20,000	34,259	103,383	102,875

25. RETIREMENT BENEFITS SCHEMES

During the Track Record Period, the employees of the PRC subsidiaries are members of the state-management retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

The amounts of contributions made by the Group in respect of the retirement benefit scheme during the Track Record Period are disclosed in Note 10.

26. RELATED PARTY TRANSACTIONS

During the Track Record Period, besides the disclosures elsewhere in the Historical Financial Information, the Group entered into the following transactions with related parties:

(i) Compensation of key management personnel

The remuneration of directors and other members of key management during the Track Record Period and six months ended 28 February 2017 were as follows:

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Short-term benefits	2,788	2,885	2,946	1,498	1,701
Retirement benefit scheme contribution	43	49	61	33	36
	2,831	2,934	3,007	1,531	1,737

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of debt, which includes the borrowings, amounts due to related parties and equity attributable to owners of the Company, which includes the share capital and reserves, as disclosed in the Historical Financial Information.

The Group's management reviews the capital structure regularly. The Group considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, issuance of new shares as well as raising of bank borrowings, if necessary.

28. FINANCIAL INSTRUMENTS

28a. Categories of financial instruments

Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

The Group

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	282,987	477,681	572,567	556,538
Financial liabilities				
Amortised cost	1,025,096	1,032,488	1,120,788	1,129,284

The Company

	At 28 February 2018
	RMB'000
Financial assets	
Loans and receivables (including cash and cash equivalents)	7
Financial liabilities	
Amortised cost	6,499

28b. Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, amounts due from (to) related parties, time deposits, bank balances and restricted bank balance, other payables and borrowings. The Company's major financial instruments include amounts due from (to) related parties. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments include market risk (mainly interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to bank balances and borrowings due to the fluctuation of the prevailing market interest rates. It is also exposed to fair value interest rate risk in relation to the restricted bank balances, time deposits and fixed-rate borrowings.

The Group currently does not have any interest rate hedging policy in relation to interest rate risks. The management of the Group will continuously monitor interest rate fluctuation and will consider hedging interest rate risk should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for the variable interest-bearing borrowings at the end of each reporting date. The management of the Group consider the Group's exposure to the interest rate risk of bank balances is not significant.

A 100 basis point increase or decrease in variable interest rates on borrowings represents managements' assessment of the reasonably possible change in interest rates. The following shows the impact to the pre-tax profit for the year/period if interest rates on borrowings had been 100 basis points higher and all other variables were held constant.

	Year ended 31 August			28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Decrease in post-tax profit for the year/period	—	–	1,500	3,550

The post-tax profit for the year/period would be increased by an equal and opposite amount if interest rates on borrowings had been 100 basis points lower and all other variables were held constant.

Credit risk

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statements of financial position.

In order to minimise the credit risk on trade and other receivables and amounts due from related parties, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The management of the Group believes that there is no material credit risk inherent in the Group's outstanding balances of trade and other receivables. In addition, the credit risk on amounts due from related parties are reduced as the Group is able to closely monitor the repayment of the related parties.

The Group had concentration of credit risk in amounts due from related parties, which were due from 3, 2 and 2 related parties as at 31 August 2015, 2016 and 2017 respectively.

There is no concentration of credit risk on bank balances and time deposits and the credit risk on liquid funds is limited because the majority of the counterparties are banks in the PRC with good reputation.

Liquidity risk

The management of the Group have adopted an appropriate liquidity risk management framework for the management of the Group's funding and liquidity management requirements. The Group manages liquidity risk by closely and continuously monitoring the financial positions of the Group. The Group recorded net current liabilities of RMB125,766,000, RMB197,682,000 and RMB125,033,000 as at 31 August 2015 and 2017 and 28 February 2018, respectively. In view of the net current liabilities position, the management of the Group 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. Having considered the cash inflow from operations, renewing the existing bank borrowings and obtaining new bank facilities, the management of the Group are satisfied that the Group is able to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows on financial liabilities based on the earliest date on which the Group and the Company is required to pay. The table includes both interest and principal cash flow. To the extent that interest rates and floating rate, the undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate	On demand or less than 1 year	1-2 years	2-5 years	Total undiscounted cash flows	Carrying amount
	%	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
The Group						
Amount due to a related party	10.8	4,320	4,787	45,103	54,210	40,000
Other Payables	—	135,592	—	—	135,592	135,592
Borrowings						
— fixed rate	10.1	136,369	103,665	828,197	1,068,231	849,504
At 31 August 2015		276,281	108,452	873,300	1,258,033	1,025,096
Amount due to a related party	10.8	5,655	47,067	—	52,722	43,100
Other Payables	—	127,611	—	—	127,611	127,611
Borrowings						
— fixed rate	10.1	145,373	689,155	167,368	1,001,896	861,777
At 31 August 2016		278,639	736,222	167,368	1,182,229	1,032,488
Amount due to a related party	10.8	42,479	—	—	42,479	42,100
Other Payables	—	86,359	—	—	86,359	86,359
Borrowings						
— fixed rate	8.5	524,525	198,105	185,437	908,067	842,329
— variable rate	6.2	7,410	8,158	178,867	194,435	150,000
At 31 August 2017		660,773	206,263	364,304	1,231,340	1,120,788
Other Payables	—	76,516	—	—	76,516	76,516
Borrowings						
— fixed rate	8.2	324,542	201,053	258,133	783,728	697,768
— variable rate	5.9	90,376	86,112	219,852	396,340	355,000
At 28 February 2018		491,434	287,165	477,985	1,256,584	1,129,284
The Company						
Amounts due to subsidiaries	—	6,499	—	—	6,499	6,499
At 28 February 2018		6,499	—	—	6,499	6,499

28c. Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management of the Group consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the Historical Financial Information approximate their fair values.

28d. Reconciliation of liabilities arising from financing activities

	Interest payable	Borrowings	Amounts due to related parties	Amounts due to third parties	Accrued listing expense	Total
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	
The Group						
At 1 September 2014	30,980	817,500	40,000	—	—	888,480
Financing cash flow (Note i)	(100,488)	30,801	—	40,350	—	(29,337)
Finance cost recognised	83,172	1,203	—	—	—	84,375
At 31 August 2015	13,664	849,504	40,000	40,350	—	943,518
Financing cash flow (Note i)	(87,795)	10,670	3,100	6,474	—	(67,551)
Net Settlement of amount due to CMS (Note ii)	—	—	—	(41,574)	—	(41,574)
Finance cost recognised	87,611	1,603	—	—	—	89,214
At 31 August 2016	13,480	861,777	43,100	5,250	—	923,607
Financing cash flow (Note i)	(80,554)	129,533	(1,000)	(5,250)	—	42,729
Finance cost recognised	76,507	1,019	—	—	—	77,526
Issue costs accrued	—	—	—	—	1,029	1,029
At 31 August 2017	9,433	992,329	42,100	—	1,029	1,044,891
Financing cash flow (Note i)	(39,253)	60,000	(42,100)	—	(1,624)	(22,977)
Finance cost recognised	41,831	439	—	—	—	42,270
Issue costs accrued	—	—	—	—	3,943	3,943
At 28 February 2018	12,011	1,052,768	—	—	3,348	1,068,127
At 1 September 2016	13,480	861,777	43,100	5,250	—	923,607
Financing cash flow (Note i) (unaudited)	(44,540)	(94,100)	263	(4,958)	—	(143,335)
Finance cost recognised (unaudited)	39,424	728	—	—	—	40,152
At 28 February 2017 (unaudited)	8,364	768,405	43,363	292	—	820,424

Notes:

i. The cash flows represent the proceeds from and repayment of borrowings, advance from and repayment to third parties, advance from and repayment to a related party and interest paid in the consolidated statements of cash flows.

ii. Detail please refer to Note 7.

29. PARTICULARS OF SUBSIDIARIES

As at the date of this report, the Company has direct or indirect interests, in the following subsidiaries:

Name of subsidiary	Place and date of incorporation/ establishment	Issued and fully paid share/registered capital at the date of report	Equity interest attributable to the Group At 31 August 2015	2016	2017	At date of this report	Principal activity
Chunlai BVI	28 November 2017 BVI	US$50,000	N/A	N/A	N/A	100%	Investment holding
Chunlai Hong Kong	19 December 2017 Hong Kong	HK$1	N/A	N/A	N/A	100%	Investment holding
Henan Chunlai	11 April 2002 The People's Republic of China (the "PRC")	Renminbi ("RMB") 112,600,000	100%	100%	100%	100%	Investment holding
Chunlai Information	19 January 2018 The PRC	US$1,000,000	N/A	N/A	N/A	100%	Rendering of education services
Chunlai Technology	1 August 2017 The PRC	RMB30,000,000	N/A	N/A	100%	100%	Investment holding
Shangqiu University	21 June 2004 The PRC	RMB80,322,912	100%	100%	100%	100%	Rendering of education services
Anyang University	27 November 2008 The PRC	RMB80,000,000	100%	100%	100%	100%	Rendering of education services
Kaifeng Campus	16 May 2013 The PRC	RMB89,005,477	100%	100%	100%	100%	Rendering of education services

The Company's financial year end date is 31 August, which is consistent with the school year. All the subsidiaries in the PRC adopt 31 December as their financial year end date. The other subsidiaries adopt 31 August as their financial year end date.

No audited financial statements have been prepared for Chunlai Technology.

No statutory audit is required for those subsidiaries in BVI or PRC engaged in operation of higher education institutions. No audited financial statements have been prepared for Chunlai (Hong Kong) as its first set of financial statements are not yet due to be issued.

30. INVESTMENT IN A SUBSIDIARY

The Company

	At 28 February 2018
	RMB'000
Unlisted shares, at cost	1

31. RESERVE

The Company

	Accumulated losses
	RMB'000
At 15 November 2017 (date of incorporation)	—
Loss and total comprehensive expense for the period	(14,914)
At 28 February 2018	(14,914)

32. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration was paid or payable by the Group to the Directors of the Company in respect of the Track Record Period.

Under the arrangement currently in force, the arrangement amount of the Director's fee and other emoluments for the year ending 31 August 2018 is estimated to be approximately RMB2,890,000.

33. EVENTS AFTER THE REPORTING PERIOD

The following events took place subsequent to the reporting date:

On 9 August 2018, the Board of Directors of the Company approved and adopted a Pre-IPO Share Option Scheme, in order to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. On 9 August 2018, 35,950,000 Shares options have been granted to 27 participants, including the directors, key management personnel and other employees, under the Pre-IPO Share Option Scheme. the exercise price of all the options granted under the Pre-IPO Share Option Scheme is HK$0.00001 per Share. Details of the Share Option Scheme are set out in "Appendix V – D. Pre-IPO Share Option Scheme and Share Award Scheme" to the Prospectus. The directors of the Company were still in process of assessing the financial impact in relation to the options granted.

On 24 August 2018, the Board of Directors of the Company also approved and conditionally adopted a Share Award Scheme, in order to align the interests of eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on the Shares and/or the increase in value of the Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group. Details of the Share Award Scheme are set out in "Appendix V – D. Pre-IPO Share Option Scheme and Share Award Scheme" to the Prospectus.

On 24 August 2018, written resolutions of the board of directors of the Company were passed to approve the matters set out in the paragraph headed "Resolutions of the Shareholders of our Company dated 24 August 2018" in Appendix V to the Prospectus.

34. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group, the Company or any of the subsidiaries of the Company subsequent to 28 February 2018.

The following is the text of a report, prepared for inclusion in this prospectus, received from the independent reporting accountants of the Company, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION OF COLLEGE OF ENGINEERING AND TECHNOLOGY OF YANGTZE UNIVERSITY 長江大學工程技術學院 TO THE DIRECTORS OF CHINA CHUNLAI EDUCATION GROUP CO., LTD. AND CLSA CAPITAL MARKETS LIMITED

Introduction

We report on the historical financial information of College of Engineering and Technology of Yangtze University 長江大學工程技術學院 (the "Target School") set out on pages IB-3 to IB-27, which comprises the statements of financial position as at 31 August 2015, 2016 and 2017 and 28 February 2018, and the statements of profit or loss and other comprehensive income, the statements of changes in equity and the statements of cash flows for each of the three years ended 31 August 2017 and the six months ended 28 February 2018 (the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages IB-3 to IB-27 forms an integral part of this report, which has been prepared for inclusion in the prospectus of China Chunlai Education Group Co., Ltd. (the "Company") dated 31 August 2018 (the "Prospectus") in connection with the initial listing of 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 Target School are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information, and for such internal control as the directors of the Target School determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

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

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in 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 Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in Note 2 to the Historical Financial

Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Target School, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Target School's financial position as at 31 August 2015, 2016 and 2017 and 28 February 2018 of its financial performance and cash flows for the Track Record Period in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Target School which comprises the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the six months ended 28 February 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Target School are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 2 to the Historical Financial information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page IB-3 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Target School in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 August 2018

HISTORICAL FINANCIAL INFORMATION OF THE TARGET SCHOOL

Preparation of Historical Financial Information

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

The financial statements of the Target School for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("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.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 August			Six months ended 28 February	
	Notes	2015	2016	2017	2017	2018
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	6	70,124	93,505	95,359	47,680	49,943
Cost of revenue		(30,710)	(50,642)	(52,766)	(29,823)	(30,879)
Gross profit		39,414	42,863	42,593	17,857	19,064
Other income	7	1,731	2,733	2,180	1,500	555
Other losses		(95)	—	(7)	—	—
Selling expenses		(236)	(166)	(45)	—	(393)
Administrative expenses		(8,306)	(13,649)	(16,857)	(8,681)	(7,943)
Finance costs	8	—	—	(381)	—	(855)
Profit before taxation		32,508	31,781	27,483	10,676	10,428
Taxation	9	—	—	—	—	—
Profit and total comprehensive income for the year/period attributable to owners of the Target School	10	32,508	31,781	27,483	10,676	10,428

STATEMENTS OF FINANCIAL POSITION

	NOTES	At 31 August 2015	At 31 August 2016	At 31 August 2017	At 28 February 2018
		RMB'000	RMB'000	RMB'000	RMB'000
Non-current Assets					
Property, plant and equipment	12	1,532	7,645	63,511	93,861
Prepaid lease payments	13	—	—	48,500	48,000
		1,532	7,645	112,011	141,861
Current Assets					
Trade and other receivables	14	2,193	1,449	1,907	17,100
Amount due from a related party	15	8,847	6,299	3,871	2,888
Loan to Henan Chunlai*	18(a)	28,202	29,805	3,824	3,824
Prepaid lease payments	13	—	—	1,000	1,000
Bank balances and cash	16	37,257	72,322	37,590	34,178
		76,499	109,875	48,192	58,990
Current Liabilities					
Deferred revenue		37,728	43,957	21,087	49,943
Other payables and accrued expenses	17	7,795	9,274	10,663	11,172
		45,523	53,231	31,750	61,115
Net Current Assets (Liabilities)		30,976	56,644	16,442	(2,125)
Total Assets Less Current Liabilities		32,508	64,289	128,453	139,736
Non-current Liability					
Borrowing from Henan Chunlai*	18(b)	—	—	36,681	37,536
Net Assets		32,508	64,289	91,772	102,200
Capital and Reserves					
Paid-in capital	19	—	—	—	—
Reserves		32,508	64,289	91,772	102,200
Total Equity		32,508	64,289	91,772	102,200

* Henan Shangqiu Chunlai Education Corporation 河南商丘春來教育集團 ("Henan Chunlai") is a subsidiary of the Company.

STATEMENTS OF CHANGES IN EQUITY

	Paid-in capital	Statutory reserve	Retained earnings	Total
	RMB'000	RMB'000 (note)	RMB'000	RMB'000
Balance at 1 September 2014	—	—	—	—
Profit and total comprehensive income for the year	—	—	32,508	32,508
Transfer	—	8,127	(8,127)	—
Balance at 31 August 2015	—	8,127	24,381	32,508
Profit and total comprehensive income for the year	—	—	31,781	31,781
Transfer	—	7,945	(7,945)	—
Balance at 31 August 2016	—	16,072	48,217	64,289
Profit and total comprehensive income for the year	—	—	27,483	27,483
Transfer	—	6,871	(6,871)	—
Balance at 31 August 2017	—	22,943	68,829	91,772
Profit and total comprehensive income for the period	—	—	10,428	10,428
Balance at 28 February 2018	—	22,943	79,257	102,200
Balance at 1 September 2016	—	16,072	48,217	64,289
Profit and total comprehensive income for the period (Unaudited)	—	—	10,676	10,676
Balance at 28 February 2017 (Unaudited)	—	16,072	58,893	74,965

Note: According to the relevant PRC laws and regulations, for a private school that does not require reasonable return, it is required to appropriate to development fund of not less than 25% of the net income of the relevant school as determined in accordance with generally accepted accounting principles in the PRC. The development fund is for the construction or maintenance of the school or procurement or upgrading of educational equipment.

STATEMENTS OF CASH FLOWS

	Year ended 31 August			Six months ended 28 February	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
OPERATING ACTIVITIES					
Profit before taxation	32,508	31,781	27,483	10,676	10,428
Adjustments for:					
Finance costs	—	—	381	—	855
Interest income	(1,143)	(1,652)	(1,241)	(971)	(201)
Depreciation of property, plant and equipment	74	309	610	276	449
Release of prepaid lease payments	—	—	500	—	500
Operating cash flows before movements in working capital	31,439	30,438	27,733	9,981	12,031
(Increase) decrease in trade and other receivables	(2,216)	744	(458)	(14,927)	(15,193)
(Increase) decrease in amount due from a related party	(8,847)	2,548	2,428	1,025	983
Increase (decrease) in deferred revenue	37,728	6,229	(22,870)	3,675	28,856
Increase (decrease) in other payables and accruals	7,391	576	1,949	239	(727)
Cash generated from (used in) operations	65,450	40,535	8,782	(7)	25,950
Income tax paid	—	—	—	—	—
NET CASH FROM (USED IN) OPERATING ACTIVITIES	65,450	40,535	8,782	(7)	25,950
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(1,202)	(5,610)	(57,094)	(18,064)	(29,563)
Prepaid land lease payments	—	—	(50,000)	(50,000)	—
Advance to Henan Chunlai	(27,000)	—	—	—	—
Repayment from Henan Chunlai	—	—	27,000	—	—
Interest income received	9	140	280	215	201
NET CASH USED IN INVESTING ACTIVITIES	(28,193)	(5,470)	(79,814)	(67,849)	(29,362)
CASH FROM A FINANCING ACTIVITY					
Advance from Henan Chunlai	—	—	36,300	—	—
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	37,257	35,065	(34,732)	(67,856)	(3,412)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD	—	37,257	72,322	72,322	37,590
CASH AND CASH EQUIVALENTS AT THE END OF YEAR/PERIOD	37,257	72,322	37,590	4,466	34,178

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target School was established as a private higher education institution under the Law for Promotion of Private Education 民辦教育促進法 on 18 March 2004. The registered address and principal place of business of the Target School is 85 Xue Yuan Road, Jingzhou, Hubei Province, the People's Republic of China (the "PRC").

During the Track Record Period, the Target School is principally engaged in the operation of a private higher education institution in the PRC.

The Historical Financial Information is presented in RMB, which is the same as the functional currency of the Target School.

2. BASIS OF PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in note 4 which conform with IFRS.

The Target School recorded net current liabilities of RMB2,125,000 as at 28 February 2018. The directors of the Target School have considered the cash inflow from operations and were satisfied that the Target School is able to meet in full its financial obligations as they fall due for the foreseeable future. The directors of the Target School considered that the Target School would have sufficient financial resources to continue as a going concern. Therefore, the financial statements of the Target School for the six months ended 28 February 2018 have been prepared on going concern basis.

3. APPLICATION OF IFRSs

For the purpose of preparing the Historical Financial Information for the Track Record Period, the Target School has consistently adopted accounting policies which conform with the International Accounting Standards ("IASs"), IFRSs, amendments and the related interpretations ("IFRICs"), which are effective for the accounting period beginning on 1 September 2017 throughout the Track Record Period.

New and revised IFRSs in issue but not yet effective

At the date of this report, the following new standards, amendments and interpretations have been issued but are not yet effective. The Target School has not early adopted these standards, amendments and interpretations in the preparation of the Historical Financial Information for the Track Record Period.

IFRS	
IFRS 9	Financial Instruments[1]
IFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
IFRS 16	Leases[2]
IFRS 17	Insurance Contracts[4]
IFRIC 22	Foreign Currency Transactions and Advance Consideration[1]
IFRIC 23	Uncertainty over Income Tax Treatment[1]
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts[1]

3. APPLICATION OF IFRSs – continued

IFRS

Amendments to IFRS 9	Prepayment Features with Negative Compensation[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[2]
Amendments to IFRS 28	Long-term Interests in Associates and Joint Venture[2]
Amendment to IAS 28	As part of the Annual Improvements to IFRS Standards 2014-2016 Cycle[1]
Amendments to IAS 40	Transfers of Investment Property[1]
Amendments to IFRSs	Annual Improvements to IFRSs Standards 2015-2017 Cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018

2 Effective for annual periods beginning on or after 1 January 2019

3 Effective for annual periods beginning on or after a date to be determined

4 Effective for annual periods beginning on or after 1 January 2021

IFRS 9 "Financial Instruments"

IFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of IFRS 9 which are relevant to the Target School are described below:

All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt instruments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other wording, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

In the opinion of the management of the Target School, based on the historical experience of the Target School, there was no default in outstanding balances from debtors in the past. Hence, the management of the Target School anticipate that the application of IFRS 9 would not have material impact on the Target School's future financial statements. The above assessments were made based on an analysis of the Target School's financial assets as at 28 February 2018 on the basis of the facts and circumstances that existed at that date. The management of the Target School intends to apply practical expedients prescribed in the standard upon the first adoption. It is also expected that the adoption of IFRS 9 in the future may not have other significant impact on amounts reported in respect of the Target School's financial assets and financial liabilities based on an analysis of the Target School's financial instrument as at 28 February 2018.

3. APPLICATION OF IFRSs – continued

IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 "Revenue", IAS 11 "Construction Contracts" and the related interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i. e. when control of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

Furthermore, extensive disclosures are required by IFRS 15.

In 2016, the International Accounting Standards Board issued Clarifications to IFRS 15 in relation to the identification of performance obligations, principal versus agent consideration, as well as licencing application guidance.

The directors of the Target School anticipate that the application of IFRS 15 in the future may result in more disclosures, however, the directors of the Target School do not anticipate that the application of IFRS 15 will have a material impact on the timing and amounts of revenue recognised on the Target School's future financial statements.

IFRS 16 "Leases"

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 "Leases" and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

3. APPLICATION OF IFRSs – continued

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Target School currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use while other operating lease payments are presented as operating cash flows. Under IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Target School.

Under IAS 17, the Target School has already recognised prepaid lease payments for leasehold lands where the Group is a lessee. The application of IFRS 16 may result in potential changes in classification of these assets depending on whether the Target School presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Furthermore, extensive disclosures are required by IFRS 16.

As at 28 February 2018, the Target School has non-cancellable operating lease commitments of approximately RMB17 million annually (subject to adjustment upon actual use of campus area) as disclosed in note 20. A preliminary assessment indicates that these arrangements meet the definition of a lease under IFRS 16 and hence the Target School will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. Other than indicated above, the management of the Target School does not expect the adoption of IFRS 16, as compared to the current accounting policy of the Target School, would result in significant impact on the results and the net assets of the Target School.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB. In addition, the Historical Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The Historical Financial Information has been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target School takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Historical Financial Information is determined on such a basis, except for leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

4. SIGNIFICANT ACCOUNTING POLICIES – continued

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Service income includes tuition and boarding fees from a university of the Target School.

Tuition and boarding fees are generally received in advance prior to the beginning of each school year, and are initially recorded as deferred revenue. The fees are recognised proportionately over the relevant period of the applicable programme. The portion of the fees received from students but not earned is recorded as deferred revenue and is reflected as a current liability as such amounts represent revenue that the Target School expects to earn within one year.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Target School and the amount of the income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Government grants

Government grants are not recognised until there is reasonable assurance that the Target School will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Target School recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses of losses already incurred or for the purpose of giving immediate financial support to the Target School with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to defined contribution retirement benefit plans and state-managed retirement benefit schemes are charged as expenses when employees have rendered services entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from the profit before taxation as reported in the statements of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target School's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

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

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Target School expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment held for use in the supply of services, or for administrative purposes (other than properties under construction as described below) are stated in the statements of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Target School's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Depreciation is recognised so as to write off the cost of assets other than properties under construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Prepaid lease payments

Prepaid lease payments represent payments for obtaining land use right and is amortised to profit or loss on a straight-line basis in accordance with the best estimate of useful life based on the normal terms in the PRC. Prepaid lease payments which is to be amortised to profit or loss in the next twelve months is classified as current assets.

Impairment of assets

At the end of each reporting period, the Target School reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Target School estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then the other asset on a pro-rata basis based on the carrying amount of each assets in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro-rata to the other assets of the unit, An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Target School's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amount due from a related party, loan to Henan Chunlai and bank balances and cash) are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Objective evidence of impairment for a portfolio of receivables could include the Target School's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit terms of the customers, observable changes in national or local economic conditions that correlate with defaults on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target School are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including other payables and borrowing from Henan Chunlai are subsequently measured at amortised cost, using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES – continued

Derecognition

The Target School derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial assets and substantially all the risks and rewards of ownership of the asset to another entity. If the Target School neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target School recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Target School retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target School continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Target School derecognises financial liabilities when, and only when, the Target School's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target School's accounting policies, which are described in Note 4, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following is the key assumption concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of non-financial assets

The Target School assesses whether there are any indicators of impairment for the non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceed 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.

6. REVENUE AND SEGMENT INFORMATION

The Target School is mainly engaged in the operation of a private higher education institution in the PRC.

Revenue represents services income from tuition and boarding fees.

The Target School's operating activities are attributable to a single operating segment focusing on the provision of private higher education in the PRC. This operating segment has been identified on the basis of internal management reports, prepared in accordance with the relevant accounting principles and financial regulations applicable in the PRC which conform with IFRSs, that are regularly reviewed by the chief operating decision maker ("CODM"), being the chief executive officer of the Target School, for the purpose of allocating resources and assessing its performance. The CODM reviews the Target School's profit for the year/period as a whole for performance assessment.

The Revenue attributable to the Target School's service lines are as follows:

	Year ended 31 August			Six months ended 28 February	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Tuition fees	66,595	89,157	91,554	45,314	47,083
Boarding fees	3,529	4,348	3,805	2,366	2,860
Total revenue	70,124	93,505	95,359	47,680	49,943

Major Customers

No single customer contributes 10% or more of total revenue of the Target School during the Track Record Period.

Geographical information

The Target School operates in the PRC. All the non-current assets of the Target School are located in the PRC.

7. OTHER INCOME

	Year ended 31 August			Six months ended 28 February	
	2015	**2016**	**2017**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000 (Unaudited)**	**RMB'000**
Government grants (Note)	174	5	60	—	46
Interest income	1,143	1,652	1,241	971	201
Others	414	1,076	879	529	308
	1,731	2,733	2,180	1,500	555

Note: Government grants mainly represent non-conditional subsidies from government for organising schools activities and outstanding academic performance of the schools.

8. FINANCE COSTS

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest expense in relation to:					
— Borrowing from Henan Chunlai (Note 18)	—	—	381	—	855

No borrowing cost has been capitalised during the Track Record Period.

9. TAXATION

The taxation for the Track Record Period can be reconciled to the profit before taxation per the statements of profit or loss and other comprehensive income as follows:

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before taxation	32,508	31,781	27,483	10,676	10,428
Tax calculated at a taxation rate of 25%	8,127	7,945	6,871	2,669	2,607
Tax effect of profit from non-profit making organisation excempted for tax purpose	(8,127)	(7,945)	(6,871)	(2,669)	(2,607)
Taxation for the year/period	—	—	—	—	—

PRC Enterprise Income Tax ("EIT") is provided on taxable profits of entities incorporation in the PRC, pursuant to the Enterprise Income Tax Law of the PRC (the "EIT Law"). The EIT Rate was 25% during the Track Record Period.

Based on the confirmations from in-charge tax authority, there is no EIT imposed on the profit from the provision of formal educational services of the Target School. As a result, no income tax expense was recognised and paid for the profit from the provision of formal educational services during the Track Record Period.

10. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit for the year/period has been arrived at after charging:					
Staff costs, including directors' remuneration (Note)					
— Salaries and other allowances	19,002	28,255	28,908	15,587	15,656
— Retirement benefit scheme contributions	1,825	5,381	4,769	2,378	2,928
Total staff costs	20,827	33,636	33,677	17,965	18,584
Auditor's remuneration	–	–	–	—	—
Depreciation of property, plant and equipment	74	309	610	276	449
Release of prepaid lease payments	—	—	500	—	500

Note: There was no directors' remuneration for the Track Record Period as the remuneration of executive directors, Xie Hongxing, Yu Zuxiong, Zhou Congbiao, Lou Yishan, Peng Xueyuan, Zhao Dexiang and Guo Maicheng, were borne by Yangtze University 長江大學, the sponsor of the Target School.

11. DIVIDENDS

No dividends have been paid or proposed by the Target School during the Track Record Period, nor has any dividend been proposed after the Track Record Period.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures	Motor vehicles	Electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST					
At 1 September 2014	—	—	—	—	—
Additions	489	10	622	485	1,606
At 31 August 2015	489	10	622	485	1,606
Additions	339	—	1,094	4,989	6,422
At 31 August 2016	828	10	1,716	5,474	8,028
Additions	236	217	737	55,286	56,476
At 31 August 2017	1,064	227	2,453	60,760	64,504
Additions	3,810	—	—	26,989	30,799
At 28 February 2018	4,874	227	2,453	87,749	95,303

12. PROPERTY, PLANT AND EQUIPMENT – continued

	Furniture and fixtures	Motor vehicles	Electronic equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
DEPRECIATION					
At 1 September 2014	—	—	—	—	—
Provided for the year	32	1	41	—	74
At 31 August 2015	32	1	41	—	74
Provided for the year	125	2	182	—	309
At 31 August 2016	157	3	223	—	383
Provided for the year	199	13	398	—	610
At 31 August 2017	356	16	621	—	993
Provided for the period	182	23	244	—	449
At 28 February 2018	538	39	865	—	1,442
CARRYING VALUES					
At 28 February 2018	4,336	188	1,588	87,749	93,861
At 31 August 2017	708	211	1,832	60,760	63,511
At 31 August 2016	671	7	1,493	5,474	7,645
At 31 August 2015	457	9	581	485	1,532

The above items of property, plant and equipment, other than construction in progress, are depreciated on a straight-line basis at the following rate per annum:

Furniture and fixtures	9.5% — 19%
Motor vehicles	19% — 32%
Electronic equipment	9.5% — 20%

13. PREPAID LEASE PAYMENTS

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Analysed for reporting purposes as:				
Non-current asset	—	—	48,500	48,000
Current asset	—	—	1,000	1,000
	—	—	49,500	49,000

As at 28 February 2018, the Target School was still in the process of obtaining the land use right certificates. The land use right certificate was subsequently obtained on 22 March 2018.

14. TRADE AND OTHER RECEIVABLES

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Tuition and boarding fee receivables (Note i)	659	725	740	5,679
Prepaid rental of campus to Yangtze University (Note 20a)	—	—	—	10,060
Others	1,534	724	1,167	1,361
	2,193	1,449	1,907	17,100

The following is an ageing analysis of tuition and boarding fee receivables at the end of each reporting period.

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Ageing of tuition and boarding fee receivables				
0-30 days	659	725	740	—
31-180 days	—	—	—	5,665
181-360 days	—	—	—	14
Total	659	725	740	5,679

(i) The students are required to pay tuition fees and boarding fees in advance for the upcoming school year, which normally commences in August and September. The outstanding receivables mainly represent amounts related to the registered students who have applied for the delayed payment of tuition fees and boarding fees. There is no fixed credit term for payments. In view of the aforementioned and the fact that the Target School's tuition receivables related to a large number of individual students, there is no significant concentration of credit risk and no impairment is necessary based on the historical settlement pattern from students. The Target School does not hold any collateral or other credit enhancement over its tuition receivables balance.

15. AMOUNT DUE FROM A RELATED PARTY

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Yangtze University* 長江大學	8,847	6,299	3,871	2,888

* Yangtze University 長江大學 is the sponsor of the Target School. The balance is non-trade in nature, unsecured and with no fixed term of repayment and interest free.

16. BANK BALANCES AND CASH

Bank balances and cash comprise cash and short-term deposits held by the Target School with an original maturity of three months or less.

As at 31 August 2015, 2016 and 2017 and 28 February 2018, the Target School's bank deposits carried a weighted-average interest rate of 0.35%, 0.35%, 0.35% and 0.35% per annum, respectively.

17. OTHER PAYABLES AND ACCRUED EXPENSES

	At 31 August			At 28 February
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Accrued staff benefits and payroll	939	2,077	2,185	211
Payables for construction	404	1,216	598	1,834
Receipt on behalf of ancillary services providers	3,558	2,529	2,773	4,308
Others payables and accruals	2,461	2,748	4,356	3,913
Other taxes payables	433	704	751	906
	7,795	9,274	10,663	11,172

18. LOAN TO (BORROWING FROM) HENAN CHUNLAI

(a) Loan to Henan Chunlai

	At 31 August			At 28 February
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Loan to Henan Chunlai (Note i)	28,202	29,805	3,824	3,824

(i) The loan to Henan Chunlai was non-trade in nature, repayable on demand and carried an interest rate of 5.6% per annum with the principal amount settled as at 31 August 2017.

(b) Borrowing from Henan Chunlai

	At 31 August			At 28 February
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Borrowing from Henan Chunlai	—	—	36,681	37,536

The borrowing from Henan Chunlai was unsecured and carried fixed interest rate at 4.75% per annum without fixed repayment term. Henan Chunlai provided a written confirmation to Target School and agreed not to call back the loan within the next 12 months at the end of each reporting period.

19. PAID-IN CAPITAL

The sponsor of the Target School had not made contribution into the Target School since its establishment.

20. COMMITMENTS

a. Operating lease commitment

The Target School as lessee

The existing campus of the Target School was rented from Yangtze University during Track Record Period. According to the cooperation agreement with Yangtze University, the Target School shall pay Yangtze University a base rental of RMB17 million annually (subject to adjustment upon actual use of campus area) as rental fee to utilise the existing campus resources until the existing campus is replaced by and relocated to a new campus. During the Track Record Period, the Target School has paid rental fees to Yangtze University of RMB12,343,000, RMB19,749,000, RMB20,232,000 and RMB10,060,000 respectively, including contingent lease payment of nil, RMB2,749,000, RMB3,232,000 and RMB1,560,000.

b. Capital commitments

	At 31 August			At 28 February
	2015	**2016**	**2017**	**2018**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	—	34,814	25,616	8,403
Capital expenditure in respect of prepaid land lease payments	—	—	—	116,548
	—	—	—	124,951

21. RETIREMENT BENEFITS SCHEMES

During the Track Record Period, the employees of the Target School are members of the state-management retirement benefits scheme operated by the PRC government. The Target School is required to contribute a specified percentage of payroll costs as determined by respective local government authority to the retirement benefits scheme to fund the benefits. The only obligation of the Target School with respect to the retirement benefits scheme is to make the specified contribution under the scheme.

The amounts of contributions made by the Target School in respect of the retirement benefit scheme during the Track Record Period are disclosed in Note 10 listed above.

22. RELATED PARTY TRANSACTIONS

During the Track Record Period, besides the disclosures elsewhere in the Historical Financial Information, the Target School entered into the following transactions with related parties:

(i) Transactions and balances

The Target School had the following transaction with its related party during the Track Record Period:

Related party	Relationship	Nature of transaction	Year ended 31 August			Six months ended 28 February	
			2015	2016	2017	2017	2018
			RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Yangtze University . .	Sponsor	Rental for the campus	12,343	19,749	20,232	10,008	10,060

(ii) Compensation of key management personnel

The remuneration of the key management during the Track Record Period were as follows:

	Year ended 31 August			Six months ended 28 February	
	2015	2016	2017	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Short-term benefits	197	327	326	163	174
Retirement benefit scheme contribution	53	76	74	37	43
	250	403	400	200	217

23. CAPITAL RISK MANAGEMENT

The Target School manages its capital to ensure that it will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Target School's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Target School consists of debt, which includes borrowing from Henan Chunlai and equity, which includes the paid-in-capital and reserves, as disclosed in the Historical Financial Information.

The Target School's management reviews the capital structure regularly. The Target School considers the cost of capital and the risks associated with each class of capital, and will balance its overall capital structure through the payment of dividends, receipts of new capitals as well as raising of bank borrowings, if necessary.

24. FINANCIAL INSTRUMENTS

24a. Categories of financial instruments

Categories of financial instruments

The carrying amounts of financial assets and financial liabilities are as follows:

	At 31 August			At 28 February
	2015	2016	2017	2018
	RMB'000	RMB'000	RMB'000	RMB'000
Financial assets				
Loans and receivables (including bank balance and cash)	76,499	109,875	47,192	47,930
Financial liabilities				
Amortised cost	6,423	6,493	44,408	47,411

24b. Financial risk management objectives and policies

The Target School's major financial instruments include trade and other receivables, loan to Henan Chunlai, amount due from a related party, bank balances and cash, other payables and borrowing from Henan Chunlai. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments include market risk (mainly interest rate risk), credit risk and liquidity risk. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Interest rate risk

The Target School is exposed to cash flow interest rate risk in relation to bank balances. It is also exposed to fair value interest rate risk in relation to amount due from a related party and loan to/borrowing from Henan Chunlai with fixed interest rate.

The Target School currently does not have any interest rate hedging policy in relation to interest rate risks. The directors of the Target School will continuously monitor interest rate fluctuation and will consider hedging interest rate risk should the need arise.

No sensitivity analysis has been presented since the exposure of the variable-rate financial instruments is minimal.

Credit risk

The Target School's maximum exposure to credit risk which will cause a financial loss to the Target School due to failure to discharge an obligation by the counterparties arises from the carrying amount of the respective recognised financial assets as stated in the statements of financial position.

In order to minimise the credit risk on trade and other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of receivables based on historical settlement records and past experience. The directors of the Target School believe that there is no material credit risk inherent in the Target School's outstanding balances of trade and other receivables.

The Target School has concentration of credit risk in amounts due from one related party as at 31 August, 2015, 2016 and 2017 and 28 February 2018 respectively.

24. FINANCIAL INSTRUMENTS – continued

There is no concentration of credit risk and the credit risk on bank balances is limited because the majority of the counterparties are banks in the PRC with good reputation.

Liquidity risk

The directors of the Target School have adopted an appropriate liquidity risk management framework for the management of the Target School's funding and liquidity management requirements. The Target School manages liquidity risk by closely and continuously monitoring the financial positions of the Target School. The Target School recorded net current liabilities of RMB2,125,000 as at 28 February 2018. In preparing the Historical Financial Information, the directors of the Target School have given careful consideration to the liquidity and performance of the Target School and its available sources of finance in assessing whether the Target School will have sufficient financial resources to continue as a going concern. Having considered the cash inflow from operations, the directors of the Target School are satisfied that the Target School is able to meet in full its financial obligations as they fall due for the foreseeable future.

The following table detail the Target School's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms.

	Weighted average effective interest rate	On demand or less than 1 year	1-2 years	Total undiscounted cash flows	Carrying amount
	%	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Other Payables	N/A	6,423	—	6,423	6,423
At 31 August 2015		6,423	—	6,423	6,423
Other Payables	N/A	6,493	—	6,493	6,493
At 31 August 2016		6,493	—	6,493	6,493
Other Payables	N/A	7,727	—	7,727	77,27
Borrowing from Henan Chunlai	4.75%	1,724	38,024	39,748	36,681
At 31 August 2017		9,451	38,024	47,475	44,408
Other Payables	N/A	9,875	—	9,875	9,875
Borrowing from Henan Chunlai	4.75%	1,783	38,427	40,210	37,536
At 28 February 2018		11,658	38,427	50,085	47,411

24c. Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Target School consider that the carrying amounts of financial assets and financial liabilities recorded at amortised costs in the financial statements approximate their fair values.

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Borrowing from Henan Chunlai
	(RMB'000)
At 1 September 2014, 2015 and 31 August 2016	—
Financing cash flow (Note)	36,300
Finance cost recognised	381
At 31 August 2017	36,681
Financing cash flow (Note)	—
Finance cost recognised	855
At 28 February 2018	37,536
At 1 September 2016 and 28 February 2017 (unaudited)	—

Note: The cash flows represent the proceeds from borrowing from Henan Chunlai in the statements of cash flows.

26. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target School subsequent to 28 February 2018.

*The information set forth in this Appendix does not form part of the accountants' report on the historical financial information of the Group for the years ended 31 August 2015, 2016 and 2017 and six months ended 28 February 2018 (the "**Accountants' Report**") prepared by Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, the reporting accountants of the Company, as set forth in Appendix IA to this document, and is included herein for illustrative purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this document and the Accountants' Report set forth in Appendix IA to this Prospectus.*

*For illustrative purposes only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out here to provide prospective investors with further financial information on (i) how the Global Offering might have affected the financial position of the Group as if the Global Offering had taken place on 28 February 2018; and (ii) how the acquisition of College of Engineering and Technology of Yangtze University (the "**Target School**") might have affected the financial position of the Group as if the acquisition had taken place on 28 February 2018.*

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

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

The following unaudited pro forma statement of adjusted consolidated net tangible assets prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purpose only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group as at 28 February 2018 as if the Global Offering had taken place on such date.

This unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group attributable to owners of the Company as at 28 February 2018 following the Global Offering or as at any subsequent dates. It is prepared based on the audited consolidated net tangible assets of the Group attributable to owners of the Company as at 28 February 2018 as derived from the Accountants' Report of the Group set out in Appendix IA of this prospectus and adjusted as described below.

	Audited consolidated net tangible assets of the Group attributable to the owners of the Company as at 28 February 2018	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 28 February 2018	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company as at 28 February 2018 per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK$ (Note 4)
Based on an Offer Price of HK$2.08 per Offer Share	533,861	495,473	1,029,334	0.86	0.99
Based on an Offer Price of HK$2.98 per Offer Share	533,861	722,525	1,256,386	1.05	1.20

Notes:–

(1) The audited consolidated net tangible assets of the Group as at 28 February 2018 is extracted from the consolidated statement of financial position as at 28 February 2018 as set out in Appendix IA to this prospectus.

(2) The estimated net proceeds from the Global Offering are based on 300,000,000 Offer Shares at the indicative Offer Price of HK$2.08 (equivalent to RMB1.81) and HK$2.98 (equivalent to RMB2.59) per Offer Share, respectively, after deduction of underwriting fees and commissions and other listing related expenses paid/payable by the Company (excluding the listing expenses which has been charged to profit or loss up to 28 February 2018), and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company or (iv) which may be granted under the Share Award Scheme. For the purpose of the estimated net proceeds from the Global Offering, the amount denominated in Hong Kong dollars has been converted into Renminbi at the rate of HK$1 to RMB0.8697, which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the HK$ amounts have been, could have been or may be converted to RMB, or vice versa, at that rate or any other rates or at all.

(3) The unaudited pro forma adjusted consolidated net tangible assets of the Group per Share is arrived at on the basis that 1,200,000,000 Shares were in issue assuming that the Global Offering had been completed on 28 February 2018 and without taking into account of any shares (i) which may be allotted and issued upon the exercise of the Over-allotment Option or (ii) which may be issued under Pre-IPO Share Option Scheme or (iii) which may be allotted and issued or repurchased by our Company under the general mandates for the allotment and issue or repurchase of shares granted to the directors of the Company or (iv) which may be granted under the Share Award Scheme.

(4) For the purpose of unaudited pro forma adjusted consolidated net tangible assets of the Group per Share, the amount stated in RMB is converted into Hong Kong dollar at the rate of RMB0.8697 to HK$1, which was the exchange rate prevailing on Latest Practicable Date with reference to the rate published by the People's Bank of China. No representation is made that the RMB amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate or at all.

(5) No adjustment has been made to the unaudited pro forma adjusted consolidated net tangible assets of the Group as at 28 February 2018 to reflect any trading result or other transaction of the Group entered into subsequent to 28 February 2018.

B. UNAUDITED PRO FORMA INFORMATION OF THE ENLARGED GROUP

(I) Basis of preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group

The following is the unaudited pro forma consolidated statement of assets and liabilities of the Group enlarged upon completion of the proposed acquisition of the Target School 長江大學工程技術學院, (the Group and the Target School are collectively referred to as the "Enlarge Group") (the "Unaudited Pro Forma Financial Information"), which has been prepared in accordance with Rule 4.29 of the Main Board Listing Rules for the purpose of illustrating the effect on the financial position of the Enlarged Group as if the acquisition of 100% of interest of the Target School by the Group (the "Acquisition") had been completed on 28 February 2018.

The Unaudited Pro Forma Financial Information of the Enlarged Group is prepared based on the audited consolidated statement of financial position of the Group as at 28 February 2018 as set out in Appendix IA to this Prospectus; after taking into account of the unaudited pro forma adjustments, which are directly attributable to the Acquisition and factually supportable, as described in the notes thereto to demonstrate how the Acquisition might have affected the historical financial information in respect of the Group as if the Acquisition had been completed on 28 February 2018.

The Unaudited Pro Forma Financial Information of the Enlarged Group has been prepared by the directors of the Company for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group as at 28 February 2018 or any future period.

The Unaudited Pro Forma Financial Information of the Enlarged Group should be read in conjunction with other financial information included elsewhere in the Prospectus.

(2) Unaudited Pro Forma Consolidated Statement of Assets and Liabilities of the Enlarged Group

	The Group as at 28 February 2018	The Target School as at 28 February 2018	Pro forma adjustments		Unaudited pro forma statement of assets and liabilities of the Enlarged Group as at 28 February 2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Audited)	(Audited)	(Unaudited)	(Unaudited)	(Unaudited)
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	
Non-current Assets					
Property, plant and equipment	772,107	93,861	–	–	865,968
Prepaid land lease payments	347,104	48,000	–	–	395,104
Goodwill	–	–	–	17,800	17,800
Prepayment for cooperation agreements	100,000	–	–	(100,000)	–
Other non-current assets	141,627	–	(37,536)	–	104,091
	1,360,838	141,861	(37,536)	(82,200)	1,382,963
Current Assets					
Trade and other receivables	13,250	17,100	–	–	30,350
Prepaid lease payments	8,153	1,000	–	–	9,153
Amount due from the shareholder	7	–	–	–	7
Amounts due from a related party	–	2,888	–	–	2,888
Loan to Henan Chunlai	–	3,824	(3,824)	–	–
Bank balances and cash	181,737	34,178	–	(20,000)	195,915
Time deposits	370,000	–			370,000
	573,147	58,990	(3,824)	(20,000)	608,313
Current Liabilities					
Deferred revenue	246,351	49,943	–	–	296,294
Other payables and accrued expenses	100,730	11,172	–	–	111,902
Income tax payable	275	–	–	–	275
Borrowings	350,824	–	(3,824)	–	347,000
	698,180	61,115	(3,824)	–	755,471
Net Current Liabilities	(125,033)	(2,125)	–	(20,000)	(147,158)
Total Assets Less Current Liabilities	1,235,805	139,736	(37,536)	(102,200)	1,235,805
Non-current Liabilities					
Borrowing from Henan Chunlai	–	37,536	(37,536)	–	–
Borrowings	701,944	–	–	–	701,944
Total non-current Liabilities	701,944	37,536	(37,536)	–	701,944
Net Assets	533,861	102,200	–	(102,200)	533,861

(3) Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group

1. The amounts were extracted from the audited consolidated statement of financial position of the Group as at 28 February 2018 as set out in Appendix IA to the Prospectus.

2. The amounts were extracted from the audited statement of financial position of the Target School as at 28 February 2018 as set out in Appendix IB to the Prospectus.

3. The pro forma adjustment represents elimination for inter-group balances between the Group and the Target School.

4. Pursuant to the cooperation agreement and a series of supplementary arrangement in relation to the Acquisition (collectively as "Acquisition Agreements"), the total consideration of the Acquisition is RMB120,000,000, among which, RMB100,000,000 has been paid upon signing of Acquisition Agreements, and the remaining RMB20,000,000 will be paid by cash upon the completion of Acquisition.

   The pro forma adjustment reflects the allocation of the cost of the Acquisition to the identifiable assets and liabilities of the Target School, which represents:

   (a) Fair value adjustment of the identifiable assets and liabilities of the Target School

   Upon completion of the Acquisition, the identifiable assets and liabilities of the Target School in the unaudited pro forma consolidated statement of financial position of the Enlarged Group will be accounted for at fair value under the acquisition method of accounting in accordance with International Financial Reporting Standard 3 "Business Combinations".

   For the purpose of this Unaudited Pro Forma Financial Information, the directors of the Company had assumed that the carrying values of the identifiable assets and liabilities of the Target School approximated their fair values, which will be reassessed on the completion date of the Acquisition together with the fair value assessment of the intangible assets and deferred tax impact in relation to such fair value adjustments. The final fair values of identifiable assets and liabilities of the Target School resulting from the business combination on the date of completion may be materially different from that assessed by the directors of the Company as at 28 February 2018 as shown above.

   (b) Recognition of goodwill in relation to the Acquisition

   Goodwill of the Enlarged Group represents the excess of the cost of the Acquisition over the estimated fair value of the identifiable net assets of the Target School.

   For the purpose of the preparation of the Unaudited Pro Forma Financial Information and for illustrative purpose, the recognition of goodwill arising from the Acquisition is analysed as follows:

	RMB'000
Cash Consideration (Note 1)	120,000
Less: Carrying amounts of the identifiable assets and liabilities to be acquired	(102,200)
Goodwill (Note 2)	17,800

Note 1: The settlement of the consideration amounted to RMB120,000,000 in cash, among which, RMB100 million has been paid upon signing of Acquisition Agreements.

Note 2: According to the Company's accounting policy on the goodwill impairment that conforms with the requirement of the International Accounting Standard 36 "Impairment of Assets", after initial recognition, the goodwill will be measured at cost less any accumulated impairment losses. The goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the goodwill is, from the completion date, allocated to the Enlarged Group's cash generating units, that are expected to benefit from the synergies of the acquisition, irrespective of whether other assets or liabilities of the Enlarged Group are assigned to those units or groups of units. Further, impairment is determined by assessing the recoverable amount of the cash-generating units to which the goodwill relates. Where the recoverable amount of the cash-generating units is less than the carrying amount of the units, an impairment loss will be recognised by reducing the carrying amount of any goodwill allocated to the units at first.

For purposes of the Unaudited Pro Forma Financial Information, goodwill has been allocated to one cash generating unit, representing the business of the Target School. The recoverable amount of this cash generating unit has been determined based on a value in use calculation as at 28 February 2018, which is calculated using assumptions of growth rate and discount rate. Other assumptions for the value in use calculation relate to the estimation of cash inflows/outflows and such estimation is based on the past performance and management's expectations. The directors of the Company have concluded, after such assessment, no impairment in respect of the goodwill should be recorded in the Unaudited Pro Forma Financial Information as of 28 February 2018. The directors of the Company have further determined that any reasonable possible change in the key assumptions would not cause the unit's carrying amount to exceed its recoverable amount as at 28 February 2018 for the purpose of the Unaudited Pro Forma Financial Information.

The Company will adopt consistent accounting policies to assess the impairment of goodwill in the preparation of annual financial statements subsequent to the completion of the Acquisition.

Since the fair value of the identifiable net assets of the Target School at the date of the completion of the Acquisition may be substantially different from current fair value adjustment estimated in the Unaudited Pro Forma Information of the Enlarged Group, the goodwill recognised at the completion date of the Acquisition may be different from the amount presented above.

The Acquisition has not yet been completed as the transfer is pending for the final approval of the Ministry of Education of the PRC and the registration with the provincial civil affairs authorities. The Acquisition Agreements will be terminated and the Acquisition will not proceed if the approval from the Ministry of Education of the PRC cannot be obtained.

5. Apart from the Acquisition, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions of the Enlarged Group entered into subsequent to 28 February 2018.

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

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

Deloitte. 德勤

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

TO THE DIRECTORS OF CHINA CHUNLAI EDUCATION GROUP CO., LTD.

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Chunlai Education Group., Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets as at 28 February 2018 and unaudited pro forma consolidated statement of assets and liabilities as at 28 February 2018 and related notes, as set out on pages II-1 to II-6 of Appendix II to the prospectus issued by the Company dated 31 August 2018 (the "Prospectus"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described on page II-1 to II-6 of Appendix II to the Prospectus.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of (i) the global offering on the Group's financial position as at 28 February 2018 as if the global offering had taken place at 28 February 2018; and (ii) the acquisition of College of Engineering and Technology of Yangtze University 長江大學工程技術學院 (the "Target School") on the Group's financial position as at 28 February 2018 as if the acquisition had taken place at 28 February 2018. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's historical financial information for the year ended 28 February 2018, on which an accountants' report on historical financial information has been published.

Directors' Responsibilities for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 28 February 2018 would have been as presented.

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

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

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

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

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

OPINION

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
31 August 2018

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this document received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 30 June 2018 of the properties held by the Group and Hubei College.

JLL
仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No.: C-030171

31 August 2018

The Board of Directors
China Chunlai Education Group Co., Ltd.
Cayman Corporate Centre
27 Hospital Road
George Town
Grand Cayman KY1-9008
Cayman Islands

Dear Sirs,

In accordance with your instructions to value the properties in which **China Chunlai Education Group Co., Ltd.** (the "**Company**"), its subsidiaries and its consolidated affiliated entities (hereinafter together referred to as the "**Group**") and Hubei College (the company is in the process of acquiring its sponsor interest) have interests 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 property interests as at 30 June 2018 (the "**valuation date**").

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 buildings and structures of the properties in Group I and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available, the relevant property interests have 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 of the improvements, less deduction for physical deterioration and all relevant forms of obsolescence and optimization. In arriving at the value of the 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.

In valuing the construction in process (the "CIP") in property nos. 1 to 3 in Group I and the property in Group II which were under construction as at the valuation date, we have assumed that they will be developed and completed in accordance with the latest development proposals provided to us by the Group. In arriving at our opinion of values, we have adopted the comparison approach by making reference to land comparable sales evidence as available in the relevant market and have also taken into account the accrued construction cost and professional fees relevant to the stage of construction as at the valuation date and the remainder of the cost and fees expected to be incurred for completing the developments. We have relied on the accrued construction cost and professional fees information provided by the Group according to the different stages of construction of the properties as at the valuation date, and we did not find any material inconsistency from those of other similar developments.

Our valuation has been made on the assumption that the seller sells the property interests 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 interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests 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 values.

In valuing the property interests, 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 2017 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 issued 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 various title documents including State-owned Land Use Rights Certificates, Real Estate Title Certificates, Building Ownership Certificates and other official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers — Tian Yuan Law Firm, concerning the validity of the property interests 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.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the property 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 August 2018 by Ms. Gloria Wang who is a qualified China Real Estate Appraiser and has 10 years' property valuation experience in the PRC.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Gilbert C.H. Chan
MRICS MHKIS RPS (GP)
Director

Note: Gilbert C.H. Chan is a Chartered Surveyor who has 25 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

Group I – Property interests held and occupied by the Group in the PRC

No.	**Property**	**Market value in existing state as at 30 June 2018 RMB**
1.	Shangqiu University located at No. 66 Beihai East Road Shangqiu City Henan Province The PRC	No commercial value
2.	Shangqiu University Applied Science and Technology College located at No. 66 Five Avenue Beiduan Kaifeng New District Kaifeng City Henan Province The PRC	No commercial value
3.	Anyang University located at No. 599 Zhonghua Road Nanduan Wenfeng District Anyang City Henan Province The PRC	No commercial value
	Sub-total:	Nil

Group II – Property interest held under development by Hubei College in the PRC

4.	College of Engineering and Technology of Yangtze University located at Taolin Village Heshengqiao Town Xian'an District Xianning City Hubei Province The PRC	No commercial value
	Sub-total:	Nil
	Grand total:	Nil

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
1.	Shangqiu University located at No. 66 Beihai East Road Shangqiu City Henan Province The PRC	The locality of Shangqiu University is well served with public transportation and ancillary facilities nearby. It is about 1,600 meters from the Shangqiu South Railway Station. The property comprises 7 parcels of land with a total site area of approximately 984,711.48 sq.m., and 68 buildings and various structures erected thereon which were completed in various stages between 2003 and 2016. The buildings have a total gross floor area of approximately 283,218.31 sq.m., mainly include teaching buildings, a library, dormitory buildings, canteens and ancillary facilities. The structures mainly include corridors, boundary walls and roads. The property also comprises 9 buildings which were under construction (the "CIP"). The CIP will be developed into a library, dormitory buildings, and laboratories with a planned total gross floor area of approximately 116,144.15 sq.m., and the CIP is scheduled to be completed in November 2018. As advised by the Group, the total construction cost of the CIP is estimated to be approximately RMB223.5 million, of which RMB17.6 million has been paid up to the valuation date. The land use rights of 3 parcels of land with a total site area of approximately 729,652.16 sq.m. have been allocated to the Group. The land use rights of 2 parcels of land of the property with a total site area of approximately 139,664.10 sq.m. have been allocated to Henan Lvbao Chemical Co. Ltd. And for the remaining 2 parcels of land with a total site area of approximately 115,395.22 sq.m., the relevant land use rights certificate have not been obtained.	The property is currently occupied by the Group for educational and ancillary purposes, except for the CIP which is currently under construction.	No commercial value

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Shang Guo Yong (2013) Di Nos. 163 and 164, the land use rights of 2 parcels of land with a total site area of approximately 692,076.16 sq.m. have been allocated to Shangqiu University (商丘學院, one of the consolidated affiliated entities of the Company) for educational use.
2. Pursuant to a State-owned Land Use Rights Certificate – Shang Guo Yong (2004) Di No. 6249, the land use rights of a parcel of land with a site area of approximately 37,576 sq.m. have been allocated to Henan Shangqiu Chunlai Education Corporation (商丘春來教育集團, one of the consolidated affiliated entities of the Company) for educational use.
3. Pursuant to 2 State-owned Land Use Rights Certificates – Shang Guo Yong (1999) Di No. 0043 and Shang Guo Yong (2001) Di No. 0356, the land use rights of 2 parcels of land with a total site area of approximately 139,664.1 sq.m., have been allocated to Henan Lvbao Chemical Co. Ltd. ("Lvbao Chemical") for industrial use. And in accordance with a Real Estate Transfer Agreement and its supplementary agreement dated in 2010 entered into between Lvbao Chemical and Huayu College of Henan Agricultural University ("Henan Huayu", the predecessor of Shangqiu University), the aforesaid land parcels and the buildings and structured erected thereon would be transferred to Henan Huayu at a total consideration of RMB24.29 million. As advised by Shangqiu University, changing formalities of the land usage and land user of the 2 land parcels are being conducted.
4. For the remaining 2 parcels of land with a total site area of approximately 115,395.22 sq.m., we have not been provided with any title certificate.
5. Pursuant to 23 buildings Ownership Certificates, 23 buildings of the property with a total gross floor area of approximately 67,570.59 sq.m. are owned by Shangqiu University.
6. Pursuant to a Building Ownership Certificate – Shang Shi Fang Quan Zheng (1999) Zi Di No. A0002582009, 3 buildings with a total gross floor area of approximately 2,420.58 sq.m. are owned by Lvbao Chemical.
7. For the remaining buildings of the property with a total gross floor area of approximately 213,227.14 sq.m., we have not been provided with any title certificates.
8. For the CIP with a total gross floor area of approximately 116,144.15 sq.m., we have not been provided with any construction permits.
9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. Shangqiu University has obtained the valid land use rights certificates to the 2 parcels of land mentioned in note 1; it has the rights to use the allocated land parcels according to their described land usage and should obtain consents from the allocated authority to transfer and lease the land;
   b. as confirmed by Henan Shangqiu Chunlai Education Corporation, Shangqiu University is in the process of applying for the allocated land use rights for the land parcel mentioned in note 2, and the user name of the Land Use Rights Certificate will be changed to Shangqiu University;
   c. according to the confirmation of Shifan Branch of Shangqiu Land Resources Bureau, there is no legal impediment for Shangqiu University to obtain the allocated land use rights certificates to the land parcels mentioned in note 3 and there is no risk of being asked for any administrative penalty, being confiscated land and buildings on the ground, requiring relocation or paying any other fees;
   d. some buildings have been constructed on the land parcel without any title certificate mentioned in note 4 and in accordance with PRC laws, unauthorized occupation of land would be asked by relevant government authorities to refund the land or pay penalty;
   e. Shangqiu University has the legal rights to occupy and use the buildings mentioned in note 5, and should obtain consents from the allocated authority to transfer and lease the buildings;
   f. Shangqiu University will conduct the changing formalities of the Building Ownership Certificates of the buildings mentioned in note 6 after the Land Use Rights Certificates of the land parcels these buildings erected thereon complete the changing procedures. Before the completion of changing procedures, Shangqiu University could continue use the buildings without paying penalty or asking for allocation;
   g. Shangqiu University has used the buildings mentioned in note 7 without obtaining any construction permits and completion and inspection certificates; According to relevant PRC laws, absence of those permits/certificates may be subject to penalty; according to the confirmation of relevant competent authorities, there is no impediment for Shangqiu University to apply for construction permits and then the Building Ownership Certificates; Shangqiu University could continue use the buildings before obtaining relevant permits or certificates;
   h. according to the confirmation of Shangqiu Housing and Urban-Rural Construction Bureau, the CIP mentioned in note 8 was qualified with the construction conditions and Shangqiu University may acquire relevant construction permits following normal process; therefore, there is low possibility for Shangqiu University to receive any penalty due to the absence of relevant construction permits; and
   i. according to the Guaranty Law, schools, kindergartens, hospitals and other educational/hospital facilities held by public instructions/organisations for public welfare purposes could not be mortgaged.
10. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and the CIP (exclusive of the land parcels) as at the valuation date would be RMB239,974,000 assuming all proper title certificates have been obtained.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
2.	Shangqiu University Applied Science and Technology College located at No. 66 Five Avenue Beiduan Kaifeng New District Kaifeng City Henan Province The PRC	The locality of Shangqiu University Applied Science and Technology College is well served with public transportation and it is about 1,000 meters from Kaifeng High Speed Railway Station. The property comprises 2 parcels of land with a site area of approximately 610,101 sq.m., and 13 buildings, and various structures erected thereon which were completed in various stages between 2012 and 2017. The buildings which have a total gross floor area of approximately 102,737.54 sq.m, mainly include teaching buildings, dormitory buildings, canteens and office buildings. The structures mainly include lakes, boundary walls and roads. The property also comprises 4 buildings which were under construction (the "CIP"). The CIP will be developed into dormitory buildings, sports facility, and a laboratory with a planned total gross floor area of approximately 23,557.08 sq.m., and the CIP is scheduled to be completed in October 2018. As advised by the Group, the total construction cost of the CIP is estimated to be approximately RMB35.9 million, of which RMB14 million has been paid up to the valuation date. The land use rights of the property with a site area of approximately 403,736.80 sq.m. have been allocated to the Group. For the remaining one parcel of land with a site area of approximately 206,364.2 sq.m., the relevant land use rights certificate have not been obtained.	The property is currently occupied by the Group for educational and ancillary purposes, except for the CIP which is currently under construction.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yu (2017) Kai Feng Shi Bu Dong Chan Quan Di No. 2000042, the land use rights of a parcel of land with a site area of approximately 403,736.80 sq.m. have been allocated to Shangqiu University Applied Science and Technology College (商丘學院應用科技學院, "**Shangqiu University Kaifeng Campus**", a branch college of Shangqiu University) for educational use.
2. For the remaining one parcel of land with a site area of approximately 206,364.2 sq.m., we have not been provided with any title certificate.
3. For the 13 buildings of the property with a total gross floor area of approximately 102,737.54 sq.m., we have not been provided with any title certificates.
4. For the CIP with a total gross floor are of approximately 23,557.08 sq.m., we have not been provided with any construction permits.
5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. Shangqiu University Kaifeng Campus has obtained the valid land use rights certificate to the parcel of land mentioned in note 1; it has the rights to use the allocated land parcel according to their described land usage and should obtain consents from the allocated authority to transfer and lease the land;
   b. according to the confirmation of Kaifeng Land Resources Bureau, there is no legal impediment for Shangqiu University Kaifeng Campus to obtain allocated land use rights certificate to the land parcel mentioned in note 2 and there is no risk of being asked for any administrative penalty, being confiscated land and buildings on the ground, requiring relocation or paying any other fees;
   c. Shangqiu University Kaifeng Campus has used the buildings mentioned in note 3 without obtaining any construction permits and completion and inspection certificates; According to relevant PRC laws, absence of those permits/certificates may be subject to penalty; Shangqiu University Kaifeng Campus has not received any administrative penalty for the constructed buildings;
   d. according to the confirmation of Kaifeng Housing and Urban-Rural Construction Bureau, for the CIP mentioned in note 4 there is low possibility for Shangqiu University Kaifeng Campus to receive any penalty due to the absence of relevant construction permits; and
   e. according to the Guaranty Law, schools, kindergartens, hospitals and other educational/hospital facilities held by public instructions/organisations for public welfare purposes could not be mortgaged.
6. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and the CIP (exclusive of the land parcels) as at the valuation date would be RMB179,800,000 assuming all proper title certificates have been obtained.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
3.	Anyang University located at No. 599 Zhonghua Road Nanduan Wenfeng District Anyang City Henan Province The PRC	The locality of Anyang University is well served with public transportation and it is about 8,000 meters from Anyang Railway Station. The property comprises a parcel of land with a site area of approximately 609,963.95 sq.m., and 43 buildings, and various structures erected thereon which were completed in various stages between 2009 and 2016. The buildings which have a total gross floor area of approximately 211,928.64 sq.m, mainly include teaching buildings, dormitory buildings, office buildings and a library. The structures mainly include corridors, boundary walls and roads. The property also comprises 7 buildings which were under construction (the "CIP"). The CIP will be developed into dormitory buildings, teaching buildings and a laboratory with a planned total gross floor area of approximately 41,269.62 sq.m., and the CIP is scheduled to be completed in November 2018. As advised by the Group, the total construction cost of the CIP is estimated to be approximately RMB48.5 million, of which RMB16.3 million has been paid up to the valuation date. The land use rights of the property have been allocated to the Group.	The property is currently occupied by the Group for educational and ancillary purposes, except for the CIP which is currently under construction.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate — Yu (2017) Wen Feng Qu Bu Dong Chan Quan Di No. 0021997, the land use rights of a parcel of land with a site area of approximately 609,963.95 sq.m. have been allocated to Anyang University (安陽學院, one of the consolidated affiliated entities of the property) for educational use.
2. For the 43 buildings of the property with a total gross floor area of approximately 211,928.64 sq.m., we have not been provided with any title certificates.
3. For the CIP with a total gross floor area of approximately 41,269.62 sq.m., we have not been provided with any construction permits.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
    a. Anyang University has obtained the valid land use rights certificate to the parcel of land mentioned in note 1; it has the rights to use the allocated land parcel according to their described land usage and should obtain consents from the allocated authority to transfer and lease the land;
    b. Anyang University has used the buildings mentioned in note 2 without obtaining any construction permits and completion and inspection certificates; According to relevant PRC laws, absence of those permits/certificates may be subject to penalty; according to the confirmation of relevant competent authorities, there is no impediment for Anyang University to apply for construction permits and then the Building Ownership Certificates; Anyang University could continue use the buildings before obtaining relevant permits or certificates;
    c. according to the confirmation of Anyang Wenfeng District Housing and Urban-Rural Construction Bureau, the CIP mentioned in note 3 was qualified with the construction conditions and Anyang University may acquire relevant construction permits following normal process; therefore, there is low possibility for Anyang University to receive any penalty due to the absence of relevant construction permits; and
    d. according to the Guaranty Law, schools, kindergartens, hospitals and other educational/hospital facilities held by public instructions/organisations for public welfare purposes could not be mortgaged.
5. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and the CIP (exclusive of the land parcel) as at the valuation date would be RMB244,264,000 assuming all proper title certificates have been obtained.

VALUATION CERTIFICATE

Group II – Property interest held under development by Hubei College in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Market value in existing state as at the valuation date RMB
4.	College of Engineering and Technology of Yangtze University under construction located at Taolin Village Heshengqiao Town Xian'an District Xianning City Hubei Province The PRC	The property comprises a parcel of land with a site area of approximately 333,200.55 sq.m., and 11 buildings and various structures under construction (the "CIP") erected thereon. The CIP will be developed into 7 dormitory buildings, 3 teaching buildings and a canteen with a planned total gross floor area of approximately 35,067.94 sq.m., and the CIP is scheduled to be completed in September 2018. As advised by the Company, the total construction cost of the CIP is estimated to be RMB78 million, of which approximately RMB73.6 million has been paid up to the valuation date. The land use rights of property have been allocated to Hubei College.	The property is currently under construction.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – E (2018) Xian An Qu Bu Dong Chan Quan Di No. 0004614, the land use rights of a parcel of land with a site area of approximately 333,200.55 sq.m., have been allocated to College of Engineering and Technology of Yangtze University (長江大學工程技術學院, "**Hubei College**", an independent college of Yangtze University that the Company is in the process of acquiring its sponsor interest) for educational use.
2. Pursuant to a Construction Land Planning Permit – Di Zi Di No. 2018007, permission towards the planning of the aforesaid land parcel with a site area of approximately 333,200.55 sq.m. have been allocated to Hubei College.
3. Hubei College has not obtained any construction permits for the CIP of the property.
4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, inter alia, the following:
   a. Hubei College has obtained the valid land use rights certificate to the parcel of land mentioned in note 1;
   b. according to the confirmation of Xianning Xian'an District Housing and Urban-Rural Construction Bureau, the CIP mentioned in note 3 was qualified with the construction conditions and there is no impediment for Hubei College to apply for relevant construction permits; therefore, there is low possibility for Hubei College to receive any penalty due to the absence of relevant construction permits; and
   c. according to the Guaranty Law, schools, kindergartens, hospitals and other educational/hospital facilities held by public instructions/organisations for public welfare purposes could not be mortgaged.
5. In the valuation of this property, we have relied on the aforesaid legal opinions and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the CIP (exclusive of the land parcel) as at the valuation date would be RMB80,209,000 assuming all proper construction permits have been obtained.

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 Companies Law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 15 November 2017 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (**Memorandum**) and its Amended and Restated Articles of Association (**Articles**).

1. MEMORANDUM OF ASSOCIATION

(a) The Memorandum provides, inter alia, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and, since 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) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified in it.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 24 August 2018. A summary of certain provisions of the Articles is set out below.

(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 Cayman Companies Law, 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 any class of shares may (unless otherwise provided for by the terms of issue of the shares 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. The provisions of the Articles relating to general meetings shall mutatis mutandis apply to every such separate general meeting, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or, in the case of a shareholder being a corporation, by its duly authorised representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

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 an ordinary resolution of its members: (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach to such shares any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; (e) cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorised and subject to any conditions prescribed by law.

(iv) Transfer of shares

Subject to the Cayman Companies Law and the requirements of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board may approve and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature, or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be 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 transferor or transferee or accept mechanically executed transfers. The transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members of the Company in respect of that share.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or on which the Company has a lien. It may also decline to register a transfer of any share issued under any share option scheme upon which a restriction on transfer subsists or a transfer of any share to more than four joint holders.

The Board may decline to recognise any instrument of transfer unless a certain fee, up to such maximum sum as the Stock Exchange may determine to be payable, is paid to the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require is provided 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 register of members may, subject to the Listing Rules, be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

Fully paid shares shall be free from any restriction on transfer (except when permitted by the Stock Exchange) and shall also be free from all liens.

(v) Power of the Company to purchase its own shares

The Company may 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 requirement imposed from time to time by the Articles or any code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price and, if purchases are by tender, tenders shall be available to all members alike.

(vi) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the 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 as it thinks fit 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) and not by the conditions of allotment of such shares made payable at fixed times. A call may be made payable either in one sum or by instalments. 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 20% per annum as the Board shall fix from the day appointed for payment 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 money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment, the Board may, for so long as any part of the call or instalment remains unpaid, serve not less than 14 days' notice on the member requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice shall name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the appointed time, 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, nevertheless, 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 payment at such rate not exceeding 20% per annum as the Board may prescribe.

(b) Directors

(i) Appointment, retirement and removal

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed as an addition to the existing Board shall hold office only until the first annual general meeting of the Company after his appointment and be eligible for re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at an annual general meeting.

At each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest 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 shall (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected has been lodged at the head office or at the registration office of the Company. The period for lodgement of such notices shall commence no earlier than the day after despatch of the notice of the relevant meeting and end no later than seven days before the date of such meeting and the minimum length of the period during which such notices may be lodged must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to or retirement from the Board.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term 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 the Company may by ordinary resolution appoint another in his place. Any Director so appointed shall be subject to the "retirement by rotation" provisions. The number of Directors shall not be less than two.

The office of a Director shall be vacated if he:

(aa) resign;

(bb) dies;

(cc) is declared to be of unsound mind and the Board resolves that his office be vacated;

(dd) becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

(ee) he is prohibited from being or ceases to be a director by operation of law;

(ff) without special leave, is absent from meetings of the Board for six consecutive months, and the Board resolves that his office is vacated;

(gg) has been required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director; or

(hh) is removed from office by the requisite majority of the Directors or otherwise pursuant to the Articles.

From time to time 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 also delegate any of its powers to committees consisting of such Director(s) or other person(s) as the Board thinks fit, and from time to time it may also 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 shall, in the exercise of the powers 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 Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached to it such rights, or such restrictions, whether with regard to dividend, voting, return of capital or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that, upon the happening of a specified event or upon a given date and either at the option of the Company or the holder of the share, it is liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate in respect of such warrants shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate has been destroyed and the Company has received an indemnity in such form as the Board thinks fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) 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 shall be 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.

Neither the Company nor the Board shall be 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 whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall 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

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may 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 Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

(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 uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, 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 Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided among the Directors in such proportions and in such manner as they may agree or, failing agreement, either equally or, in the case of any Director holding office for only a portion of the period in respect of which the remuneration is payable, pro rata. The Directors shall also be entitled to be repaid all expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company, performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration as the Board may determine, 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 shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with subsidiaries of the Company or companies with which the Company is associated in business, or may make 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 former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

The Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, 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

Payments to any present 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 or statutorily entitled) must be approved by the Company in general meeting.

(vii) Loans and provision of security for loans to Directors

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective close associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective close associates, or, if any one or more of the Directors hold(s) (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

(viii) Disclosure of interest in contracts with the Company or any of its subsidiaries

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with 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 for that other office or place of profit, in whatever form, in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director, officer or member of 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 or other benefits received by him as a director, officer or member of 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 in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, 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 for any profit realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship established by it. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any share by reason that the person or persons who are interested directly or indirectly in that share have failed to disclose their interests to the Company.

A Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his close associate(s) has/have a material interest, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters:

(aa) the giving of any security or indemnity to the Director or his close associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

(bb) 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/have 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 proposal concerning an offer of shares, 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 proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries, including the adoption, modification or operation of either: (i) any employees' share scheme or any share incentive or share option scheme under which the Director or his close associate(s) may benefit; or (ii) any of a pension fund or retirement, death or disability benefits scheme which relates to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his close associate(s) any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(ee) 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, debentures or other securities of the Company by virtue only of his/their interest in those shares, debentures or other securities.

(c) Proceedings of the Board

The Board may meet anywhere in the world for the despatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. 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 a second or casting vote.

(d) Alterations to the constitutional documents and the Company's name

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed, with the sanction of a special resolution of the Company.

(e) Meetings of member

(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 by proxy or, in the case of members which are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is 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 members which 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.

A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(ii) Voting rights and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting: (a) 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 share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for this purpose as paid up on the share; and (b) on a show of hands every member who is present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote. Where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) or its nominee(s), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided by poll save that the chairman of the meeting may, pursuant to the Listing Rules, allow a resolution to be voted on by a show of hands. Where a show of hands is allowed, before or on the declaration of the result of the show of hands, a poll may be demanded by (in each case by members present in person or by proxy or by a duly authorised corporate representative):

(A) at least two members;

(B) any member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or

(C) a member or members holding shares in the Company conferring a right to vote at the meeting on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s) be a member of the Company, such person or persons may be authorised 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 in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s) as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(iii) Annual general meetings

The Company must hold an annual general meeting each year other than the year of the Company's adoption of the Articles. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorised by the Stock Exchange at such time and place as may be determined by the Board.

(iv) Notices of meetings and business to be conducted

An annual general meeting of the Company shall be called by at least 21 days' notice in writing, and any other general meeting of the Company shall be called by at least 14 days' notice in writing. The notice shall be 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, place and agenda of the meeting and particulars of the resolution(s) to be considered at that meeting and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member personally, by post to such member's registered address or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which shall be deemed to be his registered address for this purpose. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may also be served or delivered by the Company to any member by electronic means.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

(i) in the case of an annual general meeting, by all members of the Company entitled to attend and vote thereat; and

(ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting holding not less than 95% of the total voting rights in the Company.

All business transacted at an extraordinary general meeting shall be deemed special business. All business shall also be deemed special business where it is transacted at an annual general meeting, with the exception of certain routine matters which shall be deemed ordinary business.

(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, and continues to be present until the conclusion of the meeting.

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 shall be 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 shall be 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. On a poll or on a show of hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of a duly authorised officer or attorney. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(f) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law (which include all sales and purchases of goods by the company) necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company 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 account, book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorised by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report, not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarised financial statements to shareholders who have, in accordance with the rules of the stock exchange of the Relevant Territory, consented and elected to receive summarised financial statements instead of the full financial statements. The summarised financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory, and must be sent to those shareholders that have consented and elected to receive the summarised financial statements not less than 21 days before the general meeting.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(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.

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 of which the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share;

(ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; and

(iii) the Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared, the Board may resolve:

(aa) 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 members entitled to such dividend will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or

(bb) that the members 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.

Upon the recommendation of the Board, the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' 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 monies 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.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the monies so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise used 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, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, 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.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(h) Inspection of corporate records

For so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of members is closed) without charge and require the provision to him of copies or extracts of such register in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

(i) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members 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 among the members of the Company are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, then the excess shall be distributed pari passu among 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 among the members as such are 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 on the shares held by them, respectively.

If the Company is wound up (whether the liquidation is voluntary or compelled by the court), the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law, divide among the members in specie or kind the whole or any part of the assets of the Company, whether the assets consist of property of one kind or 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 so divided and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator thinks fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(k) Subscription rights reserve

Provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, 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 the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN COMPANIES LAW

The Company was incorporated in the Cayman Islands as an exempted company on 15 November 2017 subject to the Cayman Companies Law. Certain provisions of Cayman Companies Law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

An exempted company such as the Company must conduct its operations mainly outside the Cayman Islands. An exempted company is also 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

Under Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. Where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or 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 arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

(i) paying distributions or dividends to members;

(ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;

(iii) any manner provided in section 37 of the Cayman Companies Law;

(iv) writing-off the preliminary expenses of the company; and

(v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company.

Notwithstanding the foregoing, 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.

Subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorised to do so 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 are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company, when proposing to grant such financial assistance, discharge their duties of care and act in good faith, for a proper purpose and in the interests of the company. 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 member and, for the avoidance of doubt, 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; an ordinary resolution of the company approving the manner and terms of the purchase will be required if the articles of association do not authorise the manner and terms of such purchase. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, 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. In addition, 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 that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if held in compliance with the requirements of Section 37A(1) of the Cayman Companies Law. Any such shares shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy, sell and deal in personal property of all kinds.

A subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

Subject to a solvency test, as prescribed in the Cayman Companies Law, and the provisions, if any, of the company's memorandum and articles of association, company may pay dividends and distributions out of its share premium account. In addition, based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid out of profits.

For so long as a company holds treasury shares, 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, in respect of a treasury share.

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of Foss v. Harbottle and the exceptions to that rule) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge acts which are ultra vires, illegal, fraudulent (and performed by those in control of the Company) against the minority, or represent an irregularity in the passing of a resolution which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has 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 the affairs of the company and, at the direction of the court, to report on such affairs. In addition, any member 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.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions on the power of directors to dispose of assets of a company, however, the directors are expected to exercise certain duties of care, diligence and skill to the standard that a reasonably prudent person would exercise in comparable circumstances, in addition to fiduciary duties to act in good faith, for proper purpose and in the best interests of the company under English common law (which the Cayman Islands courts will ordinarily follow).

(h) Accounting and auditing requirements

A company must cause proper records of accounts to be kept with respect to: (i) all sums of money received and expended by it; (ii) all sales and purchases of goods by it and (iii) its assets and liabilities. 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.

If a company keeps its books of account at any place other than at its registered office or any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2017 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (2018 Revision) of the Cayman Islands (as amended), the Company may obtain an undertaking from the Financial Secretary that:

(i) no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and

(ii) no tax be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:

- (aa) on or in respect of the shares, debentures or other obligations of the Company; or
- (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2018 Revision).

The Company has obtained an undertaking for a period of 20 years from 28 February 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.

(k) Stamp duty on transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

There is no express provision prohibiting the making of loans by a company to any of its directors. However, the company's articles of association may provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of a company have no general right 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 of association.

(n) Register of members

A Cayman Islands exempted company may maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. There is no requirement for an exempted company to make any returns of members to the Registrar of Companies in 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 member, 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 (2017 Revision) of the Cayman Islands.

(o) Register of Directors and officers

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors, alternate 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 60 days of any change in such directors or officers, including a change of the name of such directors or officers.

(p) Winding up

A Cayman Islands company may be wound up by: (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court.

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company (other than a limited duration company, for which specific rules apply) occurs where the company resolves by special resolution that it be wound up voluntarily or where the company in general meeting resolves that it be wound up voluntarily because it is unable to pay its debt as they fall due. In the case of a voluntary winding up, the company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators are appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a 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 the property of the company disposed of, and call a general meeting of the company for the purposes of laying before it the account and giving an explanation of that account.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that: (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order takes effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, one or more persons may be appointed to be called an official liquidator(s).The court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one person is appointed to such office, the court shall 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.

(q) Reconstructions

Reconstructions and amalgamations may be approved by a majority in number representing 75% in value of the members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member has the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management, and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(r) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may, at any time within two months after the expiration of that four-month period, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the Cayman Islands courts within one month of the notice objecting to the transfer. The burden is on the dissenting member 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 members.

(s) 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, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

A. FURTHER INFORMATION ABOUT OUR COMPANY, SUBSIDIARIES AND CONSOLIDATED AFFILIATED ENTITIES

1. Incorporation

Our Company was incorporated in the Cayman Islands on 15 November 2017 as an exempted company with limited liability. Our registered office address is at Cayman Corporate Centre, 27 Hospital Road, George Town, Grand Cayman KY1-9008, Cayman Islands. Accordingly, our Company's corporate structure and Memorandum and Articles are subject to the relevant laws of the Cayman Islands. A summary of our Memorandum and Articles of Association is set out in the section headed "Summary of the Constitution of the Company and Cayman Companies Law" in Appendix IV.

Our registered place of business in Hong Kong is at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong. We were registered as a non-Hong Kong company under Part 16 of the Companies Ordinance on 11 July 2018 with the Registrar of Companies in Hong Kong. Mr. Wong Yu Kit has been appointed as the authorised representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process is 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong.

As of the date of this document, our Company's head office is located at No. 66, Beihai East Road, Shangqiu, Henan Province, the PRC.

2. Changes in the share capital of our Company

The following changes in the share capital of our Company took place during the two years immediately preceding the date of this document:

(a) on 15 November 2017, our Company issued and allotted 1 share of par value HK$0.00001 to Vistra (Cayman) Limited (the incorporator of our Company) that was transferred to Chunlai Investment on the same day; and

(b) on 12 February 2018, our Company issued and allotted 899,999,999 shares of par value HK$0.00001 to Chunlai Investment.

Save as disclosed above, there has been no alteration in the share capital of our Company during the two years immediately preceding the date of this document.

3. Changes in the share capital of our subsidiaries and consolidated affiliated entities

A summary of the corporate information and the particulars of our subsidiaries are set out in note 29 to the Accountants' Report as set out in Appendix IA.

On 12 October 2017, pursuant to the capital injection of RMB1,140,000 by the PRC Holdco, the registered capital of the Sole Sponsor was increased from RMB112,600,000 to RMB113,740,000 that was held as to 69.3% by Mr. Hou, as to 19.8% by Chairman Hou, as to 9.9% by Ms. Jiang and as to 1% by the PRC Holdco.

Save as set out above, there has been no alteration in the share capital of any of our subsidiaries and consolidated affiliated entities within the two years immediately preceding the date of this document.

Save for the subsidiaries and consolidated affiliated entities mentioned in the Accountants' Report set out in Appendix IA, our Company has no other subsidiaries or consolidated affiliated entities.

4. Resolutions of the Sole Shareholder

Written resolutions of the sole Shareholder, Chunlai Investment, were passed on 24 August 2018, pursuant to which, among others:

(a) conditional on (1) the Listing Committee granting listing of, and permission to deal in, the Shares in issue and to be issued as stated in this document and such listing and permission not subsequently having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; (2) the Offer Price having been determined; (3) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements; and (4) the Underwriting Agreements having been duly executed by the Underwriters and the Company, that:

(i) the Global Offering was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering were approved, and the Board was authorised to determine the Offer Price for, and to allot and issue the Offer Shares;

(ii) conditional on the Global Offering becoming unconditional, a general mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global Offering, rights issue or pursuant to the exercise of any subscription rights attaching to any warrants which may be allotted and issued by the Company from time to time or allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the Articles of Association on a specific authority granted by the Shareholder in a general meeting, shall not exceed the sum of (i) 20% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering (excluding any Shares that may fall to be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme); and (ii) the aggregate nominal amount of the share capital of the Company purchased by the Company pursuant to the authority granted to the Directors as referred to in (a)(iv) below;

(iii) conditional on the Global Offering becoming unconditional, a general mandate (the "**Repurchase Mandate**") was given to our Directors to exercise all powers of our Company to repurchase its own Shares on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, in accordance with all applicable laws and requirements of the Listing Rules such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following the completion of the Global Offering, excluding any Shares that may be issued pursuant to the exercise of the Over-allotment Option, the options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme; and

(iv) subject to the passing of resolutions referred to (a)(i) and (a)(ii) above, the general mandate referred to in (a)(ii) above was extended by the addition to the aggregate nominal value of the Shares that may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the Repurchase Mandate.

Each of the general mandates referred to in paragraphs a(ii), a(iii) and a(iv) above will remain in effect until whichever is the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles; or
- the time when such mandate is revoked or varied by an ordinary resolution of the Shareholder in a general meeting;

(b) the rules of the Share Award Scheme were approved and adopted with effect from the Listing Date and the Directors were authorised to make changes to the Share Award Scheme as may be required by the Stock Exchange and/or which they deem necessary and/or desirable and to allot, issue and deal with up to 84,000,000 additional Shares pursuant to the Share Award Scheme within ten years of the Listing Date and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Share Award Scheme and to vote on any matter in connection to the Share Award Scheme notwithstanding that they or any of them may be interested in the same; and

(c) our Company conditionally approved and adopted the Memorandum and Articles of Association with effect from the Listing.

5. Repurchase of our own securities

The following paragraphs include, among others, certain information required by the Stock Exchange to be included in this document concerning the repurchase of our own securities.

(a) Provision of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their own securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholder's approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders in a general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by the sole Shareholder, Chunlai Investment, on 24 August 2018, the Repurchase Mandate was given to our Directors authorising them to exercise all powers of our Company to repurchase Shares on the Stock Exchange, or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, with a total nominal value up to 10% of the aggregate nominal value of our Shares in issue immediately following the completion of the Global Offering (excluding any Shares that may be issued pursuant to exercise of the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme), with such mandate to expire at the earliest of (i) the conclusion of the next annual general meeting of our Company (unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting, either unconditionally or subject to conditions), (ii) the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held, and (iii) the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles and the applicable laws and regulations of Hong Kong and the Cayman Islands. A listed company may not purchase its own securities 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. Under Cayman Companies Law, any purchases by the Company may be made out of profits or out of the proceeds of a new issue of shares made for the purpose of the purchase or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles and subject to the Cayman Companies Law. Any premium payable on the purchase over the par value of the shares to be purchased must have been provided for out of profits or from sums standing to the credit of our share premium account or out of capital, if so authorised by the Articles of Association and subject to the Cayman Companies Law.

(iii) Trading restrictions

The total number of shares which a listed company may repurchase on the Stock Exchange is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange. The Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Stock Exchange. A listed company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of repurchased Shares

The listing of all purchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under the laws of the Cayman Islands, unless, prior to the purchase our Directors resolve to hold the shares purchased by the Company as treasury shares, shares purchased by the Company shall be treated as cancelled and the amount of the Company's issued share capital shall be diminished by the nominal value of those shares. However, the purchase of shares will not be taken as reducing the amount of the authorised share capital under Cayman Companies Law.

(v) Suspension of repurchase

A listed company may not make any repurchase of securities after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) 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 a listed company's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year or half-year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules) and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on the Stock Exchange if a listed company has breached the Listing Rules.

(vi) Reporting requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Core connected persons

The Listing Rules prohibit a listed company from knowingly purchasing securities on the Stock Exchange from a "core connected person", that is, a director, chief executive or substantial shareholder of the listed company or any of its subsidiaries or a close associate of any of them (as defined in the Listing Rules) and a core connected person shall not knowingly sell his securities to the company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have a general authority from the Shareholders to enable our Company to repurchase shares of our Company 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 or earnings per share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

(c) Funding of repurchases

Repurchase of the Shares must be funded out of funds legally available for such purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong and the Cayman Islands. Our Directors may not repurchase the 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. Subject to the foregoing, our Directors may make repurchases with profits of the Company or out of the proceeds of a new issue of shares made for the purpose of the repurchase or, if authorised by the Articles of Association and subject to the Cayman Companies Law, out of capital. In the case of any premium payable on the repurchase over the par value of the Shares to be purchased, our Directors may make repurchases out of profits of the Company or from sums standing to the credit of the share premium account of the Company or, if authorised by the Articles of Association and subject to Cayman Companies Law, out of capital.

However, our Directors do not propose to exercise the general mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or render its gearing levels which, in the opinion of our Directors, are from time to time inappropriate for the Company.

(d) General

The exercise in full of the Repurchase Mandate, on the basis of 1,200,000,000 Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme), could accordingly result in up to approximately 120,000,000 Shares being repurchased by our Company during the period prior to the earliest of:

- the conclusion of the next annual general meeting of our Company;
- the expiration of the period within which our Company's next annual general meeting is required by the Articles of Association or any other applicable laws to be held; or
- the date on which it is varied or revoked by an ordinary resolution of our Shareholders in a general meeting,

unless otherwise renewed by an ordinary resolution of our Shareholders in a general meeting.

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 our Company.

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 in the Cayman Islands.

If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company increases, 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 our Company 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.

Any repurchase of Shares that results in the number of Shares held by the public being reduced to less than 25% of the Shares then in issue could only be implemented if the Stock Exchange agreed to waive the Listing Rules requirements regarding the public shareholding referred to above. It is believed that a waiver of this provision would not normally be granted other than in exceptional circumstances.

No core connected person of our Company has notified our Company that he or she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this document and are or may be material:

(a) an irrevocable power of attorney dated 22 February 2018 executed by Hou Junyu (侯俊宇), Hou Chunlai (侯春來) and Jiang Shuqin (蔣淑琴) in favour of Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司), pursuant to which Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of Hou Junyu (侯俊宇), Hou Chunlai (侯春來) and Jiang Shuqin (蔣淑琴) in relation to Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) at the discretion of Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) (or its designated person(s));

(b) an irrevocable power of attorney dated 22 February 2018 executed by Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) in favour of Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), pursuant to which Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司) (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) in relation to Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), Anyang University (安陽學院) and Shangqiu University (商丘學院) (including Shangqiu University Applied Science and Technology College (商丘學院應用科技學院)) at the discretion of Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司) (or its designated person(s));

(c) an irrevocable power of attorney dated 22 February 2018 executed by Hou Junyu (侯俊宇) in favour of Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), pursuant to which Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司) (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of Hou Junyu (侯俊宇) in relation to Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) at the discretion of Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司) (or its designated person(s));

(d) an irrevocable power of attorney dated 22 February 2018 executed by Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) in favour of Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), pursuant to which Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司) (or its designated person(s)) was appointed as attorney-in-fact to exercise all the rights of Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) in relation to Anyang University (安陽學院) and Shangqiu University (商丘學院) (including Shangqiu University Applied Science and Technology College (商丘學院應用科技學院)) at the discretion of Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司) (or its designated person(s));

(e) an exclusive management consultancy and business cooperation agreement dated 22 February 2018 entered into by and between (i) Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), (ii) Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司), (iii) the subsidiary entities (下屬機構) of Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) as described in the exclusive management consultancy and business cooperation agreement, including Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), Anyang University (安陽學院) and Shangqiu University (商丘學院) (including Shangqiu University Applied Science and Technology College (商丘學院應用科技學院)), the list of which is to be updated from time to time pursuant to the exclusive management consultancy and business cooperation agreement to include entities that Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) invests in and controls (including via contractual arrangements), including but not limited to companies, schools and related entities which Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) and Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) directly or indirectly hold more than 50% investment interests thereof ((ii) and (iii) collectively the "**Consolidated Affiliated Entities**"), and (iv) Hou Junyu (侯俊宇), pursuant to which Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司) agreed to provide to the Consolidated Affiliated Entities exclusive corporate management consultancy, educational management consultancy, intellectual property licensing as well as technical and business support, and in return, the Consolidated Affiliated Entities shall pay service fees to Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司);

(f) an exclusive call option agreement dated 22 February 2018 entered into by and between Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), Hou Junyu (侯俊宇), Hou Chunlai (侯春來), Jiang Shuqin (蔣淑琴), Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) and Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), pursuant to which Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司) (or its designated third party) was unconditionally and irrevocably granted an exclusive option to purchase all or part of the equity interests or sponsor interests (as the case may be) in any of Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司), Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), Anyang University (安陽學院) and Shangqiu University (商丘學院) (including Shangqiu University Applied Science and Technology College (商丘學院應用科技學院));

(g) an equity pledge agreement dated 22 February 2018 entered into by and between Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), Hou Junyu (侯俊宇) and Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司), pursuant to which Hou Junyu (侯俊宇) unconditionally and irrevocably pledged all of his equity interests in Henan Chunlai Education Technology Co., Ltd. (河南春來教育科技有限公司) to Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司);

(h) a receivables pledge agreement dated 22 February 2018 entered into by and between Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司), Shangqiu University (商丘學院) (including Shangqiu University Applied Science and Technology College (商丘學院應用科技學院)) ("**Shangqiu University**"), Anyang University (安陽學院) (together with Shangqiu University, the "**Schools**") and Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團), pursuant to which Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) and the Schools agreed to, among other things, grant first priority pledge to Henan Chunlai Education Information Consultancy Co., Ltd. (河南春來教育信息諮詢有限公司) over, (i) the Schools' existing and future receivables from tuition fees and boarding fees, (ii) the Schools' existing and future creditor's rights arising from leasing the Schools' properties, (iii) the Schools' existing and future creditor's rights arising from its services and (iv) the relevant proceeds received by Henan Shangqiu Chunlai Education Corporation (河南商丘春來教育集團) from third parties due to sale, transfer, assignment or any other forms of disposal of the sponsor interests in the schools held by it; and

(i) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

Trademarks

(i) Trademarks Registered in China

As of the Latest Practicable Date, we had registered the following trademarks in the PRC that we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Registration number	Expiry date (dd/mm/yyyy)
1.	商丘学院	WFOE	41	9727777	27/08/2022
2.		WFOE	41	6394890	06/07/2020

(ii) Trademark Applications Pending in China

As of the Latest Practicable Date, we had applied for the registration of the following trademarks that we consider to be or may be material to our business:

No.	Trademark	Applicant	Class	Application number	Application date (dd/mm/yyyy)
1.		WFOE	41	29274709	11/02/2018
2.		WFOE	41	29269114	11/02/2018
3.		WFOE	41	29276744	11/02/2018
4.		WFOE	41	29435001	05/03/2018
5.	春 来	WFOE	41	29427995	05/03/2018
6.	CHUNLAI	WFOE	41	29424358	05/03/2018
7.	春来CHUNLAI	WFOE	41	29424349	05/03/2018

(iii) Trademarks Registered in Hong Kong

As of the Latest Practicable Date, we had registered the following trademarks in Hong Kong that we consider to be or may be material to our business:

No.	Trademark	Registered owner	Class	Registration number	Expiry Date (dd/mm/yyyy)
1.		School Sponsor	41	304268458	10/09/2027
2.	CHUN LAI EDUCATION GROUP	School Sponsor	41	304268467	10/09/2027
3.	A. 春來教育 B. 春来教育	School Sponsor	41	304268476	10/09/2027

Domain names

As of the Latest Practicable Date, we owned the following domain names which we consider to be material to be or may be material to our business:

No.	Domain name	Registered owner	Expiry date
1.	squ.net.cn	WFOE	17 May 2021
2.	ayrwedu.cn	WFOE	23 September 2019
3.	chunlaiedu.cn	WFOE	30 September 2018
4.	squyykjxy.net.cn	WFOE	22 September 2020
5.	chunlaiedu.com	WFOE	2 May 2022
6.	cljyjt.com	WFOE	2 June 2020

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights that were material in relation to our business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS

1. Particulars of Directors' service contracts and appointment letters

(a) Executive and non-executive Directors

Each of the executive and non-executive Directors entered into a service contract with our Company on 23 February 2018. The initial term of his service contract shall commence from the date of his appointment as an executive Director or a non-executive Director (as the case may be) and continue for a period of three years after or until the third annual general meeting of the Company since the Listing Date, whichever is earlier, and shall be automatically renewed for successive periods of three years (subject always to re-election as and when required under the Articles), until terminated in accordance with the terms and conditions of the service contract or by either party giving to the other not less than three months' prior notice in writing.

Pursuant to the service contracts, our executive and non-executive Directors will be entitled to an annual director's fee effective from the Listing Date. The table below sets forth the amount of such annual director's fee payable to each of our executive and non-executive Directors under the service contracts:

Executive Directors	HK$
Mr. Hou Junyu (侯俊宇)	1,500,000
Ms. Jiang Shuqin (蔣淑琴)	1,500,000

Non-Executive Director	HK$
Mr. Hou Chunlai (侯春來)	2,600,000

(b) Independent non-executive Directors

Each of our independent non-executive Directors has entered into an appointment letter with our Company on 23 February 2018. The initial term for their appointment letters shall be three years from the date of this document or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing. Under these appointment letters, each of our independent non-executive Directors will receive an annual director's fee of HK$260,000 effective from the Listing Date.

2. Remuneration of Directors

(a) Remuneration and benefits in kind of approximately RMB2.4 million, RMB2.5 million, RMB2.5 million and RMB1.4 million in aggregate were paid and granted by our Group to our Directors in respect of the years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018.

(b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending 31 August 2018, is expected to be approximately RMB3.2 million in aggregate (excluding discretionary bonus).

(c) None of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

(a) Interests and short positions of our Directors and the chief executive of our Company in the share capital of our Company and its associated corporations following completion of the Global Offering

Immediately following completion of the Global Offering (assuming the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme), the interests or short positions of our Directors and chief executives in the Shares, underlying shares and debentures of our Company and its 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/she 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 our Company 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:

(i) Interest in Shares

Name of Director or chief executive	Capacity/ Nature of interest	Relevant company	Number of Shares	Approximate percentage of interest in our Company immediately after the Global Offering[1]
Mr. Hou	Interest in a controlled corporation; beneficial owner	Chunlai Investment[2]	900,000,000	75%
	Share options granted under the Pre-IPO Share Option Scheme	N/A	6,000,000	0.50%

Name of Director or chief executive	Capacity/ Nature of interest	Relevant company	Number of Shares	Approximate percentage of interest in our Company immediately after the Global Offering[(1)]
Chairman Hou	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000	0.67%
	Interest of spouse[(3)]	N/A	8,000,000	0.67%
Ms. Jiang	Share options granted under the Pre-IPO Share Option Scheme	N/A	8,000,000	0.67%
	Interest of spouse[(3)]	N/A	8,000,000	0.67%

Notes:

(1) The calculation is based on the total number of 1,200,000,000 Shares in issue immediately after completion of the Global Offering (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option are not exercised and no Shares are granted under the Share Award Scheme).

(2) Chunlai Investment is wholly-owned by Mr. Hou. Thus, Mr. Hou is deemed to be interested in the Shares in which Chunlai Investment is interested by virtue of the SFO.

(3) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.

(ii) Interest in associated corporations

Name of Director of chief executive	Capacity/Nature of interest	Associated corporations	Amount of issued share capital/ registered capital/ sponsor capital in the associated corporation	Percentage of holding in the associated corporation
Mr. Hou	Beneficial owner	Chunlai Investment	US$1	100%
	Beneficial owner	The PRC Holdco	RMB30,000,000	100%
	Beneficial owner[(1)]	The School Sponsor	RMB113,740,000	100%
Chairman Hou	Beneficial owner[(1)] and interest of spouse[(2)]	The School Sponsor	RMB33,780,000	29.7%
Ms. Jiang	Beneficial owner[(1)] and interest of spouse[(2)]	The School Sponsor	RMB33,780,000	29.7%

Notes:

(1) The sponsor interest of the School Sponsor is held as to 69.3% by Mr. Hou (RMB78,821,820), as to 19.8% by Chairman Hou (RMB22,520,520) and as to 9.9% by Ms. Jiang (RMB11,260,260). Mr. Hou, Chairman Hou and Ms. Jiang agreed that Mr. Hou would effectively own the sponsor interests of the School Sponsor held by Chairman Hou and Ms. Jiang.

(2) As Chairman Hou and Ms. Jiang are husband and wife, each of them is deemed to be interested in the interest held by them by virtue of the SFO.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

For information on the persons who will, immediately following the completion of the Global Offering and taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme, having or be deemed or taken to have beneficial interests or short position in our Shares or underlying shares which would fall to be disclosed to our Company 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, see the section headed "Substantial Shareholders".

Save as set out above, as of the Latest Practicable Date, our Directors were not aware of any persons who would, immediately following the completion of the Global Offering and taking no account of any Shares that may be issued pursuant to the exercise of the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme, be interested, directly or indirectly, in 10% or more of the nominal of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of our Group or had option in respect of such share capital.

4. Disclaimers

Save as disclosed in this document:

(a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;

(b) none of the Directors or the experts named in the paragraph headed "— E. Other Information — 5. Consents of experts" in this section has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;

(c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this document;

(d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this document which is significant in relation to the business of the Group taken as a whole;

(e) taking no account of any Shares that may be taken up under the Global Offering and allotted and issued pursuant to the exercise of the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, 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 member of the Group; and

(f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he 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 entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

D. PRE-IPO SHARE OPTION SCHEME AND SHARE AWARD SCHEME

1. Pre-IPO Share Option Scheme

The following is a summary of the principal terms of the Pre-IPO Share Option Scheme effective from 9 August 2018. The terms of the Pre-IPO Share Option Scheme are not subject to the provisions of Chapter 17 of the Listing Rules as the Pre-IPO Share Option Scheme will not involve the grant of options by us to subscribe for Shares after the Listing.

(a) Purpose

The purpose of the Pre-IPO Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage selected participants to work towards enhancing the value of the Company and its Shares for the benefit of the Company and its Shareholders as a whole. The Pre-IPO Share Option Scheme will provide the Company with a flexible means of retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to selected participants.

(b) Who may join

Our Board (which expression shall, for the purpose of this paragraph, include a duly authorised committee thereof) may determine the persons belonging to any of the following classes of participants, who our Board considers, in its sole discretion, have contributed or will contribute to our Group, to take up options to subscribe for Shares:

(i) any directors and employees of any member of our Group (including nominees and/or trustees of any employee benefit trusts established for them); and

(ii) any advisers, consultants, distributors, contractors, customers, suppliers, agents, business partners, joint venture business partners, service providers of any member of our Group.

For the avoidance of doubt, the grant of any options by our Company for the subscription of Shares or other securities of our Group to any person who falls within any of these classes of participants shall not, by itself, unless our Directors otherwise so determine, be construed as a grant of option under the Pre-IPO Share Option Scheme.

The eligibility of any of these classes of participants to the grant of any option shall be determined by our Directors from time to time on the basis of our Directors' opinion as to the participant's contribution to the development and growth of our Group.

(c) Maximum number of Shares

The overall limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Pre-IPO Share Option Scheme at any time shall not exceed 35,950,000 Shares (the "**Scheme Limit**").

(d) Performance targets

Unless our Directors otherwise determine and state in the offer of the grant of options to a grantee, a grantee is not required to achieve any performance targets before any options granted under the Pre-IPO Share Option Scheme can be exercised.

(e) Subscription price for Shares

The subscription price in relation to each option granted under the Pre-IPO Share Option Scheme shall be such price as may be determined by our Board.

A nominal consideration of RMB1.00 is payable upon acceptance of the grant of an option.

(f) Time of acceptance and exercise of option

An option may be accepted by a participant within ten business days from the date of the offer of grant of the option.

An option may be exercised in accordance with the terms of the Pre-IPO Share Option Scheme at any time during a period to be determined and notified by our Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 20 years from the date of grant of the option subject to the provisions for early termination under the Pre-IPO Share Option Scheme.

(g) Cancellation of options granted

Any options granted but not exercised may be cancelled if the relevant grantee so agrees in writing. Issuance of new options to the same grantee may only be made if there are unissued options available under the Pre-IPO Share Option Scheme (excluding the cancelled options) and in compliance with the terms of the Pre-IPO Share Option Scheme.

(h) Lapse of an option

An option shall lapse automatically (to the extent not already exercised and subject always to the terms and conditions upon which such option was granted) on the earliest of the expiry of the period referred to in sub-paragraph (g) or:

(i) the expiry of the periods or dates referred to in sub-paragraphs (j), (k), (m) and (n);

(ii) the date on which the grantee (being an employee or a director of the Group) ceases to be a participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily;

(iii) the date on which the grantee joins a company which the Board believes in its sole and reasonable opinion to be a competitor of our Company;

(iv) the date on which the grantee (being a corporation) appears either to be unable to pay or to have no reasonable prospect of being able to pay its debts or has become insolvent or has made any arrangement or composition with its creditors generally;

(v) unless our Board otherwise determines, and other than in the circumstances referred to in sub-paragraphs (j) or (k), the date the grantee ceases to be a participant (as determined by a Board resolution) for any other reason;

(vi) the date on which the Board determines at its sole discretion that allowing the relevant grantee to exercise the option is not in the best interests of the Company; or

(vii) the date on which the Board determines at its sole discretion that there is no reasonable prospect of obtaining the listing approval for the Shares to be issued pursuant to the exercise of the options from the Stock Exchange.

(i) Period of the Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme will remain in force for the period ending on the Listing Date (inclusive of the date).

(j) Rights on ceasing employment

If the grantee of an option is an eligible employee and ceases to be an eligible employee for any reason other than death, or for serious misconduct or other grounds referred to in sub-paragraph (l) below before exercising his or her option in full, the grantee may exercise the options then vested at any time prior to or the date of cessation unless the Board otherwise determines, in whole or in part within such period as our Directors may determine following the date of such cessation, which will be taken to be the last day on which the grantee was physically at work with our Group whether salary is paid in lieu of notice or not.

(k) Rights on death

If the grantee of an option ceases to be a participant by reason of his death, before exercising the option in full, the personal representative(s) of the grantee shall be entitled to exercise the option in whole or in part within a period of 12 months following the date of death of the grantee.

(l) Rights on dismissal

If the grantee of an option ceases to be a participant by reason of the termination of his employment or engagement on the grounds that he has been guilty of serious misconduct, or has been convicted of any criminal offence involving his integrity or honesty or on any other ground on which an employer would be entitled to terminate his employment summarily, his option will lapse automatically.

(m) Rights on a general offer, a compromise or arrangement

If a general offer by way of takeover or otherwise (other than by way of scheme of arrangement) is made to our Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, the Company shall forthwith give notice thereof to the grantee and the grantee shall be entitled to exercise the option to its full extent or, if our Company shall forthwith give the relevant notification, to the extent notified by our Company, at any time within such period as shall be notified by our Company.

If a general offer for Shares by way of scheme of arrangement is made to all our Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, our Company shall forthwith give notice thereof to the grantee and the grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company.

In the event of a compromise or arrangement, other than a scheme of arrangement, between our Company and our Shareholders and/or creditors being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other companies pursuant to the laws of the jurisdiction in which our Company was incorporated, our Company shall give notice thereof to all grantees on the same day as it first gives notice of the meeting to its members and/or creditors summoning the meeting to consider such a scheme or arrangement and the grantee may at any time thereafter (but before such time as shall be notified by our Company) exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed meeting, allot, issue and register in the name of the grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(n) Rights on winding up

In the event a notice is given by our Company to our Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall forthwith give notice thereof to the grantee and the grantee (or in the case of the death of the grantee, his personal representatives(s)) may at any time within such period as shall be notified by our Company, subject to the provisions of all applicable laws, exercise the option to its full extent or, if our Company shall give the relevant notification, to the extent notified by our Company, and our Company shall as soon as possible and in any event no later than three days prior to the date of the proposed general meeting, allot, issue and register in the name of the Grantee such number of fully paid Shares which fall to be issued on exercise of such option.

(o) Adjustments

In the event of an alteration in the capital structure of the Company whilst any option remains exercisable by way of capitalisation of profits or reserves, rights issue, subdivision or consolidation of shares, or reduction of the share capital of the Company in accordance with legal requirements and requirements of the Stock Exchange (other than any alteration in the capital structure of the Company as a result of an issue of Shares as consideration in a transaction to which the Company is a party), such corresponding alterations (if any) shall be made to:—

(i) the number or nominal amount of Shares comprised in each option so far as unexercised; and/or

(ii) the subscription price; and/or

(iii) the method of exercise of the option,

or any combination thereof, as the auditors or a financial adviser engaged by the Company for such purpose shall, at the request of the Company, certify in writing, either generally or as regards any particular grantee, to be in their opinion fair and reasonable, provided always that any such adjustments should give each grantee the same proportion of the equity capital of the Company as that to which that grantee was previously entitled prior to such adjustments, and no adjustments shall be made that will enable a Share to be issued at less than its nominal value. The capacity of the auditors or financial adviser (as the case may be) in this sub-paragraph is that of experts and not of arbitrators and their certification shall, in the absence of manifest error, be final and binding on the Company and the grantees. The costs of the auditors or financial adviser (as the case may be) shall be borne by the Company.

(p) Others

The Pre-IPO Share Option Scheme is conditional on the Listing Committee granting or agreeing to grant approval of (subject to such condition as the Stock Exchange may impose) the listing of and permission to deal in such number of Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme and the commencement of dealings in the Shares on the Stock Exchange. Application has been made to the Listing Committee for the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the options granted under the Pre-IPO Share Option Scheme.

The rights of the grantee of an option referred to in sub-paragraphs (j) to (n) above are subject to the terms and conditions upon which such option was granted.

Any alterations to the terms and conditions of the Pre-IPO Share Option Scheme which are of a material nature or any change to the terms of options granted (except changes made to the terms and conditions of options granted at the request of the Stock Exchange and/or other regulatory authorities) must be approved by our Shareholders in a general meeting and the Stock Exchange, except where the alterations take effect automatically under the existing terms of the Pre-IPO Share Option Scheme.

Any change to the authority of our Directors or the scheme administrators in relation to any alteration to the terms of the Pre-IPO Share Option Scheme shall be approved by our Shareholders in a general meeting.

(q) Outstanding options granted

The grant of options under the Pre-IPO Share Option Scheme to the grantees as set out below was approved by the Board to be made on 9 August 2018 (the "**Date of Grant**"). The number of underlying Shares pursuant to the outstanding options granted under the Pre-IPO Share Option Scheme amounts to 35,950,000 Shares, representing approximately 3.00% of the issued Shares immediately following the completion of the Global Offering (assuming the Over-allotment Option and the options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme). As of the Latest Practicable Date, we had granted options to 27 participants under the Pre-IPO Share Option Scheme. No further options have or will be granted under the Pre-IPO Share Option Scheme subsequent to the Listing Date. The exercise price of all the options granted under the Pre-IPO Share Option Scheme is HK$0.00001 per Share.

The table below sets forth details of the outstanding share options granted to all grantees under the Pre-IPO Share Option Scheme as at the Latest Practicable Date.

Name of grantee	Position held with the Group	Key family relationship with other grantees	Address	Number of Shares underlying the options granted	Approximate percentage of issued Shares immediately after completion of the Global Offering(Note)
Chairman Hou	Non-executive Director and chairman of our Board	Spouse of Ms. Jiang, father of Mr. Hou; brother of Hou Chunling and cousin of spouse of Mr. Wan Peng	27-B, 1st Floor, Unit 1 Jianye Green House Villas, Shangqiu City, Henan Province, PRC	8,000,000	0.67%
Ms. Jiang	Executive Director	Spouse of Chairman Hou, mother of Mr. Hou, sister-in-law of Hou Chunling, sister-in-law of Mr. Yang Xinzhong and cousin of Mr. Jiang Yongqi	27-B, 1st Floor, Unit 1 Jianye Green House Villas, Shangqiu City, Henan Province, PRC	8,000,000	0.67%
Mr. Hou	Executive Director and chief executive officer	Son of Chairman Hou and Ms. Jiang, and brother of Hou Lihe	27-B, 1st Floor, Unit 1 Jianye Green House Villas, Shangqiu City, Henan Province, PRC	6,000,000	0.50%
Hou Lihe (侯力赫)	Audit manager of the School Sponsor	Daughter of Chairman Hou and Ms. Jiang, and sister of Mr. Hou	27-B, 1st Floor, Unit 1 Jianye Green House Villas, Shangqiu City, Henan Province, PRC	2,000,000	0.17%
Yang Xinzhong (楊新忠)	General manager of our Company	Brother-in-law of Ms. Jiang	Liuzhai Village, Shaogang Township, Yucheng County, Henan Province, PRC	850,000	0.07%

Name of grantee	Position held with the Group	Key family relationship with other grantees	Address	Number of Shares underlying the options granted	Approximate percentage of issued Shares immediately after completion of the Global Offering[(Note)]
Hou Chunling (侯春玲)	Vice chancellor of Shangqiu University	Sister of Chairman Hou	Luozhuang Village, Chengjiao Township, Yucheng County, Henan Province, PRC	700,000	0.06%
Wang Jie (王傑)	Office manager of our Company	N/A	No. 5 Shicaowang Village, Daying Township, Weishi County, Henan Province, PRC	700,000	0.06%
Liu Wei (劉偉)	Head of business support services department of our Company	N/A	No. 56 Mulan Avenue, Chengguan Town, Yucheng County, Henan Province, PRC	700,000	0.06%
Jiang Yongqi (蔣永旗)	Head of human resources department of our Company	Cousin of Ms. Jiang	Lixing Village, Shaogang Township, Yucheng County, Henan Province, PRC	700,000	0.06%
Zhao Zhen (趙振)	Chief financial officer of our Company	N/A	Unit 2, Building No. 22, Ancai Jiayuan Phase 2, Gaoxin Zone, Anyang City, Henan Province, PRC	700,000	0.06%
Wan Peng (萬鵬)	Manager of office planning and development of our Company	Spouse of Mr. Wan is cousin of Chairman Hou	No. 70-1, Middle Section of Datong Road, Chengguan Town, Yucheng County, Henan Province, PRC	700,000	0.06%
Cheng Yinxue (程印學)	Chancellor of Shangqiu University	N/A	Family Quarters No. 3, Shangqiu Normal University, Shangqiu City, Henan Province, PRC	700,000	0.06%

Name of grantee	Position held with the Group	Key family relationship with other grantees	Address	Number of Shares underlying the options granted	Approximate percentage of issued Shares immediately after completion of the Global Offering(Note)
Li Jun Cheng (李軍成)	General secretary of party committee of Shangqiu University	N/A	Building No. 24, Bishui Lancheng, Kaifeng City, Henan Province, PRC	700,000	0.06%
He Haipeng (賀海鵬)	Chancellor of Anyang University	N/A	Building No. 15, Yard No. 28, Yingchun West Street, Wenfeng District, Anyang City, Henan Province, PRC	700,000	0.06%
Wang Ruiping (王瑞平)	Resident director in Hubei College	N/A	Family Quarters No. 1, Shangqiu Normal University, Shangqiu City, Henan Province, PRC	700,000	0.06%
Ma Shaoshuai (馬紹帥)	Vice director, business support services department of the School Sponsor	N/A	No. 1 Magedang Village, Zhaogang Town, Fengqiu County, Henan Province, PRC	500,000	0.04%
Li Lianqi (李連啟)	Director of Finance of the School Sponsor	N/A	Qiaolou Village, Qiaoji Township, Yucheng County, Henan Province, PRC	500,000	0.04%
Zhao Jianli (趙建立)	General manager, business support services department of the School Sponsor	N/A	No. 144 Tianzhuang Village, Lilaojiao Township, Yucheng County, Henan Province, PRC	400,000	0.03%
Wang Aimin (王愛民)	General manager, business support services department of the School Sponsor	Spouse of Hou Chunling and brother-in-law of Chairman Hou	Luozhuang Village, Chengjiao Township, Yucheng County, Henan Province, PRC	400,000	0.03%

Name of grantee	Position held with the Group	Key family relationship with other grantees	Address	Number of Shares underlying the options granted	Approximate percentage of issued Shares immediately after completion of the Global Offering(Note)
Zhang Zhiqiang (張志強)	Director of office of supervision and management of the School Sponsor	N/A	Building No.2, Tianming Diyicheng, Zhongzhou Road, Pingtai Town, Liangyuan District, Shangqiu City, Henan Province, PRC	400,000	0.03%
Luo Qingfeng (羅清楓)	Vice office manager of the School Sponsor	N/A	Luolou, Caolou, Shaji Township, Yucheng County, Henan Province, PRC	400,000	0.03%
Wang Zhifu (王致富)	Director of procurement office of the School Sponsor	N/A	No. 168 Gaozhong Village, Baizhuang Town, Anyang County, Henan Province, PRC	300,000	0.03%
Huo Zechun (豁澤春)	Director of education promotion office of the School Sponsor	N/A	Zijin Huating Community, Shangqiu City, Henan Province, PRC	300,000	0.03%
Wang Chong (王沖)	Office clerk of the School Sponsor	Son of Hou Chunling	301 Luozhuang Village, Chengjiao Township, Yucheng County, Henan Province, PRC	300,000	0.03%
Li Xin (李信)	Audit clerk of the School Sponsor	N/A	Unit 301, Building No. 8 West, Zhizhong Court, Guangshun Street, Anyang City Development Zone, Henan Province, PRC	200,000	0.02%
Ma Wei (馬威)	Finance clerk of the School Sponsor	N/A	No. 12 Caishi South Second Street, Suiyang District, Shangqiu City, Henan Province, PRC	200,000	0.02%

Name of grantee	Position held with the Group	Key family relationship with other grantees	Address	Number of Shares underlying the options granted	Approximate percentage of issued Shares immediately after completion of the Global Offering(Note)
Cui Bo (崔博)	Office secretary section chief of the School Sponsor	N/A	No. 215, Jiefang Road, Zhaben Nuoer Mine District, Manzhouli City, Inner Mongolia, PRC	200,000	0.02%
Total: 27 grantees				35,950,000	3.00%

Note: The above table assumes that the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme.

Unless our Board shall otherwise determine,

(a) the options granted to each of Cheng Yinxue (程印學), Wang Ruiping (王瑞平) and Cui Bo (崔博) under the Pre-IPO Share Option Scheme shall vest in accordance with the schedule as follows:

(i) as to 10% of the aggregate number of Shares underlying the option on the date ending three years after the Date of Grant;

(ii) as to 30% of the aggregate number of Shares underlying the option on the date ending five years after the Date of Grant;

(iii) as to 20% of the aggregate number of Shares underlying the option on the date ending seven years after the Date of Grant; and

(iv) as to the remaining 40% of the aggregate number of Shares underlying the option on the date ending ten years after the Date of Grant; and

(b) the options granted to each of the other participants under the Pre-IPO Share Option Scheme shall vest in accordance with the schedule as follows:

(i) as to 30% of the aggregate number of Shares underlying the option on the date ending three years after the Date of Grant;

(ii) as to 20% of the aggregate number of Shares underlying the option on the date ending five years after the Date of Grant;

(iii) as to 20% of the aggregate number of Shares underlying the option on the date ending seven years after the Date of Grant; and

(iv) as to the remaining 30% of the aggregate number of Shares underlying the option on the date ending ten years after the Date of Grant.

Each option granted under the Pre-IPO Share Option Scheme has a 20-year exercise period from the Date of Grant provided that none of the options (whether vested or not) shall be exercisable prior to the Listing.

(r) Ranking of Shares

Shares allotted and issued upon the exercise of an option shall be identical to the then existing issued Shares and subject to all the provisions of the Memorandum and Articles and will rank pari passu with the fully paid Shares in issue on the date the name of the grantee is registered on the register of members of our Company or, 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, save that the grantee shall not have any voting rights, or rights to participate in any dividends or distributions (including those arising on a liquidation of the Company) declared or recommended or resolved to be paid to the Shareholders on the register on a date prior to such registration.

Unless the context otherwise requires, references to "Shares" in this sub-paragraph include references to shares in the ordinary equity share capital of our Company of such nominal amount as shall result from a subdivision, consolidation, re-classification or re-construction of the share capital of our Company from time to time.

(s) Termination

Our Company may by ordinary resolution in a general meeting or the Board may at any time resolve to terminate the operation of the Pre-IPO Share Option Scheme prior to the expiry of the Pre-IPO Share Option Scheme and in such event no further options shall be offered or granted but the provisions of the Pre-IPO Share Option Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior thereto or otherwise as may be required in accordance with the provisions of the Pre-IPO Share Option Scheme. Options granted prior to such termination shall continue to be valid and exercisable in accordance with the Pre-IPO Share Option Scheme.

2. Share Award Scheme

The following is a summary of the principal terms of the Share Award Scheme conditionally adopted by the resolutions in writing of our Shareholders on 24 August 2018 effective from the Listing Date. The Share Award Scheme is not a share option scheme and is not subject to the provisions of Chapter 17 of the Listing Rules. As at the Latest Practicable Date, the Company has not established a trust in connection with the Share Award Scheme. The Company may establish a trust and appoint a trustee prior to the grant of any award by the Board (an "**Award**") that may vest in the form of Shares (the "**Award Shares**") or the actual selling price of the Award Shares in cash in accordance with the Share Award Scheme.

(a) Purpose

The purpose of the Share Award Scheme is to align the interests of eligible persons with those of the Group through ownership of Shares, dividends and other distributions paid on Shares and/or the increase in value of the Shares, and to encourage and retain eligible persons to make contributions to the long-term growth and profits of the Group.

(b) Eligible Persons

Any individual, being an employee, director, officer, consultant, adviser, distributor, contractor, customer, supplier, agent, business partner, joint venture business partner or service provider of any member of the Group or any affiliate (including nominees and/or trustees of any employee benefit trust established for them) who the Board or its delegate(s) considers, in its sole discretion, to have contributed or will contribute to the Group is eligible to receive an Award. However, no individual who is resident in a place where the grant, acceptance or vesting of an Award pursuant to the Share Award Scheme is not permitted under the laws and regulations of such place or where, in the view of the Board, compliance with applicable laws and regulations in such place makes it necessary or expedient to exclude such individual, shall be entitled to participate in the Share Award Scheme.

(c) Awards

An Award gives a selected participant a conditional right, when the Shares vest, to obtain the Shares or, if in the absolute discretion of the Board or its delegate(s), it is not practicable for the selected participant to receive the Award in Shares, the cash equivalent from the sale of the Shares. An Award includes all cash income from dividends in respect of those Shares from the date the Award is granted ("**Grant Date**") to the date the Award vests ("**Vesting Date**"). For the avoidance of doubt, the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Shares be paid to the selected participant even though the Shares have not yet vested.

(d) Grant of Award

The Board or the committee of the Board or person(s) to which the Board has delegated its authority may, from time to time, at their absolute discretion, grant an Award to a selected participant (in the case of the Board's delegate(s), to any selected participant other than a director or an officer of the Company) by way of an award letter ("**Award Letter**"). The Award Letter will specify the Grant Date, the number of Shares underlying the Award, the vesting criteria and conditions, the Vesting Date and such other details as the Board or its delegate(s) may consider necessary.

Each grant of an Award to any Director or the chief executive officer shall be subject to the prior approval of the independent non-executive Directors (excluding any independent non-executive Director who is a proposed recipient of the grant of an Award). The Company will comply with the relevant requirements under Chapter 14A of the Listing Rules for any grant of shares to connected persons of the Company.

The Board and its delegate(s) may not grant any Shares to any selected participant in certain circumstances, including the following:

(i) where any applicable approval from any applicable regulatory authorities has not been granted;

(ii) where any member of the Group will be required under applicable securities laws, rules or regulations to issue a prospectus or other offer documents in respect of such Award or the Share Award Scheme, unless the Board determines otherwise;

(iii) where such Award would result in a breach by any member of the Group or its directors of any applicable securities laws, rules or regulations in any jurisdiction;

(iv) where such grant of Award would result in a breach of the Share Award Scheme Limit (as defined below) or would otherwise cause the Company to issue Shares in excess of the permitted amount in the mandate approved by the Shareholders;

(v) where any Director is in possession of unpublished inside information in relation to the Company or where dealings by Directors are prohibited under any code or requirement of the Listing Rules and all applicable laws, rules or regulations, from time to time;

(vi) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and

(vii) during the period of 30 days immediately preceding the publication date of the half-year results or, if shorter, the period from the end of the relevant half-year period up to the publication date of the results.

(e) Maximum number of Shares to be granted

The maximum aggregate number of Shares underlying all grants made pursuant to the Share Award Scheme (excluding Shares which have been forfeited in accordance with the Share Award Scheme) will not exceed 84,000,000 Shares (representing approximately 7% of the total issued Shares immediately after completion of the Global Offering, assuming the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme are not exercised and no Shares are granted under the Share Award Scheme) without further Shareholders' approval (the "**Share Award Scheme Limit**").

Under the current Share Award Scheme Limit, new Shares (up to 84,000,000 Shares) may be issued by the Company within ten years of the Listing Date (the "**Award Period**").

Save as otherwise restricted by the Share Award Scheme Limit or the Listing Rules, there shall be no limit on the total number of non-vested Shares that may be granted to a selected participant under the Scheme.

(f) Scheme Mandate

To the extent that the Share Award Scheme Limit is subsequently increased by way of alteration of the Share Award Scheme and the Company is required to issue and allot new shares to satisfy any Awards in excess of any amount previously approved by our Shareholders (as the case may be), the Company shall at a general meeting propose, and the Shareholders shall consider and, if thought fit, pass an ordinary resolution approving a mandate specifying:

(i) the maximum number of new Shares that may be issued for this purpose;

(ii) that the Board has the power to issue, allot, procure the transfer of and otherwise deal with the Shares in connection with the Share Award Scheme; and

(iii) the mandate will remain in effect during the period from the passing of the ordinary resolution granting the mandate until the variation or revocation of such mandate by an ordinary resolution of the Shareholders in a general meeting.

(g) Rights attached to the Award

Save that the Board at its discretion may from time to time determine that any dividends declared and paid by the Company in relation to the Shares be paid to the selected participants even though the Shares have not yet vested, the selected participant only has a contingent interest in the Shares underlying an Award unless and until such Shares are actually transferred to the selected participant, nor does he/she have any rights to any cash or non-cash income until the Shares and related income vest.

(h) Rights attached to the Shares

Any Shares transferred to a selected participant in respect of any Awards will be subject to all the provisions of the Memorandum and Articles of Association and will form a single class with the fully paid Shares in issue on the relevant date.

(i) Assignment of Awards

Any Shares granted under the Share Award Scheme but not yet vested are personal to the selected participants to whom they are granted and cannot be assigned or transferred. A selected participant shall not in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Award, or enter into any agreement to do so.

(j) Vesting of Awards

The Board or its delegate(s) may from time to time while the Share Award Scheme is in force and subject to all applicable laws, determine such vesting criteria and conditions or periods for the Award to be vested.

If there is an event of change in control of the Company by way of a merger, a privatisation of the Company by way of a scheme or by way of an offer, the Board or the committee of the Board or person(s) to which the Board has delegated its authority shall at their sole discretion determine whether the Vesting Dates of any Awards will be accelerated to an earlier date.

(k) Consolidation, subdivision, bonus issue and other distribution

In the event the Company undertakes a subdivision or consolidation of the Shares, corresponding changes will be made to the number of outstanding Shares that have been granted provided that the adjustments shall be made in such manner as the Board or its delegate(s) determines to be fair and reasonable in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Share Award Scheme for the selected participants. All fractional shares (if any) arising out of such consolidation or sub-division in respect of the Shares of a selected participant shall be deemed as returned shares ("**Returned Shares**") and shall not be transferred to the relevant selected participant on the relevant Vesting Date.

In the event of an issue of Shares by the Company credited as fully paid to the holders of the Shares by way of capitalisation of profits or reserves (including share premium account), the Shares attributable to any Award Shares held by the trustee shall be deemed to be an accretion to such Award Shares and shall be held by the trustee as if they were Award Shares acquired by the trustee hereunder and all the provisions hereof in relation to the original Award Shares shall apply to such additional Shares.

In the event of any non-cash distribution or other events not referred to above by reason of which the Board or its delegate(s) considers an adjustment to an outstanding Award to be fair and reasonable, an adjustment shall be made to the number of outstanding Shares of each selected participant as the Board or its delegate(s) shall consider as fair and reasonable, in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Share Award Scheme for the selected participants.

In the event the Company undertakes an open offer of new securities, the trustee shall not subscribe for any new Shares. In the event of a rights issue, the trustee shall seek instructions from the Company on the steps or actions to be taken in relation to the nil-paid rights allotted to it.

(l) Retirement, death or permanent physical or mental disability of an eligible person

If a selected participant ceases to be an eligible person by reason of retirement of the selected participant, any outstanding Shares and related income not yet vested shall continue to vest in accordance with the Vesting Dates set out in the Award Letter, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant ceases to be an eligible person by reason of (i) death of the selected participant; (ii) termination of the selected participant's employment or contractual engagement with the Group or an affiliate by reason of his/her permanent physical or mental disablement; or (iii) termination of the selected participant's employment or contractual engagement with the Group by reason of redundancy, any outstanding Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

If a selected participant, being an employee whose employment is terminated by the Group or an affiliate by reason of the employer terminating the contract of employment without notice or payment in lieu of notice, or the selected participant having been convicted of any criminal offence involving his or her integrity or honesty, any outstanding Shares and related income not yet vested shall be immediately forfeited, unless the Board or its delegate(s) determines otherwise at their absolute discretion.

(m) Grant of Shares under the Share Award Scheme

As of the date of this document, no Shares have been granted or agreed to be granted under the Share Award Scheme.

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Shares which may be issued pursuant to the Share Award Scheme.

(n) Duration and termination

The Share Award Scheme shall be valid and effective for the Award Period (after which no Awards will be granted), and thereafter for so long as there are any non-vested Shares granted prior to the expiration of the Share Award Scheme, in order to give effect to the vesting of such Shares or otherwise as may be required in accordance with the rules of the Share Award Scheme. Subject to the foregoing, the Share Award Scheme shall terminate on the earlier of:

(i) the end of the Award Period except in respect of any non-vested Shares granted prior to the expiration of the Share Award Scheme, for the purpose of giving effect to the vesting of such Shares or otherwise as may be required in accordance with the provisions of the Share Award Scheme; and

(ii) such date of early termination as determined by our Board provided that such termination shall not affect any subsisting rights in respect of the Shares granted to a selected participant under the Share Award scheme.

(o) Administration by trustee

Without prejudice to the Board's general power of administration, to the extent not prohibited by applicable laws and regulations, the Board or the committee of the Board or persons to which the Board has delegated its authority may from time to time appoint one or more trustees in respect of granting administration or vesting of any Shares under the Share Award Scheme.

Subject to the rules of the Share Award Scheme:

(i) our Company shall, as soon as reasonably practicable and no later than 30 business days from the Grant Date, for the purposes of satisfying the grant of awards, issue and allot Shares to the trustee and/or transfer to the trust the necessary funds and instruct the trustee to acquire Shares through on-market transactions at the prevailing market price; and

(ii) our Company shall instruct the trustee whether or not to apply any Returned Shares to satisfy any grant of Awards made, and if the Returned Shares, as specified by our Company, are not sufficient to satisfy the Awards granted, our Company shall as soon as reasonably practicable and no later than 30 business days from the Grant Date, for purposes of satisfying the Awards granted, issue and allot further Shares to the trustee and/or transfer to the trust the necessary funds and instruct the trustee to acquire further Shares through on-market transactions at the prevailing market price.

Where the trustee has received instructions from our Company to acquire shares through on-market transactions, the trustee shall acquire such number of Shares as instructed by our Company on-market at the prevailing market price as soon as reasonably practicable after receiving the necessary funds from our Company. The trustee shall only be obliged to transfer Shares granted (and the related income derived from such Shares) to selected participants on vesting to the extent that Shares granted (and the related income derived from such Shares) are comprised in the trust.

E. OTHER INFORMATION

1. Deed of Indemnity

Our Controlling Shareholders entered into the Deed of Indemnity dated 24 August 2018 in favour of our Company to jointly and severally indemnify and at all times keep indemnified our Company (for itself and as trustee for the benefit of the other members of our Group) and hold our Company (for itself and as trustee for the benefit of the other members of our Group) harmless on demand against, among other things, any demands, actions, claims, losses, liabilities, damages, costs, charges, fees, penalties, fines or expenses made, suffered or incurred by any member of our Group in respect of or arising directly or indirectly from:

(a) any non-compliance or alleged non-compliance by any member of our Group with any applicable laws, rules and regulations in Hong Kong, the PRC, or any other jurisdictions relevant to the members of our Group or any of them for so long as such non-compliance or alleged non-compliance occurs or occurred on or before the date on which the Global Offering becomes unconditional (the "**Relevant Date**"), including our non-compliance with respect to (i) our Group's owned properties as set out in "Business-Properties"; (ii) our contributions to employee security plans as set out in "Business – Employees"; and (iii) our one-off financing arrangement involving the issuance of a bank note in February 2017 as set out in "Business – Financing Arrangement";

(b) the amount of any taxation falling on any member of our Group in respect of and to the extent of any of the following: (i) non-compliance or alleged non-compliance by any member of our Group with any applicable laws, rules and regulations in Hong Kong, the PRC, or any other jurisdictions relevant to the members of our Group or any of them for so long as such non-compliance or alleged non-compliance occurs or occurred on or before the Relevant Date; and (ii) historical shortfall on taxation in tax filings made on or before the Relevant Date;

(c) all costs (including legal costs), expenses and other liabilities which members of our Group may properly incur in connection with: (i) the investigation or the contesting of any matters referred to in paragraphs (a) and (b) above and this paragraph (c); (ii) the settlement of any claim under the Deed of Indemnity; (iii) any legal proceedings in which members of our Group or any of them claim under or in respect of the Deed of Indemnity and in which judgement is given for it; and (iv) the enforcement of any such settlement or judgement.

Our Controlling Shareholders shall not be liable to indemnify our Group under the Deed of Indemnity:

(a) where: (i) provision has been made for such taxation in the audited consolidated accounts of the Group for the three years ended 31 August 2017 and the six months ended 28 February 2018; or (ii) such taxation arises or is incurred as a result of a retrospective change in any applicable laws, rules or regulations coming into force after the Relevant Date; or (iii) such taxation arises 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 after the Relevant Date; or

(b) to the extent that such taxation or liability would not have arisen but for any act or omission by any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) effected after the Relevant Date without the prior written consent or agreement of any of our Controlling Shareholders, otherwise than in the ordinary and usual course of business of any member of our Group.

2. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any member of our Group.

3. Litigation

So far as our Directors are aware, no litigation or claim of material importance is pending or threatened against any member of our Group.

4. Sole Sponsor

The Sole Sponsor has made an application on our behalf to the Listing Committee for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including any Shares that may fall to be issued pursuant to the exercise of the Over-allotment Option and options granted under the Pre-IPO Share Option Scheme and grants under the Share Award Scheme).

5. Consents of experts

The following experts have each given and have not withdrawn their respective written consents to the issue of this document with copies of their reports, letters, opinions or summaries of opinions (as the case may be) and the references to their names included herein in the form and context in which they are respectively included.

Name	Qualification
CLSA Capital Markets Limited	A licensed corporation to conduct Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Tian Yuan Law Firm	Qualified PRC lawyers
Walkers	Cayman Islands attorneys-at-law
Deloitte Touche Tohmatsu	Certified public accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Independent property valuer
Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.	Independent industry consultant

As of the Latest Practicable Date, none of the experts named above had any shareholding interest in our Company or any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

6. Binding effect

This document 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 Ordinance so far as applicable.

7. Bilingual document

The English language and Chinese language versions of this document are being published separately in reliance upon the exemption provided by section 4 of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

8. Preliminary expenses

We have not incurred any material preliminary expenses in relation to the incorporation of our Company. As of 28 February 2018, the preliminary listing expenses incurred in relation to the Global Offering was approximately RMB14.9 million.

The Sole Sponsor will be paid by our Company a fee of US$0.8 million to act as a sponsor to our Company in connection with the Listing.

9. Disclaimers

(a) Save as disclosed in this document, within the two years immediately preceding the date of this document:

- (i) no share or loan capital or debenture of our Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be issued for cash or as fully or partly paid other than in cash or otherwise;
- (ii) 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; and
- (iii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries.

(b) Save as disclosed in this document:

- (i) there are no founder, management or deferred shares nor any debentures in our Company or any of our subsidiaries;
- (ii) no share or loan capital or debenture of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option; and
- (iii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries by our Company for subscribing or agreeing to subscribe, or procuring or agreeing to procure subscriptions, for any shares in or debentures of our Company or any of our subsidiaries.

(c) Save as disclosed in the paragraph headed "— B. Further Information about Our Business — 1. Summary of material contracts" in this section, none of our Directors or proposed Directors or experts (as named in this document), have any interest, direct or indirect, in any assets which have been, within the two years immediately preceding the date of this document, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group.

(d) We do not have any promoter. No cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this document within the two years immediately preceding the date of this document.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this document delivered to the Registrar of Companies in Hong Kong for registration were, among other documents:

(a) copies of **white**, **yellow** and **green** Application Forms;

(b) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 5. Consents of experts" in Appendix V to this document; and

(c) copies of the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of material contracts" in Appendix V to this document.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 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 which is 14 days from the date of this document:

(a) the Memorandum and the Articles;

(b) the Accountants' Reports prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendices IA and IB and the assurance report on the compilation of unaudited pro forma financial information of our Group prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix II;

(c) the audited consolidated financial statements of our Company for the three financial years ended 31 August 2015, 2016 and 2017 and the six months ended 28 February 2018;

(d) the PRC legal opinions issued by Tian Yuan Law Firm, our PRC Legal Adviser, in respect of certain general corporate matters and property interests of our Group;

(e) the letter of advice prepared by Walkers, our legal adviser on Cayman Islands law, summarising certain aspects of the Cayman Companies Law referred to in Appendix IV;

(f) the Cayman Companies Law;

(g) the property valuation report prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent property valuation firm, the text of which is set out in Appendix III;

(h) the industry report prepared by Frost & Sullivan (Beijing) Inc., Shanghai Branch Co.;

(i) the written consents referred to in the section headed "Statutory and General Information — E. Other Information — 5. Consents of experts" in Appendix V;

(j) the material contracts referred to in the section headed "Statutory and General Information — B. Further Information about Our Business — 1. Summary of Material Contracts" in Appendix V;

(k) the service contracts and the letters of appointment with our Directors referred to in the section headed "Statutory and General Information — C. Further Information about Our Directors — 1. Particulars of Directors' service contracts and appointment letters" in Appendix V;

(l) the terms of the Pre-IPO Share Option Scheme and a list of grantees under the Pre-IPO Share Option Scheme; and

(m) the terms of the Share Award Scheme.

CHINA CHUNLAI EDUCATION GROUP CO., LTD.
中國春來教育集團有限公司